SANHUA

ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.
浙江三花智能控制股份有限公司

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

Stock code : 2050

GLOBAL OFFERING





Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司

华泰国际 HUATAI INTERNATIONAL

Joint Bookrunners and Joint Lead Managers (in alphabetical order)

農銀國際 ABC INTERNATIONAL

中銀國際 BOCI

財通國際證券有限公司 CAITONG INTERNATIONAL SECURITIES COMPANY LIMITED

廣發証券(香港) GF SECURITIES (HONG KONG)

浙商國際 ZHESHANG INTERNATIONAL

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain professional independent advice.

ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.
浙江三花智能控制股份有限公司

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

Global Offering

Number of Offer Shares under the Global Offering	:	360,330,000 H Shares (subject to Offer Size Adjustment Option and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	25,223,100 H Shares (subject to reallocation and the Offer Size Adjustment Option)
Number of International Offer Shares	:	335,106,900 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)
Maximum Offer Price	:	HK$22.53 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB1.00 per H Share
Stock code	:	2050

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司 华泰国际 HUATAI INTERNATIONAL

Joint Bookrunners and Joint Lead Managers (in alphabetical order)

農銀國際 ABC INTERNATIONAL 中銀國際 BOCI 財通國際證券有限公司 CAITONG INTERNATIONAL SECURITIES COMPANY LIMITED 廣發証券(香港) GF SECURITIES (HONG KONG) 浙商國際 ZHESHANG INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix V — Documents Delivered to the Registrar of Companies and Available on Display" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Overall Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, June 19, 2025 (Hong Kong time) and, in any event, not later than 12:00 noon, Thursday, June 19, 2025 (Hong Kong time). The Offer Price will not be more than HK$22.53 per Offer Share and is currently expected to be not less than HK$21.21 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by 12:00 noon, Thursday, June 19, 2025 (Hong Kong time) between the Overall Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Overall Coordinators, on behalf of the Underwriters, may, where considered appropriate and with the consent of our Company, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (being HK$21.21 per Offer Share to HK$22.53 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at **https://zjshc.com** and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further details, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (on behalf of the Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. For details, see "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or otherwise transferred within the United States, except pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The Offer Shares may only be offered and sold (a) in the United States to QIBs in reliance on Rule 144A or another available exemption from registration requirements under the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S. No public offering of the Offer Shares will be made in the United States.

June 13, 2025

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at https://zjshc.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply electronically through the HKSCC EIPO channel and cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the HKSCC EIPO channel must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Hong Kong Offer Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application *HK$*
100	2,275.72	4,000	91,028.86	150,000	3,413,582.26	2,000,000	45,514,430.10
200	4,551.44	5,000	113,786.07	200,000	4,551,443.01	3,000,000	68,271,645.16
300	6,827.16	6,000	136,543.29	250,000	5,689,303.77	4,000,000	91,028,860.20
400	9,102.88	7,000	159,300.51	300,000	6,827,164.51	5,000,000	113,786,075.26
500	11,378.61	8,000	182,057.72	350,000	7,965,025.27	6,000,000	136,543,290.30
600	13,654.32	9,000	204,814.93	400,000	9,102,886.02	7,000,000	159,300,505.36
700	15,930.05	10,000	227,572.15	450,000	10,240,746.78	8,000,000	182,057,720.40
800	18,205.78	20,000	455,144.31	500,000	11,378,607.53	9,000,000	204,814,935.46
900	20,481.50	30,000	682,716.45	750,000	17,067,911.29	10,000,000	227,572,150.50
1,000	22,757.21	40,000	910,288.60	1,000,000	22,757,215.06	12,611,500[(1)]	287,002,617.61
2,000	45,514.44	50,000	1,137,860.76	1,250,000	28,446,518.81		
3,000	68,271.64	100,000	2,275,721.50	1,500,000	34,135,822.58		

Notes:

(1) Maximum number of Hong Kong Offer Share you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If there is any change to the expected timetable of the Hong Kong Public Offering, we will issue an announcement to be published on the website of the Hong Kong Stock Exchange at ***www.hkexnews.hk*** *and our website at* ***https://zjshc.com****.*

Hong Kong Public Offering commences . . . . 9:00 a.m. on Friday, June 13, 2025

Latest time to complete applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**(2) . . . . 11:30 a.m. on Wednesday, June 18, 2025

Application lists open(3) . . . . 11:45 a.m. on Wednesday, June 18, 2025

Latest time (a) to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) give **electronic application instructions** to HKSCC(4) . . . . 12:00 noon on Wednesday, June 18, 2025

If you are instructing your **broker** or **custodian** who is a HKSCC Participant will submit **electronic application instructions** on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

Application lists close(3) . . . . 12:00 noon on Wednesday, June 18, 2025

Expected Price Determination Date(5) . . . . on or before Thursday, June 19, 2025

Announcement of:

- the final Offer Price;
- the level of applications of the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **https://zjshc.com** (6) . . . . at or before 11:00 p.m. on Friday, June 20, 2025

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be made available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — Publication of Results", including:

- on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **https://zjshc.com** [6] respectively . . . . at or before 11:00 p.m. on Friday, June 20, 2025

- on the designated results of allocation website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function . . . . from 11:00 p.m. on Friday, June 20, 2025 to 12:00 midnight on Thursday, June 26, 2025

- from the allocation results telephone enquiry line by at +852 2862 8555 between 9:00 a.m. and 6:00 p.m. . . . . from Monday, June 23, 2025 to Thursday, June 26, 2025

Despatch of H Share certificates in respect of wholly or partially successful applications, or deposit of H Share certificate into CCASS, on or before[7] . . . . Friday, June 20, 2025

Despatch of White Form e-Refund payment[8] instructions and refund cheques in respect of wholly or partially successful applications on or before . . . . Monday, June 23, 2025

Dealings in our H Shares on the Hong Kong Stock Exchange expected to commence at . . . . 9:00 a.m. on Monday, June 23, 2025

Notes:

(1) All dates and times refer to Hong Kong local time and dates unless otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for making applications. If you have already submitted your application and obtained an application reference number from the designated website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for making applications, when the application lists close.

(3) If there is a "black" rainstorm warning, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 18, 2025 the application lists will not open on that day. See the section headed "How to Apply for the Hong Kong Offer Shares — Severe Weather Arrangements" for further details.

(4) If you instruct your broker or custodian who is an HKSCC Participant to give **electronic application instructions** via FINI to apply for the Hong Kong Offer Shares on your behalf, you should contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

(5) The Price Determination Date is expected to be on or before Thursday, June 19, 2025 (Hong Kong time) and, in any event, not later than 12:00 noon on Thursday, June 19, 2025 (Hong Kong time). If, for any reason, the Offer Price is not agreed by 12:00 noon on Thursday, June 19, 2025 (Hong Kong time), the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) The H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be on or around Monday, June 23, 2025 provided that the Global Offering has become unconditional in all respects. Investors who trade our H Shares on the basis of publicly available allocation details before the receipt of H Share certificates or before the H Share certificates become valid evidence of title do so entirely at their own risk.

(8) Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Any uncollected H Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

White Form e-Refund payment instructions/refund cheques will be issued for the applicants who have applied through **White Form eIPO** service in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering if the final Offer Price is less than the maximum Offer Price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheques. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheques.

Applicants who have applied through **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of **White Form e-Refund** payment instructions. Applicants who have applied through **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheque(s) in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

For applicants who have applied for Hong Kong Offer Shares through the HKSCC EIPO channel, H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to their designated HKSCC Participant's stock account.

For applicants who have applied through HKSCC EIPO channel, their broker or custodian will arrange refund to their designated bank account subject to the arrangement between them and their broker or custodian.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — Despatch/Collection of H Share Certificates and Refund of Application Monies".

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" for details relating to the structure of the Global Offering and the conditions and procedures for application for the Hong Kong Offer Shares.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorized by us, any of the Joint Sponsors, the Overall Coordinators, the Capital Market Intermediaries, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the world's largest manufacturer of refrigeration and air-conditioning control components and a global leader in automotive thermal management system components in terms of revenue in 2024, according to Frost & Sullivan. Our market share in the global refrigeration and air-conditioning control component market was approximately 45.5% in terms of revenue in 2024, according to Frost & Sullivan. In the global automotive thermal management system component market, we held a market share of approximately 4.1% in terms of revenue in 2024, ranking fifth globally, according to Frost & Sullivan. We have been dedicated to the R&D, promotion and adoption of thermal management technology, providing customers across the globe with energy-efficient solutions through our industry-leading products of high quality. With a global perspective, we have established a business that spans two major sectors: refrigeration and air-conditioning product components and automotive components. Leveraging our extensive technological expertise and innovation in R&D, we are actively broadening our business boundaries into emerging fields, such as bionic robot electromechanical actuators.

Following our development strategy of prioritizing excellence and innovation, we are committed to refining our existing product offerings while actively cultivating new drivers for sustained growth. From the early days, we placed great importance on establishing a global network. Our extensive global R&D layout, combined with our localized production and sales network, allows us to respond swiftly to customer needs while gaining stronger insights into diverse markets. This facilitates our development of tailored products and delivery high-quality services. Our emphasis on advanced management techniques, technology and talent is evident in our daily operations and strategic planning. These principles have become integral to our corporate management philosophy and encapsulated in our "SANHUA" brand, symbolizing the blossoming of management, technology and talent.

We have made a number of significant achievements in various areas:

World's Largest refrigeration and air-conditioning control component manufacturer[(1)] **Global Leading** automotive thermal management system component manufacturer[(1)]	**RMB27.9 bn** 2024 Revenue	2005-2024 Revenue CAGR **23.3%**[(2)] Net Profit CAGR **25.0%**[(2)]
World's Largest market share for **9** major products categories[(3)]	**100%** coverage of the **world's top 10** refrigeration and air-conditioning manufacturers & automobile manufacturers[(4)]	Over **4,000** Patents[(5)] Around **8,000** Patent Applications[(6)]
2024 Overseas Revenue **44.7%** Global Presence **5 Continents**[(7)]	**48** Factories Worldwide[(8)]	**6** R&D Bases Worldwide[(9)]

Notes:

(1) In terms of revenue in 2024, according to Frost & Sullivan. According to Frost & Sullivan, in terms of revenue in 2024, we are the world's largest manufacturer of refrigeration and air-conditioning control components and the world's fifth largest automotive thermal management system component manufacturer. Our market share in the global refrigeration and air-conditioning control component market was approximately 45.5% in terms of revenue in 2024, according to Frost & Sullivan. In the global automotive thermal management system component market, we held a market share of approximately 4.1% in terms of revenue in 2024, ranking fifth globally, according to Frost & Sullivan.

(2) Based on data from the annual reports published by the Company on the Shenzhen Stock Exchange, our revenue increased from 2005 to 2024 at a CAGR of 23.3%, and our net profit increased from 2005 to 2024 at a CAGR of 25.0%. Such figures have not been audited or reviewed by the Reporting Accountant.

(3) According to Frost & Sullivan, in 2024, under our refrigeration and air-conditioning product component business, our four-way reversing valves, electronic expansion valves, micro-channel heat exchangers, service valves, solenoid valves, Omega pumps and ball valves ranked first in their respective global markets in terms of revenue, with market shares of 55.4%, 51.4%, 43.4%, 39.1%, 47.7%, 53.6% and 32.8%, respectively. In the same year, under our automotive component business, our automotive electronic expansion valves and integrated modules ranked first in their respective global markets in terms of revenue, with market shares of 48.3% and 65.6%, respectively.

(4) As of December 31, 2024, we established business relationships with all the world's top ten largest refrigeration and air-conditioning manufacturers and automotive manufacturers in terms of revenue in 2023, according to Frost & Sullivan.

(5) As of December 31, 2024, we had over 3,300 patents in China and over 800 patents in overseas jurisdictions.

(6) As of December 31, 2024, we had filed over 6,600 patent applications in China and over 1,300 patent applications in overseas jurisdictions. In addition, we had over 100 valid applications under the PCT.

(7) As of December 31, 2024, our products had reached America, Europe, Asia, Oceania and Africa, spanning over 80 countries and regions.

(8) As of December 31, 2024, we had a total of 48 factories worldwide, including 13 overseas factories in the United States, Poland, Mexico, Turkey, Austria, Vietnam, Thailand and India.

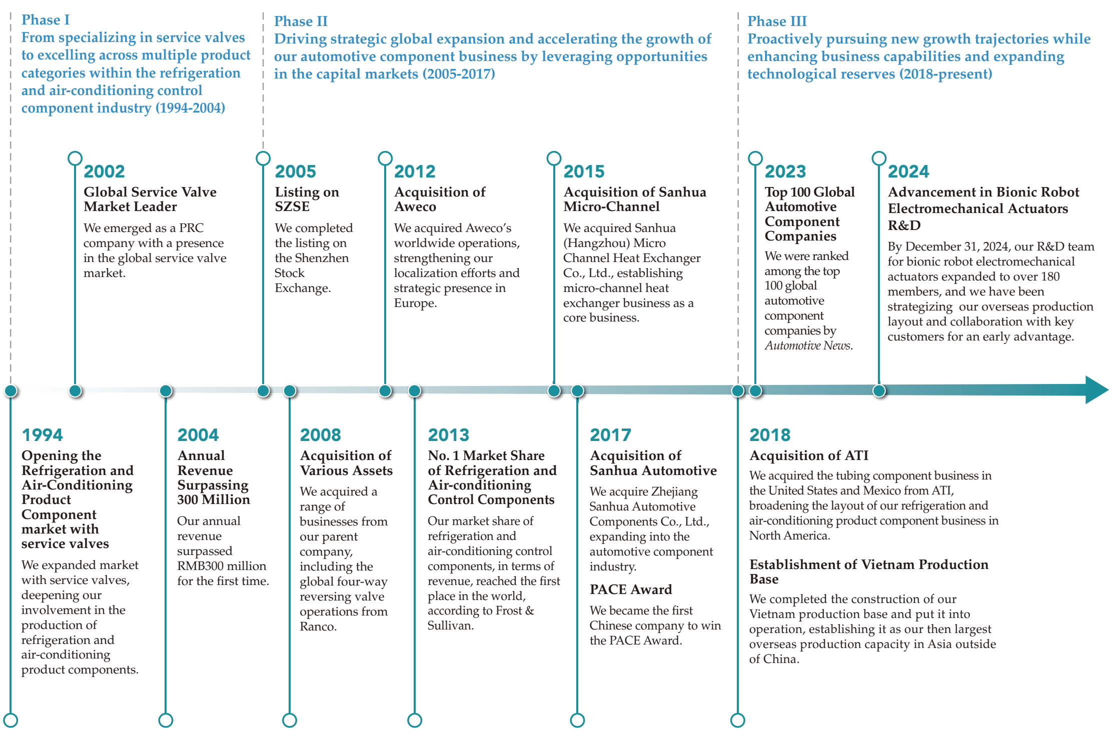
(9) As of December 31, 2024, we had six R&D bases, including three in China, two in the United States and one in Germany, that lead the innovation of applied R&D.

OUR JOURNEY

Our journey traces back to Xinchang Refrigeration Components Factory established in 1984. In 1994, our predecessor, Sanhua-Fujikoki Co., Ltd., a Sino-Japanese joint venture, was established. Following the conversion of Sanhua-Fujikoki Co., Ltd. into a joint stock company in 2001, we became a public company listed on the Shenzhen Stock Exchange in 2005 (stock code: 002050.SZ).

Insisting on the idea of "small products, vast market, advanced technology and specialized expertise" at the beginning stage of our business, we established our market presence through production of valves used in refrigeration and air-conditioning systems. Over the years, we have expanded our product offerings from singular valve products to a broader array of refrigeration and air-conditioning product components and automotive components. We recognize the importance of environmental sustainability, and are committed to providing solutions that help our customers create environmentally-friendly products. Such awareness has led us to recognize the transformative impact and substantial market potential of New Energy Vehicles ("**NEVs**") for a sustainable future from the early stages of the NEV development. Our in-depth understanding of air-conditioning thermal management and heat pump technologies promoted our decisive move in pursuing strategic opportunities arising from the increasing demands for NEV thermal management systems, allowing us to replicate the profound expertise and technology advantages in this fast-growing sector. Capitalizing on the market insight and industry resources accumulated from the mass production of a variety of parts and components, we have recently entered into the bionic robot sector with a focus on electromechanical actuator, paving our route to become a global industrial group encompassing multiple industries and product categories.

The following diagram illustrates our key milestones since the establishment:



OUR BUSINESS AND PRODUCT

We primarily engage in the R&D, manufacturing and sales of refrigeration and air-conditioning product components and automotive components. Focusing on the R&D and application of heat pump technology and thermal management systems, we prioritize creating environmental thermal management solutions that enable efficient heat exchange and intelligent temperature control. In addition, we have devoted ourselves to the R&D of bionic robot electromechanical actuator products to pursue growth potential in this promising area.

Refrigeration and Air-conditioning Product Components

The following chart illustrates our representative products under the refrigeration and air-conditioning product component business along with their various application scenarios:

Air-conditioning and Refrigeration


Four-way Reversing Valve


Electronic Expansion Valve


Solenoid Valve


Service Valve


Micro-channel Heat Exchanger

Refrigerator/Freezer


Motorized Damper

Superconductive Plate


Micro-channel Condenser


Electric Valve


Bistable Solenoid Valve

Industrial Refrigeration/Data Center Cooling


Electronic Expansion Valve


Controller


Service Valve


Gigaforce Four-way Reversing Valve


Pressure Sensor

Cold-chain Transport


Electronic Expansion Valve

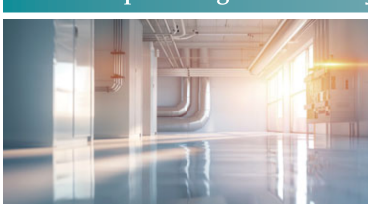

Thermostatic Expansion Valve


Solenoid Valve


Brazed Plate Heat Exchanger


Filter Drier

Heat Pump Heating/Hot Water System




Shielded Pump for Water


Electric Switching Water Valve


Water Ball Valve


Inverter Controller


Brazed Plate Heat Exchanger

Washing Machine/Dishwasher/Coffee Maker/Wall-Hung Stove


Omega BLDC Pump


Water Inlet Valve for Washing Machines


Gas Valve

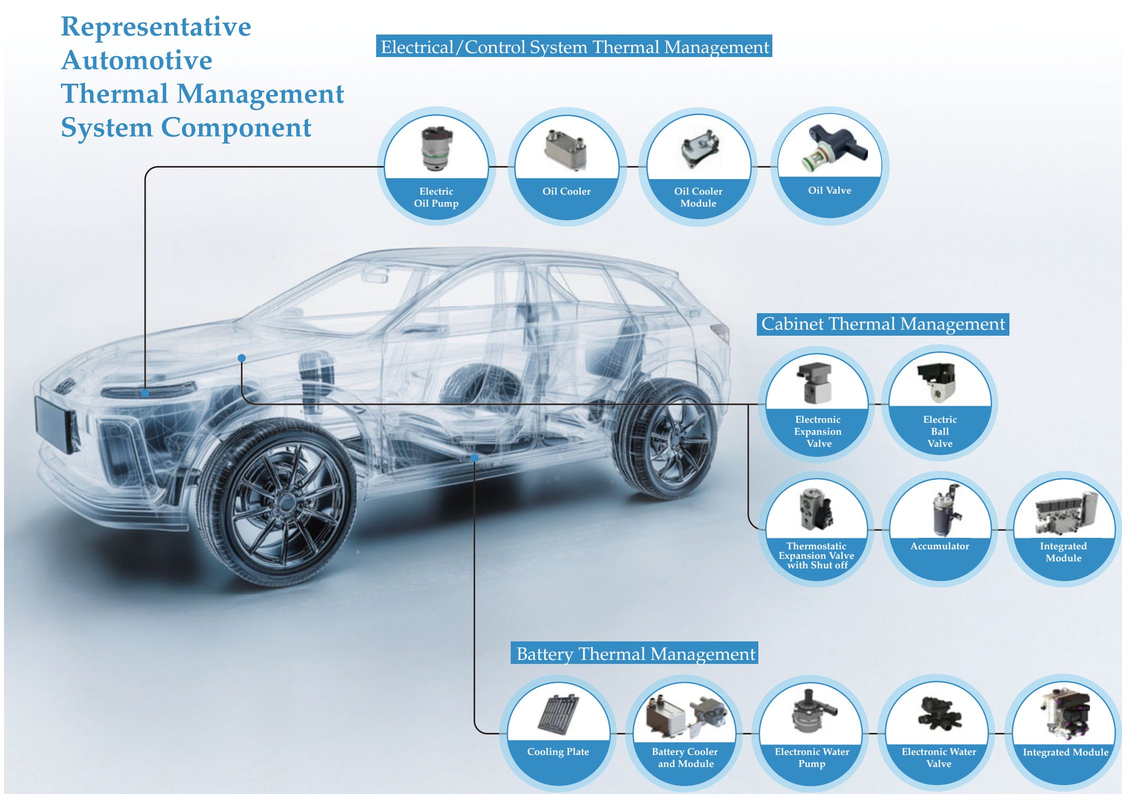

Coffee Machine Solenoid Valve


Micro-channel Condenser

Under the refrigeration and air-conditioning product component business, we mainly engage in the development and application of control components, subsystems and technology solutions which empower energy-efficient buildings, heating, ventilation and air-conditioning ("**HVAC**") systems and household appliances thermal management systems. We are a key supplier of refrigeration and air-conditioning control components, which span valves, heat exchangers, pumps and controllers, among others, serving the global market for residential and commercial air-conditioning, commercial and industrial refrigeration and small household appliances, among others. Our 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. We also offer heat exchanger products, specifically micro-channel heat exchangers, pump products such as Omega pumps, and controller products, including inverter controllers and pressure sensors. Such products are widely utilized in fields including air conditioners, refrigerators, industrial refrigeration, cold-chain transport, heat pump heating and washing machines. With strong product integration capabilities and a commitment to long-term R&D investment, we harness economies of scale and lean management to enhance product performance and reduce costs, thereby delivering added value to our customers.

Automotive Components

The following diagram illustrates the application of our automotive components:



As an early entrant with strategic deployment in the NEV thermal management market, we were among the first to set the stage for the creation of novel application scenarios and industry development trends, which establishes us as a key supplier of automotive thermal management system components in the global market. We are committed to offering essential and comprehensive thermal management and control solutions for NEVs and providing high-performance products that enhance energy efficiency and reduce emissions for traditional internal combustion engine vehicles ("**ICEVs**"). We are actively involved in the R&D of valves, pumps, heat exchangers and integrated modules, especially under cabinet thermal management, battery thermal management and electrical/control system thermal management, designed to achieve effective thermal management in automotive operations. Our efforts have successfully integrated a substantial range of critical products into the supply chains of leading NEV manufacturers, including automotive valve products, such as automotive electronic expansion valves, automotive pump products, such as automotive electronic water pumps, automotive heat exchanger products, such as battery coolers, and various types of integrated modules, among others. Our manufacturing and innovation technology stand at a leading place of the industry. In recent years, we have been dedicating more resources to iterating our refrigeration and air-conditioning product components and automotive components.

Strategic Emerging Business

As an early entrant that leads the development of thermal management technologies, we have accumulated abundant experiences and expertise in developing and manufacturing a considerable number of electric motors. By leveraging our motor manufacturing expertise, scalability and cost-control capabilities, we have successfully ventured into the production of bionic robot electromechanical actuators. We strive to provide lighter, smaller and more precise electromechanical actuators through independent R&D. As of the Latest Practicable Date, we were in the R&D phase, refining prototypes before scalable commercialization, and we are actively deploying overseas factories for their production to secure early advantages in the emerging bionic robot electromechanical actuators market.

OUR STRENGTHS

We believe that the following strengths contribute to our market position, ensuring our success and distinguishing us from our competitors:

- The world's largest manufacturer of refrigeration and air-conditioning control components and a global leader in automotive thermal management system components;
- Commitment to technological innovation fueling rapid product iteration and strategic readiness for future industry advancements;
- Commitment to lean production and efficient resource allocation;
- A comprehensive quality management system incorporating control measures to ensure the delivery of high-quality goods;
- An early entrant in global market exploration, bolstered by an extensive network encompassing sales, research and development and manufacturing;
- Long-term and in-depth partnerships with leading enterprises to drive industry development; and
- Profound industry and management experience, progressive value concepts and forward-thinking leadership.

OUR STRATEGIES

We are committed to providing competitive intelligent temperature control solutions for high-quality customers around the world. We are transitioning from a cost leadership model to technology leadership and advancing from developing mechanical parts to providing integrated electronic control system solutions. We aim to establish ourselves as a global leader in the thermal management field and drive the global industrial trends through advanced technologies. We plan to pursue the following strategies:

- Consolidating our existing strength and achieving consistent growth;
- Advancing the business growth of thermal management and bionic robot electromechanical actuators through continuous research, development and innovation;

- Continuously improving production and manufacturing management to optimize costs while ensuring quality, thereby consistently creating value for customers;

- Deepening global layout; and

- Leading the global transformation of energy-saving and eco-friendly products, establishing a clean and low-carbon energy system and advancing carbon neutrality goals.

RESEARCH AND DEVELOPMENT

We are dedicated to technological innovation, which is crucial in advancing our capabilities and delivering value to our customers, while also driving our sales and profitability. With over 30 years of operations, we have amassed significant manufacturing expertise and continue to diligently track market trends to effectively reduce costs while enhancing product performance. We have made, and will continue to make, substantial investments in R&D activities. In 2022, 2023 and 2024, our R&D expenses amounted to RMB989.0 million, RMB1,096.8 million and RMB1,351.8 million, respectively, accounting for 4.6%, 4.5% and 4.8% of our revenue for the same periods, respectively. As of December 31, 2024, we employed over 3,500 R&D personnel, including global leading industry experts, and among which over 700 individuals held master's degrees or above.

Our R&D system consists of (i) one Research Center that focuses on strategic R&D, (ii) six R&D bases, including three in China, two in the United States and one in Germany, that lead the innovation of applied R&D; and (iii) technology departments that focus on the improvement on product performance and production efficiency. Meanwhile, we deploy R&D resources at our factories across the globe. The functions of these three are progressively layered from the initial concept, to applied science and engineering challenges, and further to mass production. This structured approach has stood the test of time and forms the foundation of our efficient and effective R&D efforts.

PRODUCTION

As of December 31, 2024, we had a total of 48 factories worldwide, including 13 overseas factories in the United States, Poland, Mexico, Turkey, Austria, Vietnam, Thailand and India. For 2022, 2023 and 2024, our total production capacity reached approximately 539.0 million, 533.5 million and 575.7 million pieces of refrigeration and air-conditioning product components, respectively, and 202.6 million, 255.1 million and 281.7 million pieces of automotive components, respectively. Our total production volume reached approximately 451.5 million, 494.5 million and 537.3 million pieces of refrigeration and air-conditioning product components, respectively, and 170.3 million, 232.4 million and 244.6 million pieces of automotive components, respectively. Our total production capacity utilization rate was 83.8%, 92.2% and 91.2%, respectively, for 2022, 2023 and 2024. Out of the 48 factories, we have established 8 production bases. These bases serve as production centers comprising factory clusters, warehouses and logistics hubs, designed to support key nearby markets. For 2022, 2023 and 2024, the aggregate production capacity of our 8 production bases accounted for approximately 67.1%, 67.3% and 71.7%, respectively, of our total production capacity. The aggregate production volume of our 8 production bases represented approximately 67.2%, 67.8% and 71.2%, respectively, of our total production volume.

As of December 31, 2024, we had a production team of over 12,000 personnel, supporting the operation of our global production network. We prioritize hiring locally for our production team, which allows us to tap into the local talent pool and contribute to the economic development of the communities where we operate. Employing local personnel not only helps in fostering community relations but also ensures that our workforce is familiar with regional practices and cultural nuances, which can enhance productivity and workplace harmony.

RAW MATERIALS AND SUPPLIERS

Our raw materials primarily include copper and aluminum. Given the close correlation between the prices of copper and aluminum we procure from our suppliers and the often volatile bulk commodity copper and aluminum prices, we implement a comprehensive risk management strategy to mitigate the impact of such fluctuations, which primarily involves two independent approaches: (i) incorporating a raw material price linkage mechanism in our contracts with both customers and suppliers, and (ii) employing futures hedging. In negotiations with customers and suppliers, we generally adopt either a one-time pricing model or a raw material price linkage mechanism. The one-time pricing model sets a fixed price during the term of a contract, providing certainty for both parties. The price linkage mechanism, on the other hand, adjusts prices based on market fluctuations, ensuring that both our customers and suppliers and us share the risks and benefits of price changes. In addition, we mitigate raw material price risks by utilizing futures hedging, which involves using financial contracts to lock in prices for future purchases, thereby offsetting any increases in the bulk commodity costs of copper and aluminum. We have established a futures management process to address the raw material price volatility. Our procurement department is tasked with monitoring raw material price trends and fluctuations and provide insights into market conditions. We have a strategic partnership with Shanghai Metals Market to monitor bulk commodity raw material price movements both domestically and internationally. Based on the market information, we take actions following our internal futures and foreign exchange management mechanisms. See "Business — Raw Materials and Suppliers — Raw Materials and Procurement" and "Risk Factors — Risks Relating to Our Business and Industry — Any hedging strategy may not adequately protect us from commodity price, foreign exchange rate and interest rate risks, and fluctuations in exchange rates could result in foreign currency exchange losses."

We have established rigorous processes for supplier selection, evaluation and management to ensure all suppliers meet our quality and performance standards. We evaluate supplier's financial condition, business performance, industry reputation, ESG commitment and certifications. We also regularly evaluate the performance of our suppliers, focusing on criteria that include raw material quality, delivery, cost and, where applicable, the technical specifications of the products supplied by them. During the Track Record Period, our major suppliers primarily include raw material and component suppliers. In each year during the Track Record Period, the aggregate purchases from our five largest suppliers in each of such year accounted for approximately 13.0%, 13.8% and 15.5%, respectively, of our total purchases, and the purchases from our largest supplier in each of such year accounted for approximately 4.8%, 3.7% and 4.0%, respectively, of our total purchases.

SALES AND MARKETING

We primarily conduct direct sales to our customers which we believe is critical to predict and address customers' needs. Passionate about delivering the best experience possible to our customers, we have established an extensive global sales and marketing network covering countries and regions across America, Europe, Asia, Oceania and Africa to maintain close contact with major refrigeration and air-conditioning product manufacturers and car manufacturers, as well as to explore business opportunities with potential customers in emerging industries.

We have established long-term business relationships with a number of world-leading companies providing refrigeration and air-conditioning products. As of December 31, 2024, we established business relationships with all top ten largest refrigeration and air-conditioning manufacturers in terms of revenue in 2023, whose global market share totaled 75.6%, according to Frost & Sullivan. As of the same date, we had established business relationships with all top ten largest automotive manufacturers in terms of revenue in 2023, whose global market share totaled 55.0%, according to Frost & Sullivan. Our customers primarily consist of automotive companies and refrigeration and air-conditioning companies. During the Track Record Period, we derived substantially all our revenue from direct sales to customers, which accounted for over 98.5% of our total revenue in each of the years ended December 31, 2022, 2023 and 2024, respectively. In each year during the Track Record Period, our five largest customers in each of such year accounted for approximately 35.9%, 35.9%, 32.9% of our total revenue, respectively, and sales to the largest customer in each of such year accounted for approximately 13.1%, 14.6% and 12.6% of our total revenue, respectively. In each year during the Track Record Period, none of our five largest customers in each of such year were among our five largest suppliers of that year, while all of our five largest suppliers in each year during the Track Record Period were our customers, and, among our five largest customers for each year during the Track Record Period, four were also our suppliers during the Track Record Period. Our Directors confirmed that all of our sales to our major customers were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

The following table sets forth our revenue by geographic location for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
China	11,415,857	53.5	13,403,443	54.6	15,446,506	55.3
North America	5,703,859	26.7	6,301,569	25.7	7,094,512	25.4
Europe	1,985,305	9.3	2,442,768	9.9	2,623,526	9.4
Asia (excluding China)	2,153,219	10.1	2,331,241	9.5	2,653,978	9.5
Others(1)	89,310	0.4	78,781	0.3	128,643	0.5
Total	**21,347,550**	**100.0**	**24,557,802**	**100.0**	**27,947,165**	**100.0**

Note:

(1) Others comprise South America, Oceania and Africa.

See "Business — Sales and Marketing."

COMPETITIVE LANDSCAPE

We mainly operate in the refrigeration and air-conditioning product component industry and automotive component industry, which are highly competitive and concentrated.

The global refrigeration and air-conditioning control component market is overall highly concentrated. With the increasingly prominent technical barriers and scale advantages in the refrigeration and air-conditioning control component market, the global market concentration is showing an upward trend. Leading component manufacturers have continuously consolidated their dominant positions through technological improvement, product quality and cost efficiency advantages. In contrast, small component manufacturers may find it difficult to compete with leading manufacturers, due to insufficient technological reserves, limited production scale, and relatively weak supply chain integration capabilities. According to Frost & Sullivan, we ranked first in the refrigeration and air-conditioning control component market in terms of revenue, in 2024. According to Frost & Sullivan, in terms of revenue, in 2024, we ranked first in the global market of refrigeration and air-conditioning valves, heat exchangers and pumps, and ranked second in the market of refrigeration and air-conditioning controllers. In the same year, our four-way reversing valves, electronic expansion valves, micro-channel heat exchangers, service valves, solenoid valves, Omega pumps and ball valves ranked first in their respective global markets in terms of revenue, with market shares of 55.4%, 51.4%, 43.4%, 39.1%, 47.7%, 53.6% and 32.8%, respectively. In the same year, our pressure sensors ranked second in the global sensors market in terms of revenue, with a market share of 15.9%.

The global automotive thermal management system component market is highly concentrated. Leading companies leverage early advantages to accumulate expertise in core components and system development capabilities. They also possess technical advantages in system integration. According to Frost & Sullivan, in terms of revenue, in 2024, we ranked first in the global market of automotive valves and integrated modules, respectively, and ranked fourth in the global market of automotive pumps. In 2024, our automotive electronic expansion valves and integrated modules ranked first in their respective global markets in terms of revenue, with market shares of 48.3% and 65.6%, respectively. In the same year, our battery coolers and automotive electronic water pumps ranked third and fourth in their respective global markets in terms of revenue, with market shares of 5.9% and 5.5% respectively.

Our competitive edge is attributable to factors such as extensive industry experience, leading market position and our ability to offer comprehensive solutions to our customers. Our market leadership has been further solidified by our international presence, diverse product portfolio, high-quality customer relations, robust R&D capabilities, technical expertise and our visionary management team. Therefore, we believe that we are well-positioned to maintain our leadership position and to capture future opportunities in the refrigeration and air-conditioning product component industry and automotive component industry.

See "Industry Overview."

OUR CONTROLLING SHAREHOLDERS GROUP

As of the Latest Practicable Date, our Controlling Shareholders Group, including Mr. Zhang Daocai, Ms. Yu Qingjuan, Mr. Zhang Yabo, Mr. Zhang Shaobo, Xinchang Huaqing Investment, Xinchang Huaxin Industrial, Zhejiang Huateng Industrial, Sanhua Holding, Hield International, Wealth Info and Sanhua Green Energy, collectively held approximately 44.62% of our total share capital.

Immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), the Controlling Shareholders Group will continue to hold in aggregate approximately 40.69% of our total share capital. Therefore, they will remain as our Controlling Shareholders Group immediately after the Listing.

For further details about our Controlling Shareholders Group, please see the section headed "Relationship with our Controlling Shareholders Group".

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below present our summary of consolidated financial data derived from our consolidated statements of profit or loss, consolidated statements of financial position and consolidated statements of cash flows for the years ended December 31, 2022, 2023 and 2024, included in the Accountant's Report in Appendix I to this prospectus. The following data and discussion should be read in conjunction with our consolidated financial statements and related notes and the section headed "Financial Information."

Summary of Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage of revenue)					
Revenue	21,347,550	100.0	24,557,802	100.0	27,947,165	100.0
Cost of revenue	(15,885,938)	(74.4)	(17,822,314)	(72.6)	(20,326,346)	(72.7)
Gross profit	**5,461,612**	**25.6**	**6,735,488**	**27.4**	**7,620,819**	**27.3**
General and administrative expenses	(1,383,996)	(6.5)	(1,621,891)	(6.6)	(1,946,785)	(7.0)
Selling and marketing expenses	(496,334)	(2.3)	(601,409)	(2.4)	(726,437)	(2.6)
Research and development expenses	(988,954)	(4.6)	(1,096,834)	(4.5)	(1,351,799)	(4.8)
Net impairment losses on financial assets	(97,762)	(0.5)	(51,478)	(0.2)	(56,379)	(0.2)
Other income	260,185	1.2	291,162	1.2	292,301	1.0
Other gains/(losses), net	471,310	2.2	63,585	0.3	(83,795)	(0.3)
Operating profit	**3,226,061**	**15.1**	**3,718,623**	**15.1**	**3,747,925**	**13.4**
Finance income	53,136	0.2	56,238	0.2	67,221	0.2
Finance costs	(235,671)	(1.1)	(229,583)	(0.9)	(132,384)	(0.5)
Finance costs, net	(182,535)	(0.9)	(173,345)	(0.7)	(65,163)	(0.2)
Share of profit or loss of investments accounted for using the equity method	7,732	0.0	7,986	0.0	8,925	0.0
Profit before income tax	**3,051,258**	**14.3**	**3,553,264**	**14.5**	**3,691,687**	**13.2**
Income tax expenses	(443,206)	(2.1)	(619,549)	(2.5)	(579,961)	(2.1)
Profit for the year	**2,608,052**	**12.2**	**2,933,715**	**11.9**	**3,111,726**	**11.1**

Revenue

The following table sets forth a breakdown of our revenue by major product types under our two product categories for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Refrigeration and air-conditioning product components						
Valves	8,812,275	41.3	9,834,606	40.0	10,702,920	38.3
Heat exchangers	2,057,745	9.6	2,121,123	8.6	2,693,826	9.6
Controllers	566,126	2.7	704,243	2.9	875,632	3.1
Pumps	580,250	2.7	514,399	2.1	554,762	2.0
Others[(1)]	1,817,390	8.5	1,469,764	6.0	1,733,465	6.2
Sub-total	13,833,786	64.8	14,644,135	59.6	16,560,605	59.3
Automotive components						
Integrated modules	2,362,963	11.1	3,361,041	13.7	4,262,920	15.3
Automotive valves	2,031,171	9.5	2,913,949	11.9	2,635,135	9.4
Automotive heat exchangers	1,187,226	5.6	1,554,219	6.3	1,670,952	6.0
Automotive pumps	1,128,587	5.3	1,413,572	5.8	1,622,634	5.8
Others[(2)]	803,817	3.8	670,886	2.7	1,194,919	4.3
Sub-total	7,513,764	35.2	9,913,667	40.4	11,386,560	40.7
Total	**21,347,550**	**100.0**	**24,557,802**	**100.0**	**27,947,165**	**100.0**

Notes:

(1) Others primarily include containers, filters, plastic components, heater components, motorized dampers, sight glasses, copper connectors, level switches, superconductive plates and pressure switches, among others.

(2) Others primarily include blocks, liquid receivers, resolvers and energy storage products, among others.

During the Track Record Period, we experienced steady revenue growth from RMB21,347.6 million in 2022 to RMB24,557.8 million in 2023, and further to RMB27,947.2 million in 2024, which was driven by sales of both refrigeration and air-conditioning product components, as well as automotive components.

Cost of revenue

Our cost of revenue consists of (i) raw materials and consumables used, mainly including copper and aluminum, (ii) employee benefit expenses, (iii) depreciation and amortization, (iv) utility costs, (v) impairment losses on inventories, (vi) transportation and storage charges and (vii) other expenses. During the Track Record Period, our cost of revenue grew in line with our revenue.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands, except for percentages)					
Refrigeration and air-conditioning product components	3,550,459	25.7	3,960,720	27.0	4,481,755	27.1
Automotive components	1,911,153	25.4	2,774,768	28.0	3,139,064	27.6
Total	**5,461,612**	**25.6**	**6,735,488**	**27.4**	**7,620,819**	**27.3**

Despite the fierce competition in refrigeration and air-conditioning product component market, our gross profit margin of refrigeration and air-conditioning product components remained relatively stable at 27.0% and 27.1% in 2023 and 2024. We attribute such performance to (i) our diversified product mix, including continual iteration and upgrading of existing products and introduction of new products, (ii) effective cost control through our product design optimization and supply chain management and (iii) higher production efficiency resulting from (a) our efforts in improving production techniques and deepening the implementation of lean production management throughout our production network and (b) economies of scale brought by our consistent expansion efforts. Our gross profit margin of our refrigeration and air-conditioning product components increased from 25.7% in 2022 to 27.0% in 2023, primarily as a result of the foregoing and a decrease in average logistics costs, mainly benefited from the gradual normalization of the logistics industry, following the gradual lifting of restrictions measures on COVID-19 pandemic both domestically and globally.

Our gross profit margin of our automotive components increased from 25.4% in 2022 to 28.0% in 2023, and further remained relatively stable at 27.6% in 2024, respectively, mainly due to (i) our diversified product mix, including continual introduction of competitive products and iteration and upgrading of existing products to enhance performance, thereby maintaining the attractiveness of our offerings to customers and customer loyalty, (ii) effective cost control through our product design optimization and supply chain management and (iii) higher production efficiency resulting from (a) our efforts in improving production techniques and deepening the implementation of lean production management throughout our production network and (b) economies of scale brought by our consistent expansion efforts.

Profit for the Year

Our net profit for the year increased by 6.1% from RMB2,933.7 million in 2023 to RMB3,111.7 million in 2024. This increase was mainly due to (i) an increase in revenue from refrigeration and air-conditioning product components, primarily as a result of the increase in sales volume resulting from (a) our continual product innovation and iteration, and (b) our enhanced cooperation with existing customers, and (ii) an increase in revenue from automotive components, mainly due to the increase in sales volume resulting from (a) our deeper penetration into the NEV market and continual expansion of customer base, (b) our continual product innovation and upgrading, and (c) our strengthened cooperation with existing customers, partially offset by increases in cost of revenue and expenses.

Our net profit for the year increased by 12.5% from RMB2,608.1 million in 2022 to RMB2,933.7 million in 2023. This increase was mainly due to (i) an increase in revenue from refrigeration and air-conditioning product components, primarily as a result of the increase in sales volume resulting from (a) our continual product innovation and iteration, and (b) our enhanced cooperation with existing customers, and (ii) an increase in revenue from automotive components, mainly due to the increase in sales volume resulting from (a) strong market demand for thermal management systems, and (b) our continual expansion of customer base and enhancement of customer loyalty, partially offset by increases in cost of revenue and expenses.

See "Financial Information — Description of Major Components of Our Results of Operations."

Summary of Consolidated Statements of Financial Position

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

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Total non-current assets	9,205,510	11,819,045	14,053,586
Total current assets	18,755,704	20,071,540	22,301,163
Total assets	**27,961,214**	**31,890,585**	**36,354,749**
Total non-current liabilities	5,385,990	2,008,032	3,201,801
Total current liabilities	9,455,924	11,818,845	13,633,304
Total liabilities	**14,841,914**	**13,826,877**	**16,835,105**
Net current assets	**9,299,780**	**8,252,695**	**8,667,859**
Total equity	**13,119,300**	**18,063,708**	**19,519,644**

For details of our fluctuation in key items of our consolidated statements of financial position and net current assets during the Track Record Period, see "Financial Information — Discussion of Certain Components of Consolidated Statements of Financial Position."

Our net current assets increased from RMB8,252.7 million as of December 31, 2023 to RMB8,667.9 million as of December 31, 2024, primarily due to (i) an increase of RMB1,469.5 million in other currents assets, which is primarily attributable to our purchase of wealth management products mainly consisting of the principal- and interest-guaranteed income vouchers issued by the securities companies and reverse repurchase of government bond, and (ii) an increase of RMB1,377.5 million in trade and notes receivables reflecting our revenue growth and business expansion and the adjustments to credit policies for certain quality customers, partially off set by (i) an increase of RMB1,910.6 million in trade and notes payables reflecting our business expansion, and (ii) a decrease of RMB1,154.7 million in term deposits and restricted cash mainly resulting from maturity of term deposits and our liquidity management.

Our net current assets decreased from RMB9,299.8 million as of December 31, 2022 to RMB8,252.7 million as of December 31, 2023, primarily due to (i) an increase of RMB1,401.8 million in trade and notes payables reflecting our business expansion, (ii) a decrease of RMB868.2 million in term deposits and restricted cash mainly resulting from maturity of term deposits and our liquidity management and (iii) an increase of RMB788.8 million in borrowings, partially offset by (i) an increase of RMB1,574.6 million cash and cash equivalents mainly resulting from an increase in net cash generated from operating activities and (ii) an increase of RMB818.8 million in trade and notes receivables, both reflecting our revenue growth and business expansion.

We recorded total equity of RMB13,119.3 million as of December 31, 2022. As of December 31, 2023, we had total equity of RMB18,063.7 million, primarily attributable to (i) a profit for the year of 2023 of RMB2,933.7 million and (ii) conversion of convertible bonds of RMB2,837.1 million, partially offset by dividends declared of 928.7 million. Our total equity then increased to RMB19,519.6 million as of December 31, 2024, primarily due to a profit for the year of 2024 of RMB3,111.7 million, partially offset by dividends declared of RMB1,315.3 million. See the Consolidated Statements of Changes in Equity to the Accountant's Report in Appendix I to this prospectus.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Net cash generated from operating activities	2,366,052	3,560,363	4,026,185
Net cash used in investing activities	(2,527,699)	(1,045,679)	(3,171,091)
Net cash used in financing activities	(596,874)	(1,091,850)	(955,299)
Cash and cash equivalents at beginning of year	2,690,002	2,050,329	3,624,955
Effect of exchange rate changes	118,848	151,792	(81,247)
Cash and cash equivalents at end of year	**2,050,329**	**3,624,955**	**3,443,503**

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of/Year ended December 31,		
	2022	2023	2024
Gross profit margin(1)	25.6%	27.4%	27.3%
Net profit margin(2)	12.2%	11.9%	11.1%
Gearing ratio(3)	48.6%	20.0%	21.0%

Notes:

(1) Gross profit margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.

(2) Net profit margin equals net profit for the year divided by revenue for the year and multiplied by 100%.

(3) Gearing ratio equals total debt, including its total borrowings, for the year divided by total equity for the year and multiplied by 100%.

See "Financial Information — Key Financial Ratios."

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, including (i) risks relating to our business and industries and (ii) risks relating to the Global Offering, which are set out in the section headed "Risk Factors" in this prospectus. You should read that section in its entirety carefully before you decide to invest in the Offer Shares. Some of the major risks we face include, but are not limited to:

- Our businesses are dependent on various downstream industries, and a downturn experienced by any of these industries or the economy in China or globally could adversely affect our business;

- The industries that we operate in are highly competitive, predominantly among approximately three to five large manufacturers. If we fail to compete effectively and successfully, our business, results of operations and financial condition may be materially and adversely affected;

- If we fail to maintain an effective quality management system, particularly during the production expansion, our business, reputation, financial condition and results of operations may be adversely affected;

- If we fail to keep up with the evolution of technologies or adapt our technology to emerging industry standards, or if our investments in new technologies prove unsuccessful or ineffective, our business may be materially and adversely affected; and

- We are susceptible to supply shortages, longer lead time and increased costs of raw materials and key components, any of which could disrupt our supply chain, increase our production costs, adversely affect our profitability and delay deliveries of our products to customers.

See "Risk Factors."

USE OF PROCEEDS

Assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$21.87 per Share (being the mid-point of the indicative Offer Price range of HK$21.21 and HK$22.53), we estimate that we will receive net proceeds of approximately HK$7,740.6 million from the Global Offering. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 30% of the net proceeds, or HK$2,322.2 million, will be used for continuous global R&D and innovation of our product mix, including our technologies, our existing products, new products and emerging business, to consolidate our existing strength and achieve consistent growth.

- approximately 30% of the net proceeds, or HK$2,322.2 million, will be used to further enhance our production capabilities and efficiencies, through expanding and establishing production facilities and increasing the production automation level in China.

- approximately 25% of the net proceeds, or HK$1,935.2 million, will be used to expand our overseas production capabilities, which is expected to enable us to deepen our global layout by expanding our overseas production capabilities, which is expected to enable us to seize emerging business opportunities globally and deepen the implementation of supply chain localization strategies.

- approximately 5% of the net proceeds, or HK$387.0 million, will be used to enhance our digital intelligence infrastructure, improving digitalization capabilities across various business processes such as supply chain management, R&D, production, quality control, sales and operations.

- approximately 10% of the net proceeds, or HK$774.1 million, will be used as working capital and for general corporate uses.

See "Future Plans and Use of Proceeds."

RECENT DEVELOPMENT

The Impact of Recent Developments in U.S. Tariffs

During the Track Record Period, there was no material increase in import tariffs of the U.S. or European Union on our products.

The U.S. has recently enacted, and continues to propose to enact, new global tariffs. U.S. tariff rates are generally set forth in the Harmonized Tariff Schedule of the U.S. (the "**HTSUS**"), and during the Track Record Period, we were subject to U.S. tariffs on products exported from China, Mexico and Vietnam to the U.S. In addition, we were subject to the additional tariffs ranging from 7.5% to 25% imposed on products exported from China to the U.S. as a result of measures taken under Section 301 of the Trade Act of 1974 (the "**Section 301 Tariffs**"). Consequently, during the Track Record Period, our products exported from China to the U.S. were subject to tariffs ranging from 8.9% to 29.2%. During the Track Record Period, tariffs imposed on our products exported from China to the U.S. did not have a material adverse effect on our business operations and financial condition, particularly due to our proactive approach to allocate additional costs, including negotiating with customers to pass on certain extra costs through increased selling prices. We believe the adverse impact on our competitiveness was also modest, as evidenced by our continuous growth. During the Track Record Period, our products exported from Mexico to the U.S. were subject to tariffs ranging from 0.0% to 4.0%, and products exported from Vietnam to the U.S. were subject to tariffs ranging from 1.4% to 4.0%.

Subsequent to the Track Record Period, during the course of February and April 2025, the President of the U.S., President Donald J. Trump ("**President Trump**") implemented additional tariffs as part of his "America First Policy." Among these,

- for China, the additional tariffs on goods exported from China to the U.S. peaked at 145% through a series of tariff changes from February to April 2025. On May 12, 2025, the U.S. and China agreed to cancel certain tariffs altogether and suspend others for 90 days by May 14, 2025. As a result, starting on May 14, 2025, during the 90-day pause, the total additional tariff rates on goods exported from China to the U.S. became 30%, which would be applied on top of the tariffs originally set out in the HTSUS and the Section 301 Tariffs.

- for Mexico, in February 2025, President Trump imposed 25% tariffs on goods exported from Mexico to the U.S. In March 2025, President Trump granted a one-month exemption on his new tariffs impacting goods exported from Mexico for U.S. automakers and, in the same month, further postponed the 25% tariffs on many goods exported from Mexico to the U.S. for one month. In April, President Trump imposed 10% "reciprocal tariffs" on all countries, however, for Mexico, the United States-Mexico-Canada Agreement (USMCA) compliant goods will continue to be subject to a 0% tariff and non-USMCA compliant goods will in general be subject to a 25% tariff, as applicable.

- for Vietnam, in April, President Trump imposed 46% "reciprocal tariffs" on goods exported from Vietnam to the U.S., but later suspended the tariffs for 90 days, while maintaining the 10% "reciprocal tariffs" on goods exported from Vietnam to the U.S. As of the Latest Practicable Date, the 46% "reciprocal tariffs" on Vietnam were still on pause.

President Trump subsequently raised the tariffs on steel and aluminum imports to 50%, with the change taking effect on June 4, 2025. Accordingly, from June 4, 2025, we were subject to a 50% tariff on the value of steel and aluminum contained in our products.

Since we have factories in China, Mexico and Vietnam, which export products to the U.S., as of the Latest Practicable Date, we were subject to U.S. tariffs on products exported from China, Mexico and Vietnam to the U.S. Our products exported from China to the U.S. were subject to tariffs ranging from 38.9% to 99.2%; products exported from Mexico to the U.S. were subject to tariffs ranging from 0.0% to 53.0%; and products exported from Vietnam to the U.S. were subject to tariffs ranging from 11.4% to 14.0%. However, there continue to be significant uncertainties around changes to U.S. trade policies. See "Risk Factors — Risks Relating to Our Business and Industry — Changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may materially and adversely affect our business, financial condition and results of operations."

Although we received a substantial proportion of revenue from North America during the Track Record Period, the additional U.S. tariffs imposed on us did not have a material adverse effect on our business operations or financial condition during the Track Record Period and up to the Latest Practicable Date. This was due in part to arm's length negotiations with customers that allowed us to distribute extra costs. We believe that our leading position in the global refrigeration and air-conditioning control component and automotive thermal management system markets, coupled with our long-standing customer relationships, will help us pass on the increased tariffs to our customers. At the same time, our global presence affords us the flexibility to adjust our global production capabilities and enables us to effectively manage our overall tariff costs. Our global operational experience enables us to make precise commercial judgements and informed decisions, as well as to adapt our strategies as necessary. We continue to monitor changes in global tariff policies and leverage our domestic and international production capacities to reduce their impact on our operations. Based on the above, we believe that the additional U.S. tariffs as of the Latest Practicable Date will not have a material adverse impact on our business operations, financial performance and expansion plans.

Summary of Unaudited Financial Information for the Three Months Ended March 31, 2025

As required by the Shenzhen Stock Exchange Listing Rules, we published our quarterly report on April 30, 2025, containing our unaudited consolidated financial statements as of and for the three months ended March 31, 2025 prepared under PRC GAAP. We have included our unaudited consolidated financial statements prepared in accordance with IAS 34 as of and for the three months ended March 31, 2025, in condensed form, in the unaudited interim financial report set forth in Appendix IA to this Listing Document. Our unaudited condensed consolidated financial statements have been reviewed by our reporting accountant in accordance with Hong Kong Standard on Review Engagements 2410.

Our revenue increased by 19.1% from RMB6,439.6 million for the three months ended March 31, 2024 to RMB7,669.5 million for the three months ended March 31, 2025. Specifically:

- our revenue from refrigeration and air-conditioning product components increased by 28.2% from RMB3,868.7 million for the three months ended March 31, 2024 to RMB4,960.1 million for the three months ended March 31, 2025; and

- our revenue from automotive components increased by 5.4% from RMB2,570.8 million for the three months ended March 31, 2024 to RMB2,709.4 million for the three months ended March 31, 2025.

Our gross profit increased by 18.1% from RMB1,740.6 million for the three months ended March 31, 2024 to RMB2,055.3 million for the three months ended March 31, 2025. Our gross profit margin remained relatively stable at 27.0% and 26.8%, respectively, for the three months ended March 31, 2024 and 2025. Specifically:

- our gross profit margin for refrigeration and air-conditioning product components remained relatively stable at 26.9% and 26.5%, respectively, for the three months ended March 31, 2024 and 2025; and

- our gross profit margin for automotive components remained relatively stable at 27.3% and 27.4%, respectively, for the three months ended March 31, 2024 and 2025.

Our profit for the period increased by 42.9% from RMB646.2 million for the three months ended March 31, 2024 to RMB923.5 million for the three months ended March 31, 2025. See "Appendix IA — Unaudited Interim Condensed Consolidated Financial Information."

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the end date of the periods reported in the Accountant's Report in Appendix I to this prospectus, and there is no event since December 31, 2024 that would materially affect the information as set out in the Accountant's Report in Appendix I to this prospectus.

OUR LISTING ON THE SHENZHEN STOCK EXCHANGE

Since 2005, our Company has been listed on the Shenzhen Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shenzhen Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects since our listing on the Shenzhen Stock Exchange, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors' attention in relation to our compliance record on the Shenzhen Stock Exchange. Based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation with regard to the compliance records of the Company on the Shenzhen Stock Exchange.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 360,330,000 H Shares are issued pursuant to the Global Offering, (ii) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, and (iii) 4,090,011,814 Shares (excluding treasury shares) are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK$21.21 per H Share	**Based on an Offer Price of HK$22.53 per H Share**
Market capitalization of our Shares(1)	HK$86,749.2 million	HK$92,148.0 million
Unaudited pro forma adjusted net tangible asset per Share(2)	RMB6.39 HK$6.97(3)	RMB6.49 HK$7.09(3)

Notes:

(1) The calculation of market capitalization of our Shares is based on 360,330,000 H shares and 3,729,681,814 A shares (excluding treasury shares) expected to be in issue (representing 4,090,011,814 Shares expected to be in issue and outstanding) immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised). For details, see "Share Capital — Upon Completion of the Global Offering" in this prospectus.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" in this prospectus and on the basis that 4,092,719,535 Shares (including 1,200,921 treasury shares) were in issue assuming that the Global Offering has been completed on December 31, 2024 but takes no account of the Offer Size Adjustment Option and any Shares which may be allotted and issued by the Company pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option, any Shares that may be issued by the Company pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time under the Restricted Share Incentive Schemes or any Shares which may be issued or repurchased by the Company after the Latest Practicable Date.

(3) The estimated net proceeds from the Global Offering are translated into Renminbi at the rate of RMB1.00 to HK$1.0913. No representation is made that Hong Kong dollars has been, could have been or may be converted to Renminbi, or vice versa, at that rate.

(4) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company have not been adjusted to illustrate the effect of the following:

Pursuant to a shareholders' resolution dated April 16, 2025, it was resolved that a dividend of RMB0.25 per share totaling RMB932.75 million would be paid for 2024. This dividend is not recorded in the financial statements of our Company for 2024 or this unaudited pro forma financial information. Had this dividend been adjusted in the unaudited pro forma financial information, the net tangible assets of our Group would decrease by RMB932.75 million and the net tangible assets per share would decrease by RMB0.2279 (equivalent to HK$0.2487).

DIVIDEND

Pursuant to our Articles of Association, in principle, we distribute cash dividends once a year. Within any three consecutive years, our distributed cumulative profits in cash shall not be less than 30% of the average distributable profits realized in the latest three years. The specific dividend ratios shall be determined by our Board according to relevant regulations and our operating conditions, and shall be considered and resolved at our general meeting.

Future profit distributions may be paid in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends or other methods permitted by laws and regulations. We preferentially adopt the method of cash dividends. We shall adopt cash dividends for profit distribution provided that the conditions for cash distribution are satisfied. When distributing profits in the form of stock dividends, we will consider true and reasonable factors such as the growth of our Company and the dilution to net assets per share.

During the Track Record Period, we declared cash dividends to our Shareholders as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
		(RMB in thousands)	
Final dividends in respect of the previous year, declared and paid during the year	535,335	716,973	926,626
Interim dividends in respect of current year, declared and paid during the year	358,624	186,023	373,119
Total	**893,959**	**902,996**	**1,299,745**

On March 25, 2025, the Board of Directors proposed a final dividend of RMB2.5 per 10 shares (tax inclusive), totaling RMB932.75 million, in respect of the year ended December 31, 2024. On April 16, 2025, the Shareholders' meeting approved the proposed final dividend for 2024. As of May 22, 2025, the dividends for the year ended December 31, 2024 have been fully paid to our Shareholders.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately HK$139.8 million (assuming an Offer Price of HK$21.87 per Offer Share (being the mid-point of the indicative Offer Price range) and no exercise of the Offer Size Adjustment Option and the Over-allotment Option), representing 1.8% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB10.0 million, of which RMB1.3 million was charged to the consolidated statements of profit or loss as general and administrative expenses, and RMB8.7 million will be deducted from equity. We expect to incur listing expenses of approximately HK$139.8 million, of which approximately HK$9.4 million is expected to be recognized in the consolidated statements of profit or loss as general and administrative expenses and approximately HK$130.4 million is expected to be recognized as a deduction in equity directly upon the Listing. Our Directors do not expect such expenses to materially impact our results of operations in 2025. By nature, our listing expenses are composed of (i) underwriting commission of approximately HK$104.1 million and (ii) non-underwriting related expenses of approximately HK$35.7 million, which consist of fees and expenses of legal advisors and the Reporting Accountant of approximately HK$23.0 million and other fees and expenses of approximately HK$12.7 million.

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"A Share(s)"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in Renminbi
"Accountant's Report"	the accountant's report of our Company for the Track Record Period, as included in Appendix I
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"ATI"	American Tubing International USA LLC, a US producers of copper assemblies for use in the air-conditioning and refrigeration industries that we acquired in 2018
"Audit Committee"	the audit committee of the Board
"Aweco"	Aweco Group, a German electronic home appliance component manufacturer with over 50 years of operating history that we acquired in 2012
"Board" or "Board of Directors"	the board of Directors of our Company
"business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong

"Capital Market Intermediaries"	the capital market intermediaries as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or the "PRC"	The People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance" or "CWUMPO"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our 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 PRC company established on September 10, 1994, the A Shares of which have been listed on the Shenzhen Stock Exchange (stock code: 002050)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)" or "Controlling Shareholders Group"	Mr. Zhang Daocai, Ms. Yu Qingjuan, Mr. Zhang Yabo, Mr. Zhang Shaobo, Xinchang Huaqing Investment, Xinchang Huaxin Industrial, Zhejiang Huateng Industrial, Sanhua Holding, Hield International, Wealth Info and Sanhua Green Energy, collectively the controlling shareholders group of our Company; prior to the Listing and as of the Latest Practicable Date, the controlling shareholders group held approximately 44.62% of our total share capital, and upon Listing, they will continue to remain as a group of our Company's controlling shareholders
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)

"Director(s)"	the director(s) of our Company
"EIT"	the enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), which was promulgated on March 16, 2007, came into effect on January 1, 2008, and was most recently amended on December 29, 2018 becoming effective on the same date
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FINI"	"Fast Interface for New Issuance," an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	the report prepared by Frost & Sullivan
"General Rules of HKSCC"	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and our subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guide for New Listing Applicants"	the Guide for New Listing Applicants issued by the Stock Exchange in December 2023
"H Share Registrar"	Computershare Hong Kong Investor Services Limited

"H Share(s)"	shares in the share capital of our Company with a nominal value of RMB1.00 each, to be listed and traded on the Hong Kong Stock Exchange
"Hield International"	Hield International (H.K.) Limited, a Hong Kong company established on May 14, 2007, one of our Controlling Shareholders
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$", "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your **broker** or **custodian** who is an HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"HKSCC Participant(s)"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant

"Hong Kong Offer Shares"	the 25,223,100 H Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation and the Offer Size Adjustment Option as described in "Structure of the Global Offering")
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) on the terms and subject to the conditions described in this prospectus, as further described in "Structure of the Global Offering — The Hong Kong Public Offering"
"Takeovers Code"	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated June 12, 2025, relating to the Hong Kong Public Offering, entered into by, among others, the Overall Coordinators, the Hong Kong Underwriters and our Company
"IFRS Accounting Standards"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Independent Third Party(ies)"	person(s) or company(ies), who/which, to the best of our Directors' knowledge, information and belief, is/are not our connected persons
"International Offer Shares"	the 335,106,900 H Shares being initially offered for subscription under the International Offering together, where relevant, with any additional H Shares that may be issued pursuant to any exercise of the Offer Size Adjustment Option and the Over-allotment Option (subject to reallocation as described in "Structure of the Global Offering")

"International Offering"	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirements under the U.S. Securities Act, as further described in "Structure of the Global Offering"
"International Underwriters"	the underwriters expected to enter into the International Underwriting Agreement relating to the International Offering
"International Underwriting Agreement"	the international underwriting agreement, expected to be entered into on or about June 19, 2025, relating to the International Offering, by, among others, our Company, the Overall Coordinators and the International Underwriters in respect of the International Offering, as further described in "Underwriting — International Offering"
"Joint Bookrunners"	the joint bookrunners as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Global Coordinators"	the joint global coordinators as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Lead Managers"	the joint lead managers as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited
"Latest Practicable Date"	June 4, 2025, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Listing"	the listing of the H Shares on the Main Board
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange

"Listing Date"	the date, expected to be on or about Monday, June 23, 2025, on which the H Shares are to be listed and on which dealings in the H Shares are to be first permitted to take place on the Hong Kong Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Major Subsidiary" or "Major Subsidiaries"	subsidiaries of the Company that meet any of the following criteria: (1) any of the revenue, total profit, net profit, total assets and net assets of which reaches or exceeds 5% of the relevant financial indicators of the Company's consolidated financial statements in any year/at the end of the Track Record Period; (2) subsidiaries which hold important business licenses and permits of the Company's business; (3) subsidiaries which have a significant impact on the Company's business operations and future development strategies based on the Company's comprehensive assessment of the Company's business composition and principal business
"Ministry of Finance" or "MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in "Structure of the Global Offering — Pricing and Allocation"
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional H Shares which may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option
"Offer Size Adjustment Option"	the option under the Hong Kong Underwriting Agreement, exercisable by the Company with the prior written agreement between the Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before the execution of the Price Determination Agreement, pursuant to which the Company may issue and allot up to an aggregate of 54,049,500 additional H Shares (representing in aggregate approximately 15.0% of the Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover additional market demand, as described in "Structure of the Global Offering — Offer Size Adjustment Option"
"Overall Coordinators"	the overall coordinators as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering"

"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 54,049,500 additional H Shares (representing in aggregate approximately 15.0% of the Offer Shares initially being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to 62,156,900 additional H Shares (representing in aggregate approximately 15.0% of the Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) to the International Underwriters to, among other things, cover over-allocations in the International Offering, if any, details of which are described in "Structure of the Global Offering — Over-Allotment Option"
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the PRC, as amended, modified and/or otherwise supplemented from time to time
"PRC GAAP"	generally accepted accounting principles in China
"PRC government" or "State"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"Price Determination Agreement"	the agreement to be entered into between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or before Thursday, June 19, 2025 and in any event no later than 12:00 noon on Thursday, June 19, 2025, on which the Offer Price is to be fixed for the purposes of the Global Offering

"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Ranco"	Changzhou Ranco Reversing Valve Co., Ltd. (常州蘭柯四通閥有限公司), a company primarily engaging in the manufacturing and assembly of four-way reversing valves and related products that we acquired in 2008
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinator, the Joint Bookrunner, the Joint Lead Manager, the Capital Market Intermediaries, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering
"Remuneration and Evaluation Committee"	the remuneration and evaluation committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"Sanhua Green Energy"	Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司), a PRC company established on September 30, 2001, one of our Controlling Shareholders

"Sanhua Holding"	Sanhua Holding Group Co., Ltd. (三花控股集團有限公司), a PRC company established on July 11, 2000, one of our Controlling Shareholders
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFC"	Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Management and ESG Committee"	the strategy management and ESG committee of the Board
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules

"Supervisor(s)"	member(s) of Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Track Record Period"	the years ended December 31, 2022, 2023 and 2024
"Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies ("境內企業境外發行證券和上市管理試行辦法"), promulgated by the CSRC on February 17, 2023
"U.S.", "US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdictions
"U.S. dollars", "US dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"VAT"	value-added tax
"Wealth Info"	Wealth Info Limited, a Hong Kong company established on June 2, 2005, one of our Controlling Shareholders
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Xinchang Huaqing Investment"	Xinchang Huaqing Investment Co., Ltd. (新昌華清投資有限公司), a PRC company established on February 29, 2016, one of our Controlling Shareholders
"Xinchang Huaxin Industrial"	Xinchang Huaxin Industrial Co., Ltd. (新昌華新實業有限公司), a PRC company established on March 16, 2016, one of our Controlling Shareholders

"Zhejiang Huateng Industrial"	Zhejiang Huateng Industrial Co., Ltd. (浙江華騰實業有限公司), a PRC company established on April 19, 2010, one of our Controlling Shareholders
"%"	per cent

Unless otherwise specified, in this prospectus:

(a) certain amounts and percentage figures have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and

(b) for ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, nature persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"actuator"	a vital component in electromechanical systems that converts energy into motion, enabling precise control and movement
"AGV"	Automated Guided Vehicle (AGV) is a mobile robot used in industrial settings for transporting materials and goods. AGVs operate without human intervention, following predefined paths or using navigation systems, thereby enhancing efficiency and accuracy in warehousing and logistics operations
"alternate current"	current that changes its magnitude and polarity at regular interval of time
"APS"	Advanced Planning and Scheduling (APS) is a system that optimizes production planning and resource allocation by using algorithms and data analysis. APS helps in creating efficient production schedules, balancing demand and capacity and improving overall resource utilization
"Automotive News"	a weekly newspaper written for the automotive industry, established in 1925 and based in Detroit, Michigan, the United State
"Automotive Platform"	a shared set of common design, engineering and production efforts, as well as major components, over multiple different automotive modules or even automotive types. It allows automakers to efficiently develop a wide variety of automotives by sharing the same basic foundation rather than start from scratch for each new model
"bionic robot"	advanced robotic systems that integrate biological principles and engineering to enhance functionality and adaptability. These robots mimic biological organisms by using sensors, actuators, and control algorithms to perform complex tasks, improve interaction with environments and increase efficiency in various applications

"BLDC fans"	Brushless Direct Current (BLDC) fan is one type of ceiling fan that consumes lower electricity compare to normal induction fan
"braze welding"	the use of a bronze or brass filler rod coated with flux to join steel workpieces
"direct current"	current that flows consistently in a single direction
"EAM"	Enterprise Asset Management (EAM) is a comprehensive approach to manage the lifecycle of an organization's physical assets. It focuses on the maintenance, operation and optimization of equipment to maximize efficiency, ensure reliability and extend asset longevity. EAM systems provide tools for tracking asset performance, scheduling maintenance and ensuring regulatory compliance
"EMC test"	Electromagnetic compatibility (EMC) testing measures the ability of equipment or systems to function satisfactorily in their electromagnetic environment without introducing intolerable electromagnetic disturbance to anything in that environment
"EOL test"	End-of-Line (EOL) test is a process conducted at the end of manufacturing to verify that products meet performance and safety standards
"ERP"	Enterprise Resource Planning (ERP) is an integrated software platform used to manage and automate core business processes across an organization. ERP systems consolidate data from various departments, such as finance and supply chain to enhance efficiency and provide a unified view of business operations
"Ex-factory Defect Rate"	refers to the number of defective products that enter the market within a given year or period as a ratio of the total quantity of products dispatched from the factory
"GHG"	greenhouse gas, gas in the atmosphere that raises the surface temperature of planet Earth and strengthens the greenhouse effect, contributing to climate change

"helium leakage test"	A helium leakage test is performed with the help of a helium leak detector known as a Mass Spectrometer Leak Detector (MSLD). Helium leakage tests are performed on pipelines, storage tankages and vessels that store chemicals, crude oil, petroleum products or other liquid materials to detect small leaks in these sealed industrial containers. Corrective measures are undertaken when leaks are discovered
"HVAC"	Heating, Ventilation, and Air Conditioning (HVAC) systems are integral components used to regulate indoor environments. They are designed to provide thermal comfort and acceptable indoor air quality by controlling temperature, humidity and air flow
"ICEVs"	Traditional internal combustion engine vehicles are vehicles powered by an internal combustion engine (ICE) that generates propulsion by burning fuel, typically gasoline or diesel, within the engine
"IoT"	Internet of Things (IoT) refers to the network of physical objects embedded with sensors, software and other technologies to connect and exchange data with other devices and systems over the internet. These objects range from everyday household items to sophisticated industrial tools. The primary aim of IoT is to enable seamless communication and interaction between devices, enhancing efficiency, automation and data-driven decision-making
"key refrigeration and air-conditioning control components"	Key refrigeration and air-conditioning control components are major integral parts used in air-conditioners and other refrigeration facilities for household and commercial application scenarios to provide essential functions such as heating and cooling, refrigerant flow control and pressure measurement, among others. Key refrigeration and air-conditioning control components include electronic expansion valves, four-way reversing valves, service valves, solenoid valves, micro-channel heat exchangers, Omega pumps, inverter controllers, pressure sensors, among others
"Local Interconnect Network"	A serial network protocol used for communication between components in vehicles

"machine vision"	A technology used for imaging-based automatic inspection and analysis, which is essential for process control and robot guidance. It involves capturing and processing images to allow machines to interpret visual data. It helps production lines automatically identify and correct defects, ensuring consistency and high quality
"MES"	Manufacturing Execution System (MES) is a software system that monitors, tracks and controls manufacturing processes. MES provides real-time data and insights into production operations, facilitating production control, quality management and decision-making
"MPS"	Master Production Schedule (MPS) is a comprehensive plan for manufacturing finished goods, detailing the products, quantities and production timelines. It ensures alignment with customer demand and inventory policies, serving as a crucial input for Material Requirements Planning (MRP) systems. The MPS helps optimize resource allocation, minimize waste and meet delivery deadlines
"MRP"	Material Requirements Planning (MRP) is a system used to manage manufacturing processes by determining the quantity and timing of raw material purchases. MRP analyzes production schedules, inventory levels and supplier lead times to ensure materials are available for production while minimizing inventory costs
"muffler"	a component designed to reduce noise and optimize airflow in the air-conditioning system
"NEVs"	New Energy Vehicles (NEVs) include but not limited to battery EV, hybrid and fuel cell vehicles

"OTWB"	Order, Transportation, Warehouse and Billing Management System (OTWB) is a comprehensive logistics and transportation management system to streamline operations for corporations. The OTWB typically integrates an Order Management System, which manages order processing and tracking, a Transportation Management System, which optimizes the planning and execution of the physical movement of goods, a Warehouse Management System, which oversees storage operations and inventory control, and a Billing Management System, which manages invoicing and payments
"output voltage"	output voltage is the voltage released by a device, such as a voltage regulator or a generator
"PACE Award"	Automotive News PACE Award, an annual award by Automotive News
"PCB soldering"	the process of soldering electrical circuit boards
"PCT"	Patent Cooperation Treaty (PCT) is an international patent law treaty that provides a unified procedure for filing patent applications in its contracting states
"PFC"	Power factor correction (PFC) is the process of compensating for the lagging current by creating a leading current by connecting capacitors to the supply
"PPM"	Parts Per Million (PPM) is a metric used to quantify the number of defective items in the production of one million items
"PSIG"	PSIG stands for pounds per square inch gauge. Gauge pressure is pressure relative to atmospheric pressure. Gauge pressure is what most gauges on your oilfield valves and equipment will show
"R&D"	research and development
"solenoid"	An electric coil with a movable plunger in its center. In the rest position, the plunger closes off a small orifice. An electric current through the coil creates a magnetic field. The magnetic field exerts an upwards force on the plunger opening the orifice

"SRM"	Supplier Relationship Management is a system that manages interactions and communications with suppliers. SRM facilitates the synchronization of procurement plans with suppliers, ensuring timely and efficient delivery of materials in accordance with production needs and strategic objectives
"tce"	tonne of standard coal equivalent. In calculating the comprehensive energy consumption, various energy sources should be converted into standard coal. The actual fuel energy consumed should be converted into the equivalent amount of standard coal based on its lower heating value
"TUV certification"	certification issued by Technischer Überwachungsverein (Technical Inspection Association), a German organization that conducts rigorous testing and certification of products to ensure they meet stringent safety, quality and environmental requirements. TUV certification is recognized worldwide as a trademark of trust and quality, which ensures that a product, service, or process has been tested for safety and that it complies with the requirements of national, regional and international regulations
"UL certification"	certification issued by Underwriters Laboratories, a globally recognized safety science organization that specializes in the testing and certification of products, components and materials. UL certification ensures that products, components and materials adhere to high levels of safety and quality, and compliance with relevant regulations and industry standards
"VOCs"	Volatile Organic Compounds, organic compounds that participate in atmospheric photochemical reactions or are defined as such by relevant regulations
"wire harness welding"	the action of welding the metal of the wires with any required terminals

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- general political and economic conditions of jurisdictions in which we operate;
- our business operations and prospects;
- our capital expenditure plans;
- weather, natural disasters and climate change;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;

- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and business plans; and

- various business opportunities that we may pursue.

An investment in our H Shares involves risks. You should carefully consider all of the information in this prospectus, including our consolidated financial statements and related notes, before making an investment in our H Shares.

Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks, some of which are beyond our control. Other risks and uncertainties that we are not currently aware of or that are not disclosed or implied below, or which we do not currently believe to be material, may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. The trading price of our H Shares may decline due to any of these risks, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our businesses are dependent on various downstream industries, including the refrigeration and air-conditioning product, the ICEV and NEV, the home appliance, data center, and cold-chain transportation industries. A downturn experienced by any of these industries or the economy in China or globally could adversely affect our business.

We primarily provide refrigeration and air-conditioning product components and automotive components for various end market applications. Our financial performance and operating results depend on the overall performance of the various downstream industries where our products are used. These industries include, but are not limited to, the refrigeration and air-conditioning product, the ICEV and NEV, the home appliance, which covers refrigerators, washing machines, dishwashers, coffee makers and stoves, among others, the heat pump and hot water system, industrial refrigeration, data center, and cold-chain transportation industries. Our business is particularly susceptible to the policies and performance trends within the refrigeration and air-conditioning product industry, as well as the NEV industry. Changes in regulatory frameworks, environmental standards and government incentives in these industries could impact our operational capabilities and financial outcomes. If the end product markets cannot maintain robust growth, our business and profitability may be adversely affected.

The demand for air-conditioning products has been increasing alongside the increasing living standards globally. In addition, the demand for high-efficiency refrigeration and air-conditioning products has risen due to the awareness of energy efficiency and environmental impact, as well as new government legislation and regulations mandating higher energy efficiency standards for household appliances. For instance, China has introduced new energy efficiency standards for air-conditioners. From July 2020, the production of fixed-frequency air-conditioners with original energy efficiency level three has been discontinued. Additionally, the original level two and level one standards have been reclassified to level five and level four, respectively, thereby establishing more stringent energy efficiency standards. In 2024, the State Council issued the "Action Plan for Energy Conservation and Carbon Reduction from 2024 to 2025" (《2024-2025年節能降碳行動方案》), which proposed to strengthen the management of carbon emission intensity and implement special actions for energy conservation and carbon reduction in different industries. Such supporting policies and growing awareness for energy conservation and carbon reduction, in turn, drives the increasing demand for refrigeration and air-conditioning components, such as electronic expansion valves that can improve heat exchange efficiency and reduce energy waste by precisely regulating refrigerant flow. However, any adverse change in any of the aforementioned factors may negatively impact the market demand in the refrigeration and air-conditioning product market, which, in turn, could adversely affect our performance.

In the automotive sector, the global sales volume of automotive components, especially the thermal management system components, has experienced rapid growth during the Track Record Period, primarily due to the rapid expansion of NEVs. According to Frost & Sullivan, the global sales volume of NEVs has increased from 5.2 million units in 2020 to 21.4 million units in 2024, and is expected to further increase to 47.2 million units by 2029. Factors such as purchase costs, charging infrastructure, cruise range, battery life and the availability of supporting facilities significantly influence the development of the NEV industry. Additionally, government subsidies and economic incentives, such as tax credits and reduced electricity rates, play a crucial role in shaping the NEV demand, the elimination of which could potentially lead to a slowdown or decline in demand for NEVs, which, in turn, could affect the demand for automotive components. For instance, in 2021, the Ministry of Finance issued Fiscal Subsidy Policy for Promotion and Application of New Energy Vehicles in 2022《2022年新能源汽車推廣應用財政補貼政策》, which indicates that, in 2022, subsidy standards for new energy vehicles will be reduced, and the new energy vehicle purchases subsidy policy will be terminated on December 31, 2022. Despite the introduction of favorable policies aimed at supporting the growth of the NEV industry, there is no guarantee that demand for NEVs, and consequently for automotive components, will continue to grow rapidly. In addition, on October 4, 2024, the European Commission voted to enact the provisional tariffs on Chinese imports of NEVs that had been in place since early July, when the commission released the findings from its nine-month investigation into subsidies and overcapacity in China's NEV industry. The tariffs took effect on 31 October 2024 and were scheduled to remain in place for five years. These tariffs could potentially increase the cost of Chinese NEV imports, affecting demand for the Chinese NEVs and consequently impacting the demand of our products by the Chinese NEV manufacturers.

Given our extensive operations across both China and international markets, we may need to change or adapt our business focuses from time to time in response to the new rules and policies regarding the end markets for our products, but we may not be able to do so in a timely and efficient manner. Any new legislations or adverse changes in requirements relating to the end product where our products are utilized could have an impact on our business, financial condition and results of operations.

Furthermore, our operations are significantly influenced by economic, political and social conditions in China and globally. Economic downturns, whether actual or perceived, in our key markets or our customers' key markets could affect our financial condition and results. Global uncertainties, such as geopolitical tensions, inflation risks and changes in monetary policies, also pose challenges to our business environment.

The industries that we operate in are highly competitive, predominantly among approximately three to five large manufacturers. If we fail to compete effectively and successfully, our business, results of operations and financial condition may be materially and adversely affected.

We primarily operate in the refrigeration and air-conditioning product component market and automotive component market, which are highly competitive. The competitive landscape in such markets is characterized by strong competition among a few large manufacturers, who have substantial resources and are highly driven to maintain or grow market share. In 2024, the top three providers of refrigeration and air-conditioning control components accounted for over 80% of the total market share in terms of revenue. In the same year, the top five providers of automotive thermal management system components accounted for over 77% of the total market share in terms of revenue. As a result, such competitive landscape demands our continuous advancements and strategic initiatives in the innovation and iteration of products and production processes, production capacity, supply chain and pricing, and failure to compete successfully in such aspects may adversely affect our profitability and results of operations. Especially, we rely on our ability to maintain robust cooperative relationships with customers and respond rapidly to customer requirements to maintain mutually-beneficial relationships with our existing and new customers. As we expand our product portfolio, customer base and geographical markets, we will need significant managerial, financial and human resources to exceed our competitors in these aspects. We cannot assure you that we can maintain customer relationships and the pricing competitiveness to secure sales orders or gain market share.

Entry into the refrigeration and air-conditioning product component market and automotive component market requires substantial capital expenditures and significant technological and manufacturing expertise. We may still face increasing competition from emerging companies that may expand the scale of their operations. In addition, some of our existing and new competitors may have greater financial, marketing, technical or other resources than us. Greater resources may allow such competitors to respond to changes in market demand more quickly and produce and sell new or more advanced products, as well as better withstand downturns in the markets where we operate.

Intense competition may also lead to further consolidation in the industry. Leading manufacturers can leverage technological innovation, strong economies of scale and efficient resource allocation to consolidate resources from players of smaller scale, further accelerating market consolidation. Our competitors may enter into strategic alliances such as business partnerships or joint ventures, which may enable certain competitors to further benefit from greater economies of scale and more effectively compete with us. There can be no assurance that we will be able to continue to compete successfully, and our failure to do so could have an adverse effect on our business, financial condition and results of operations.

If we fail to maintain an effective quality management system, particularly during the production expansion, our business, reputation, financial condition and results of operations may be adversely affected.

Our product quality is critical to our success. Although we have established a stringent quality management system, it may not always identify latent product defects, which could lead to failures during installation or use, resulting in safety hazards or operational issues for our customers. The effectiveness of our quality management system depends on a number of factors, including the design of the system, the machineries used, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality management policies and guidelines. In the event that the use of end-products that adopt our products results in an unsafe condition or injury as a result of, among other factors, our component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or information, it could result in product liability or warranty claims; we could be named as a defendant in such claims, and any insurance that we carry may not be sufficient or it may not apply to all situations. Similarly, our customers could be subjected to claims as a result of such accidents and bring claims against us to hold us accountable. In addition, in the event that our products fail to perform as expected or such failure of our products results in a recall, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could materially and adversely affect our business, results of operations and financial condition.

We are required to comply with specific guidelines based on product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products. Our safety standards for the inspection of our products are also based on relevant national and industry standards. There can be no assurance that our quality management system will continue to be effective and in compliance with relevant laws, regulations and standards. Any significant failure in, or deterioration of the efficacy of, our quality management system could result in us losing accreditations and requisite certifications or qualifications, which could in turn have a material adverse effect on our reputation, business and results of operations.

The scale up in our production to meet increasing demand can put pressure on our quality assurance processes. For example, it may stretch existing resources, including personnel and equipment, beyond their optimal capacity, leading to potential oversights or errors. Bottlenecks may occur as quality assurance processes struggle to handle higher volumes without delays or rushed evaluations. Increased production can also cause accelerated wear and tear on equipment, affecting product quality. Scaling up may involve process changes or new technologies, introducing unforeseen quality issues. Additionally, sourcing additional materials or components to meet higher demand can result in variability in quality, impacting the final product. These challenges collectively increase the risk of defects or non-compliance with standards.

Changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may materially and adversely affect our business, financial condition and results of operations.

Our global operations subject us to various applicable sanctions and export controls regulations. We have exported our products to a large number of countries and regions and derive significant sales from exporting to these countries and regions. As of December 31, 2024, our products had reached America, Europe, Asia, Oceania and Africa, spanning over 80 countries and regions, including the United States, Mexico, the Netherlands, Japan, Korea, Australia and South Africa, among others. In 2022, 2023 and 2024, revenue from our overseas operations comprised approximately 46.5%, 45.4% and 44.7% of our total revenue respectively. In the event that any of these countries or regions which we export to imposes additional economic sanctions or enforces import restrictions or tariffs in relation to our products, our business and operations may be adversely affected.

Exports of our products must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to certain countries or regions, governments and persons targeted by U.S. sanctions. European Union sanctions also have similar regimes to prohibit the provision of products and services to countries or regions, governments and persons on their respective target list. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are out of our control. We take precautions to prevent our products from being provided to any target of these sanctions. We could be subject to future enforcement action with respect to compliance with governmental economic sanctions and export controls laws that result in penalties and costs that could have a material effect on our business and operating results.

In addition, we have operations in a large number of jurisdictions. Our comprehensive global sales and marketing network spans across America, Europe, Asia, Oceania and Africa. We have established R&D bases in China, the United States and Germany. As of December 31, 2024, we operated 48 factories around the world, including 13 overseas factories in the United States, Poland, Mexico, Turkey, Austria, Vietnam, Thailand and India. Therefore, government policies affecting international trade and investment, such as capital controls, economic or trade sanctions, export controls, tariffs or foreign investment filings and approvals, may affect the demand for our products and services, impact the competitive position of our products, or affect our capability to sell products in certain countries or regions. If any new tariffs, legislation or regulations are implemented (including those imposing economic or trade sanctions, and those regarding export control or outbound investments), or if existing trade agreements are renegotiated, such changes could affect our business, financial condition and results of operations. Especially, the evolving U.S. foreign policy and trade regulations, particularly the potential introduction of further trade restrictions and tariffs on specific products and products originating from certain countries or regions, could disrupt our supply chain, increase costs and negatively impact our ability to compete in the global market. Moreover, such changes could potentially provoke retaliatory measures from other countries, exacerbating international trade tensions and contributing to an uncertain business environment. For example, the U.S. implemented several rounds of import tariffs on products of Chinese origin, and the PRC government has also been imposing tariffs on certain products imported from the U.S. into China responding to the U.S. tariffs. The President of the United States has indicated his willingness to continue to increase the use of tariffs by the U.S. to accomplish certain U.S. policy goals. It is uncertain whether any further tariff restrictions will be implemented. Additionally, policy changes and related uncertainty about policy changes could increase market volatility. Because of these dynamics, we cannot predict the impact of any future changes to the U.S.'s or other countries' trading relationships or the impact of new laws or regulations adopted by the U.S. or other countries on our business.

Historically, tariffs have led to increased trade and political tensions, between not only the U.S. and China, but also between the U.S. and other countries in the international community. There is significant uncertainty as to whether countries will be able to successfully reach any trade deals with the U.S. Rising political tensions as a result of trade policies could reduce trade volume, investment, and other economic activities between major international economies. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, which in turn can significantly impact our business and results of operations. Consequently, such developments necessitate our increased investments in monitoring policy developments and exploring strategies to mitigate the impact on our operations. Economic sanctions and trade restriction measures (including tariffs) taken by government authorities or other trade tensions or unfavorable trade policies may affect the costs and/or marketability of our products, as, without the impact of additional tariffs, the peers in other countries and regions which are not subject to such tariffs, could potentially gain market share and improve their price competitiveness. The current international trade tensions and political tensions, and any escalation of such tensions, may have a material negative impact on our ability to continue to sell to global customers and further grow our customer base. In addition, as our business is closely interrelated with the performance of our customers' end-use products in the marketplace, if our customers are impacted by restrictive measures of trade protection or export control, our performance and income will be adversely affected. Geopolitical conditions may also lead to heightened restrictions on foreign investments, introducing increased compliance requirements and uncertainty for investors.

Furthermore, in recent years, there have been heightened complexities in international relations. Such tensions could reduce levels of international trade, investment, technological exchange and other economic activities, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our and our customers' business, prospects, financial condition and results of operations.

If we fail to keep up with the evolution of technologies or adapt our technology to emerging industry standards, or if our investments in new technologies prove unsuccessful or ineffective, our business may be materially and adversely affected.

Technological innovation is key to our success. During the Track Record Period, we made substantial R&D investments, which we believe are crucial factors for our future growth and prospects. For the years ended December 31, 2022, 2023 and 2024, our R&D expenses amounted to RMB989.0 million, RMB1,096.8 million and RMB1,351.8 million, respectively, accounting for 4.6%, 4.5% and 4.8% of our total revenue in the respective periods.

The revolution of technologies and the emergence of new industry standards pose significant challenges. If we fail to keep up with these changes or adapt our technology accordingly, our competitive position could be compromised. This may necessitate additional investments in technology upgrades and process improvements to align with industry standards. Failure to do so could result in our products becoming obsolete, leading to a potential loss of market share and adversely affecting our business operations.

However, there can be no assurance that our R&D projects will yield the expected outcome or be completed within the anticipated time frame and budget. If we fail to commercialize our R&D efforts, we may incur significant sunk costs. Even if the newly developed products can be launched as we expected, there can be no assurance that they will be accepted by our customers and achieve the anticipated sales target or profit. In addition, a portion of our R&D expenses are allocated to developing general technologies rather than specific products. While this investment is important for long-term innovation and capability building, it may not immediately enhance the competitiveness of our products in the market or produce the expected benefits or returns. Furthermore, there can be no assurance that our existing or potential competitors will not develop products which are similar or superior to our products or are more competitively priced. In such cases, we may lose market share. Due to uncertainties in the time frame for developing new products and the duration of market windows for these products, there is a risk that we may have to abandon a product that is no longer commercially viable, even after we have invested significant resources in the development of such product.

In addition, we have expanded our R&D efforts into our strategic emerging business, which encompasses the development of electromechanical actuators for biomimetic robots. The development of electromechanical actuators presents unique technological challenges and risks and requires substantial investment and expertise, and there is no assurance that our efforts will result in commercially viable products. Furthermore, the robotics industry is characterized by rapid technological advancements and evolving industry standards, which may render our current development obsolete or require significant additional investment for us to remain competitive.

We are susceptible to supply shortages, longer lead time and increased costs of raw materials and key components, any of which could disrupt our supply chain, increase our production costs, adversely affect our profitability and delay deliveries of our products to customers.

Our production operations depend on obtaining adequate supplies of quality raw materials on a timely basis. The raw materials used in our production of refrigeration and air-conditioning product components and automotive components mainly include copper and aluminum, which are bulk commodities that typically experience significant price volatility. During the Track Record Period, costs on raw materials and consumables accounted for a substantial amount of our cost of revenue, amounting to RMB11,758.4 million, RMB13,115.1 million and RMB14,979.8 million, accounting for 74.0%, 73.6% and 73.7% of our total cost of revenue in 2022, 2023 and 2024, respectively.

The purchase price of our raw materials is influenced by changes in bulk commodity prices as well as market supply and demand. Our ability to pass on the increases in raw material costs to our customers may be limited. The pricing of our products is, to a certain extent, based on the costs of our raw materials; if we become subject to any significant increase in the cost of raw materials that was not anticipated when negotiating the prices with our customers, our profitability may be adversely affected. In addition, our ability to negotiate with customers to include price terms, such as a raw material price linkage mechanism, that counter the bulk commodity price risks is crucial to our profitability; failure to secure such terms may have a material adverse effect on our business, financial condition and results of operations. The hedging activities we undertake to address the price fluctuations of essential raw materials may fail to protect or could harm our results of operations. See "— Any hedging strategy may not adequately protect us from commodity price, foreign exchange rate and interest rate risks, and fluctuations in exchange rates could result in foreign currency exchange losses" and "— Business — Raw Materials and Suppliers — Raw Materials and Procurement."

Furthermore, any of our measures to address potential interruptions of supplies may not be sufficient. In the event that our suppliers fail to cater to our growing demands, we may be unable to meet market demand for our products, which may have an adverse impact on our reputation and profitability. Additionally, factors that are beyond our control, including natural disasters, public health hazard, civil unrest, wars, strikes or trade sanctions or restrictions, may impact the supply and market price of raw materials.

Furthermore, although we implement quality inspections on the raw materials, there can be no assurance that we will be able to identify all of the quality issues. Any such factor could disrupt our procurement of raw materials and could have a material adverse effect on our production capacity utilization, which, in turn, will adversely impact our business, financial condition and results of operations.

Our business requires a significant amount of capital expenditure for maintenance, upgrades and expansion of production capacity, and there can be no assurance that we will be able to have enough cash to successfully implement our capital expenditure plans.

Our operations depend on the continuous maintenance, upgrades and expansion of production capacity to meet evolving customer demands and market trends. As a manufacturer of refrigeration and air-conditioning product components and automotive components, as well as a new market entrant to the bionic robot electromechanical actuators manufacturing industry, we require significant capital expenditure to ensure the quality, efficiency and competitiveness of our products.

During the Track Record Period, we primarily used cash from operating activities in the maintenance and upgrades of production facilities. During the Track Record Period, our capital expenditures were RMB2,535.1 million, RMB3,249.1 million and RMB4,115.0 million in 2022, 2023 and 2024, respectively. There can be no assurance that we will be able to generate sufficient cash from operations, or at all, to fund our planned capital expenditures. Any delays or failures in securing necessary funding and any unforeseen increases in costs or delays in the implementation of our capital expenditure plans could adversely affect our operations and financial results. Moreover, the development in industries where we operate may require us to make additional, unforeseen investments to remain competitive. If we fail to allocate sufficient resources toward adapting to these technological changes or if our investments do not yield the expected benefits, our market position and profitability may be adversely impacted.

We face various risks associated with our international operations, and our inability to effectively manage and contain them could adversely affect our business and performance.

We have established a global R&D, manufacturing and sales network. Our comprehensive global sales and marketing network spans across America, Europe, Asia, Oceania and Africa. As of December 31, 2024, we had six R&D bases, including three which are located in the United States and Germany. Our manufacturing is primarily carried out in 48 major factories worldwide, including 13 overseas factories in the United States, Poland, Mexico, Turkey, Austria, Vietnam, Thailand and India. As of December 31, 2024, our products had reached America, Europe, Asia, Oceania and Africa, spanning over 80 countries and regions worldwide, including the United States, Mexico, the Netherlands, Japan, Korea, Australia and South Africa, among others. In 2022, 2023 and 2024, revenue from our overseas operations comprised approximately 46.5%, 45.4% and 44.7% of our total revenue, respectively. In line with our strategies, we intend to continue to expand our international operations in the coming years. The demand for and market acceptance of our products marketed and sold abroad are subject to uncertainty and can be heavily influenced by local conditions and customs tariff policies. In addition, overseas investments by PRC companies are also subject to various approvals, filings, reports, registrations or other procedures from the National Development and Reform

Commission, the Ministry of Commerce, the State Administration of Foreign Exchange and other PRC regulatory authorities. The following sets forth some of the risks associated with our international operations:

- exchange rate fluctuations and foreign exchange regulations, see "— Risks Relating to Our Business and Industry — Any hedging strategy may not adequately protect us from commodity price, foreign exchange rate and interest rate risks, and fluctuations in exchange rates could result in foreign currency exchange losses" and "— Risks Relating to Our Business and Industry — Foreign exchange regulations may limit our business and results of operations and our ability to remit dividends";

- expenses associated with understanding and analyzing overseas markets, monitoring regional and local economic, industry and consumer trends and developing and maintaining efficient marketing and selling presence in such markets;

- developing and maintaining customer relations and providing quality customer services and support;

- expenses incurred and challenges in connection with compliance with local commercial and legal requirements, including labor, environment and industry-specific regulations;

- unanticipated adverse changes in regional and local economic conditions;

- political instability and civil unrest, cultural or regional conflicts and labor disputes;

- trade barriers, such as local content requirements, tariffs, taxes and other restrictions and expenses; and

- unanticipated logistic expense occurred in transportation, such as sudden surge in transportation cost and shortfall in shipping capacity.

Failure to address any of the foregoing risks or complete such procedures with respect to overseas operations in the course of our overseas expansion may adversely affect our business, financial condition, operations and prospects. Especially, our operations are governed by relevant laws and regulations in the PRC and other jurisdictions where we operate relating to production safety, product quality and environmental protection, among other things. New laws or regulations, changes to laws and regulations, as well as the refinement of interpretations and applications of existing ones, can impose additional compliance costs or require us to change our operations to ensure compliance. The industry in which we operate is still evolving, and laws and regulations may be interpreted and implemented more strictly, or new laws and regulations may be adopted from time to time that require additional approvals, licenses and permits. Failure to obtain, renew or maintain the necessary approvals, licenses and permits required for our operations may render our operations to be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

In addition, we may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, governmental import or export controls and similar laws and regulations in various jurisdictions in which we conduct activities. Our policies and procedures instituted may not be sufficient and if any of our directors, officers, employees, representatives, consultants, agents and business partners engaged in any improper conduct, we may be held responsible. Non-compliance with anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions laws, or governmental import or export controls could subject us to whistleblower complaints, adverse media coverage, investigations and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, reputation, financial condition and results of operations.

Our business depends substantially on the expertise and dedication of our management team and highly skilled personnel on a global scale. We may face challenges in recruiting and retaining such individuals, which could impede our technological advancement and business growth.

We have been, and will continue to be, substantially dependent on the continued services of our management team and highly skilled personnel. Retaining talent in a global business operation involves navigating challenges, including cultural differences that affect employee engagement and satisfaction and intense competition for skilled professionals. Additionally, legal and regulatory compliance varies by country, complicating employment contracts and benefits. We also endeavor to keep communication and integration within our global teams with the implementation of nuanced retention strategies that balance global consistency with local adaptation. However, we cannot assure you that we will continue to successfully retain our management team and skilled personnel. If we lose the services of any key member of them, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

The shortage of skilled professionals could lead to delays in product development, hinder our ability to respond to market demands, and affect our capacity to manage and integrate our international operations effectively. Additionally, the loss of key personnel or the inability to attract new talent could result in a loss of institutional knowledge and expertise, adversely affecting our business operations and future prospects. Failure to address these challenges may negatively impact our business performance, financial condition and our ability to achieve strategic objectives in the rapidly evolving technology sector.

As our business continues to grow globally, the demand for skilled R&D and international management personnel has significantly increased. Our ability to innovate and maintain a competitive advantage relies heavily on attracting and retaining highly qualified professionals in fields where we operate to continuously innovate and iterate our existing products and expand into our strategic emerging business. However, the competition for such talent is intense, and there is a risk that we may not be able to recruit or retain the necessary personnel to support our growth and international expansion strategies.

Failure to maintain the efficiency of our management and operation could adversely affect our competitiveness.

Our leading position in the refrigeration and air-conditioning control component market and the automotive thermal management system component market depends on the strength of our management and operation. As we are expanding our business both domestically and internationally and venturing into new areas such as producing electromechanical actuators for bionic robots, we need to continuously improving our management practices to sustain our leading market position.

However, there is no assurance that we can always ensure the continued effectiveness of our management systems or sustain our operational efficiency. Failure to maintain the effectiveness and efficiency of management and operation may expose us to challenges such as resources mismanagement, supply chain disruptions or difficulties in further scaling our productions. These challenges could adversely affect our competitiveness and makes it difficult for us to sustain our market-leading position.

We are exposed to inventory management risks.

Our inventories primarily consist of raw materials, work in progress and finished goods. As of December 31, 2022, 2023 and 2024, our inventories were RMB4,334.9 million, RMB4,600.7 million and RMB5,280.4 million, respectively, of which finished goods accounted for 60.7%, 68.0% and 71.4%, respectively. Our inventory turnover days for the same periods was 92 days, 92 days and 89 days, respectively.

If we fail to manage our inventory effectively, we may be subject to increased inventory storage costs, a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory write-offs. We cannot guarantee that our inventory levels will be able to swiftly meet the demands of customers, which may adversely affect our revenue. We also cannot guarantee that all of our inventory can be sold as products within a reasonable period of time. Any of the above may materially and adversely affect our results of operations and financial condition. On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply in a timely manner, we may experience inventory shortages, which might result in a diminished customer base and a decrease in revenue, any of which could harm our business, financial condition and results of operations.

We have implemented an inventory management system that requires close internal coordination to ensure that our inventory levels are sufficient to satisfy demand and do not cause any disruptions in production while minimizing carrying costs. For details of our inventory and inventory management policies, see "Business — Inventory Management." In the event of any damage or deterioration caused by factors beyond our control, including catastrophic events such as outbreak of fire or explosion, we may suffer from losses and such losses may not be compensated in a timely and adequate manner. Our business performance and financial position may thereby be adversely affected.

We may not be able to increase our production capacity and implement other expansions as planned.

We intend to maintain our competitive advantages by, among others, expanding our production capacity and exploring new business opportunities in the refrigeration and air-conditioning product component and automotive component industries, as well as the bionic robot electromechanical actuator industry. Such expansion plans and any other future expansion plans would require significant capital investments in new production facilities and in the engagement of additional qualified personnel. To capture these opportunities, we have begun to expand our existing production facilities as well as establish new production facilities globally. See "Business — Production" and "Future Plans and Use of Proceeds." We expect that we will incur substantial additional costs, such as depreciation charges, raw material costs, financial costs and labor costs in relation to the above expansion plans. In addition, the success of our existing and future expansion plans depends on a few factors beyond our control, such as progress of the construction conducted by third-party construction companies, local laws and regulations, government support (including the issuance of a relevant operation license for the expanded production capacity) and customer demand for our expanded production capacity. The integration of future expansion projects into our existing operations may be subject to unforeseeable delays, which may, among other things, increase our integration costs, strain our production capacity at other locations, decrease our production efficiency and cause delays in delivery of customer orders. As the success of our business expansion plans depends on various factors, many of which are beyond our control, there can be no assurance that we will be successful in implementing our strategies. Even if our strategies are implemented successfully, there can be no assurance that our strategies will lead to successful achievement of our business objectives.

Moreover, we may seek to expand our business through cooperation, strategic investments, mergers and acquisitions and partnership in the future. The success of these endeavors depends on the availability of, and competition for, suitable targets and opportunities, as well as financial resources, including available cash and financing capacity. Moreover, future cooperations, strategic investments, mergers and acquisitions and partnerships may expose us to potential risks, including the diversion of management attention and resources from our existing business and the inability to generate sufficient income to offset the costs and expenses. These endeavors may also result in an increased leverage, sharing of potential legal liabilities in respect of the target businesses, and increased impairment charges related to goodwill and other intangible assets. As a result, we cannot assure you that we will be able to achieve the strategic purpose of any investment, partnership or cooperation, the desired level of control in management decisions of the partnership or our anticipated investment return from such business expansion. If we are unable to implement our expansion plans effectively, our business, financial condition and results of operations may be materially and adversely affected.

In addition, if our management, systems, resources and supporting infrastructure fail to effectively keep up with our planned expansion, we may experience difficulties in managing our growth and operations, and our financial condition and results of operations could be materially and adversely affected.

Any hedging strategy may not adequately protect us from commodity price, foreign exchange rate and interest rate risks, and fluctuations in exchange rates could result in foreign currency exchange losses.

Our business is exposed to volatility in the price of raw materials, interest rate and foreign exchange rates. In an effort to reduce the price fluctuations, we may choose to mitigate fluctuations in the exchange rate by entering into forward foreign exchange contracts. In 2022, 2023 and 2024, we recorded net foreign exchange gains of RMB230.9 million, RMB149.9 million and RMB62.3 million, respectively. However, such measures to mitigate foreign exchange risks may not be effective. There may also be a limited range of hedging instruments available to reduce our exposure to exchange rate fluctuations. The cost of these foreign exchange hedging instruments can vary significantly over time and may outweigh the potential benefits of reduced currency volatility.

We also implement a price linkage mechanism with our customers and suppliers, and conduct hedging operations through commodities futures, among various other strategies, to address the price fluctuations on essential raw materials. In 2022, 2023 and 2024, from raw material hedging activities, we recorded a net loss of RMB6.4 million, a net gain of RMB9.5 million and a net gain of RMB8.6 million, respectively. However, there is no guarantee that our customers will accept the price adjustment mechanism, and any hedging activities we undertake may fail to protect or could harm our results of operations, especially given: (i) hedging can be costly, especially during periods of price volatility; (ii) the available hedges may not align precisely with the specific risks we aim to manage; (iii) the duration of the hedge may not coincide with the duration of the risk we seek to mitigate; and (iv) the counterparty or clearing agent involved in a hedging transaction may default on its obligation to pay or deliver under the forward contract. In 2022 and 2023, we had gains from hedging operations of RMB30.6 million and RMB43.6 million, respectively, and in 2024, we had losses from hedging operations of RMB51.2 million, respectively. Such historical performance may not be indicative of the future performance of our hedging operations, as market conditions and regulatory environments may change. Our inability to effectively manage risks associated with potential hedging activities may have a material adverse effect on our business, financial condition and results of operations.

If we are unable to maintain high utilization of our production facilities, our profitability may be adversely affected, particularly if there is industry overcapacity.

High utilization of production facilities is crucial for spreading fixed costs over a larger quantity of products. Consequently, our ability to maintain or improve gross profit margins depends significantly on sustaining high utilization rates. Our total utilization rate was 83.8%, 92.2% and 91.2%, respectively, for 2022, 2023 and 2024. During the same periods, the aggregate utilization rate of our eight production bases was 84.1%, 92.8% and 90.5%, respectively. However, various adverse factors, such as excess capacity, equipment malfunction, interruptions in utility availability and quality control deficiencies, could negatively affect our facility utilization.

In the industries where we operate, there is a risk of overcapacity if demand for refrigeration and air-conditioning product components and automotive components does not grow as expected. This could exacerbate the challenges of maintaining high utilization rates. Furthermore, the increase in global production capacity, driven by anticipated demand for more air-conditioning products and NEVs, may be higher than actual market demand. If the industries do not grow as expected, or if our production capacity significantly exceeds this growth trajectory, we may face periods of industry-wide oversupply and the consequent price drop. Further, it can be challenging to adjust production levels swiftly due to capacity expansion projects that were previously planned.

If customer demand declines significantly, parts of our production facilities may become idle. This situation could lead to obsolescence of our facilities over time. Any downturns resulting from production overcapacity or other market demand factors could materially and adversely affect our business, financial condition and results of operations.

We could be subject to changes in our tax rates, the adoption of new local or overseas tax legislation or exposure to additional tax liabilities.

The PRC EIT Law imposes an EIT rate of 25% on business enterprises. Some of our subsidiaries are entitled to preferential tax treatment. For example, during the Track Record Period, certain of our subsidiaries in China have obtained High and New Technology Enterprises certification, and they were subject to a preferential corporate income tax rate of 15% with a validity period of three years. See "Financial Information — Description of Major Components of Our Results of Operations — Income Tax Expenses." To the extent there are any changes in the laws and regulations governing preferential tax treatment, or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, value-added and other taxes. Non-compliance with China tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to China tax laws and regulations and tax penalties or fines could affect our businesses, financial condition and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. See "Financial Information — Description of Major Components of Our Results of Operations — Income Tax Expenses." Due to the fact that the tax environment can be different in different jurisdictions and that the regulations regarding various taxes, including but not limited to corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. In 2022, 2023 and 2024, in China, our weighted average effective tax rate is 11.6%, 13.2% and 11.3%, respectively, and in the United States, our weighted average effective tax rate is 17.0%, 12.8% and 16.9%, respectively. See "Financial Information — Description of Major Components of Our Results of Operations — Income Tax Expenses." Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our results of operations.

We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental bodies. The tax treatments of our transaction arrangements may be subject to interpretation by the respective tax authorities, and there can be no assurance as to the outcome of these examinations. If our weighted average effective tax rate was to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected.

Work stoppages, increases in labor costs and other labor-related matters may adversely affect our business operations.

We believe that we have a good working relationship with our employees. We have not experienced any material work stoppages, strikes or other major labor problems for the years ended December 31, 2022, 2023 and 2024. However, there can be no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher ongoing labor costs, which may have an adverse effect on our business, financial condition and results of operations.

In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase, which may further increase our manufacturing costs. Factors contributing to rising labor costs include inflationary pressures, changes in minimum wage laws and increased demand for skilled workers. Additionally, regulatory changes or enhanced employee benefits mandated by law could further exacerbate these costs. The competition for skilled labor in our industry is intense and we may be required to offer more attractive compensation packages to retain and attract qualified personnel. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease and our financial condition and results of operations may be materially and adversely affected.

Our production is dependent on the stable, timely and adequate supply of energy at commercially reasonable prices.

We depend on a stable supply of energy, mainly including electricity, water and steam, to maintain production. Our production volume and manufacturing costs are affected by the price and supply of energy. The prices of energy are subject to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for energy and local and national regulatory requirements. Furthermore, there can be no assurance that unexpected and serious shortages of energy will not occur in the future or that we will be able to pass on any cost increases to our customers. Adverse changes in power consumption policies, particularly those leading to higher energy prices, could negatively impact our business, financial condition, operational results and prospects. Significant fluctuations in these costs could materially affect our profitability if we are unable to adjust our product prices accordingly, potentially undermining our competitive advantages. Failure to pass increased costs onto our customers may lead to a reduction in our profit margins. If the supply of energy is affected by natural disasters, adverse weather conditions, equipment failures, disruptions in transport or other inclement factors, we may not be able to locate alternative sources of supply at commercially reasonable prices or maintain the full energy supply required for production, resulting the reduction or cessation of production capacity. Any such events may have a material adverse effect on our business, financial condition and results of operations.

Our manufacturing processes are potentially vulnerable to disruptions that can increase our production costs. We may experience potential disruptions in operations due to manufacturing difficulties or potential accidents.

Our manufacturing processes are complex, requiring equipment that is periodically modified and upgraded to improve manufacturing yields and product performance, as well as reduce unit manufacturing costs. From time to time, production difficulties may arise that could cause delivery delays or reduced output. There is no guarantee that we will not encounter manufacturing issues in achieving acceptable output or timely product delivery due to factors such as construction delays, challenges in upgrading or modifying existing production lines, building new plants, adapting to new manufacturing technologies or processes or delays in equipment deliveries. Any of these issues could constrain our production capacity and adversely affect our results of operations.

Furthermore, our manufacturing processes entail certain risks, such as industrial accidents, which could lead to significant property damage or personal injury. Any such incident, regardless of its location, could result in substantial production interruptions and delays, or claims for significant damages due to personal injuries or property damage, thereby adversely impacting our business, financial condition and operational results.

We may not be able to adequately protect or enforce our intellectual property rights or prevent unauthorized parties from copying or reverse engineering our products and solutions, and such efforts to defend and protect our intellectual property may be costly.

The success of our products and our business depends in part on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products in the jurisdictions where we operate. We rely on a combination of patent, trademark, trade secret and laws related to intellectual property in China and other countries to establish and protect our proprietary rights, and yet all of which may provide only limited protection.

We cannot assure you that patents will be issued with respect to our currently pending patent applications in a manner that gives us adequate defensive protection or competitive advantages, if at all, or that any patent issued to us will not be challenged, invalidated or circumvented. Our currently issued patents and any patents that may be issued or registered in the future may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. We cannot assure you that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. The confidentiality procedures and contractual restrictions implemented by us may not be sufficient or effective.

Protecting against the unauthorized use of our intellectual property and other proprietary technology is expensive and difficult, particularly internationally. Unauthorized parties may attempt to copy or reverse engineer our technologies or certain aspects of our solutions that we consider proprietary. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to prevent unauthorized parties from copying or reverse engineering our solutions, to determine the validity and scope of our proprietary rights or to block infringing products where we operate. Any such litigation, whether initiated by us or a third party, could result in substantial costs and diversion of management resources, either of which could adversely affect our business, operating results and financial condition. Even if we obtain favorable outcomes in litigation, we may not be able to obtain adequate remedies.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

We are exposed to the risk of fraud or other misconduct committed by our employees, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. Our internal control system and procedures to monitor our operations and overall compliance may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be the risk that fraud and other misconduct may occur, which may have an adverse effect on our business, reputation, financial performance and results of operations.

We are exposed to the risk of fraud or other misconduct committed by our suppliers. Failure by any of our suppliers to fulfill the commitment to integrity may lead to ethical issues and subject us to potentially severe reputational risk and loss of profit and decline in the trust of customers and partners.

We may face claims of infringement on know-how and intellectual property rights by third parties which, if resolved unfavorably, could result in the loss of rights and the obligation to pay damages.

Our continued success depends on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to our products and other technologies involve complex scientific, legal and factual questions and analyses and may therefore be highly uncertain.

There can be no assurance that we will not be subject to such claims in the future. Moreover, because patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of pending patent applications by other parties that relate to our technologies, products or processes.

The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party could subject us to liability to third parties, require us to seek licenses from third parties, pay ongoing royalties or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Litigation could also result in our customers deferring or limiting their purchase or use of our products until resolution, as well as diversion of our management's attention. The occurrence of any of the foregoing could have an adverse effect on our business, financial condition and results of operations.

We are dependent upon third parties for services in connection with our business.

We rely on third-party service providers for services in connection with our business, such as logistics. However, the services delivered by third-party providers may not always be timely or meet satisfactory quality standards. If the third-party service providers fail to perform satisfactorily, substantially reduce the amount and scope of services provided to us, or substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions, which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the provision of services without relevant qualifications, or fail to comply with our requirements or those of our customers or applicable laws and regulations, our reputation in the industry may be adversely affected. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

We derive a substantial portion of our revenue from our top five customers and any significant decrease in their order levels may negatively affect our business.

A majority of our revenue is derived from a limited number of customers. In each year during the Track Record Period, revenue from our top five customers in each of such year accounted for 35.9%, 35.9% and 32.9% of our total revenue, respectively, and revenue attributable to our largest customer in each of such year accounted for 13.1%, 14.6% and 12.6% of our total revenue, respectively, and as such, we may be affected by risks arising from customer concentration. Although our long-term business relationships with our major customers provide high visibility for future revenue, there can be no assurance that we will be able to maintain our relationships with them in the future. Demand from our major customers may fall short of our estimation due to changes in our customers' business models, strategies or financial condition, or changes in the refrigeration and air-conditioning product component market environment, automotive component market environment and macroeconomic conditions, among other things. In addition, any adverse changes in our relationships or in the key commercial arrangements with our major customers may cause material fluctuations or declines in our revenue and have a material adverse effect on our business, financial condition, results of operations and prospects.

Accordingly, if any of our major customers significantly reduces its purchase volume or ceases to place orders with us, or if we misinterpret the market demand, we may not be able to identify new customers in a timely manner and conduct our sales on commercially reasonable terms, or seek alternative ways to make up for the decrease in sales, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our historical results may not be indicative of our future performance and our results of operations, and we may not be able to manage future growth effectively.

The historical financial information included in this prospectus is not expected to be indicative of our future financial results. Such financial information is not intended to represent or predict the results of operations of any future periods.

Our future growth is, to a certain extent, based upon our forward-looking assessment of market prospects. We cannot guarantee that our assessment will always turn out to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors beyond our control. Such factors include changes in the general economic conditions and the competitive landscape of the industries where we operate, as well as the relevant regulations and policies and the supply and demand for our products.

Managing our growth will require significant expenditures and allocation of resources. We need to effectively manage our growth and maintain profits as we expect our costs and expenses to continue to increase in the future. We will also need to expand, train, manage and motivate our workforce and manage our relationships with suppliers, customers and other business partners. We also expect to continue to invest in our current and planned production expansion projects as well as R&D activities. All these endeavors entail risks and demand considerable management efforts, skills and significant additional expenditures, which could strain our capacity to enhance our operational, auditing, human resources, financial and management controls. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be exposed to credit risks arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

Our trade and notes receivables primarily include amounts due from our customers for products in the ordinary course of business. As of December 31, 2022, 2023 and 2024, our trade and notes receivables amounted to RMB7,432.1 million, RMB8,250.8 million and RMB9,628.3 million, respectively. The credit period granted to our customers was generally 60 to 120 days from the date of billing. See "Financial Information — Discussion of Certain Components of Consolidated Statements of Financial Position — Trade and Notes Receivables" in this prospectus.

Our trade receivables turnover days increased from 79 days in 2022 to 86 days in 2023 and then to 88 days in 2024, primarily due to higher revenue contribution from certain quality customers and the adjustments to credit policies for such customers. We cannot assure you that we will be able to collect all or any of our trade receivables on time, or at all. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

We historically invested and may in the future invest in wealth management products.

During the Track Record Period, we invested in wealth management products issued by the banks to mobilize our capital and generate investment returns for the benefits of our Shareholders. As of December 31, 2022, 2023 and 2024, our wealth management products issued by the banks, which were measured at fair value through profit or loss, amounted to RMB100.0 million, nil and nil, respectively. Going forward, we may from time to time invest in wealth management products with low/medium risks or low-risks on a case-by-case basis if these products are in our interest upon evaluations and analyses. The investment in wealth management products may be subject to various risks that are out of our control, including risks relating to macro-economic environment and general market conditions, as well as the risk control and the credit of the issuing banks. We cannot assure you that we will achieve fair value gains on the wealth management products we invest in or we will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. There can also be no assurance that the internal policies and guidelines that we currently have in place to manage our investment in wealth management products will always be effective, or at all. If we fail to properly manage the risks in relation to our investment in wealth management products, we may incur losses, and as a result, our financial condition may be adversely affected.

Divestitures of businesses and assets may have a material and adverse effect on our business and financial condition.

We may undertake in the future, partial or complete divestitures or other disposal transactions in connection with certain of our businesses and assets, particularly ones that are not closely related to our core focus areas or might require excessive resources or financial capital, to help us meet objectives. These decisions are largely based on our management's assessment of the business models and likelihood of success of these businesses. However, our judgment could be inaccurate, and we may not achieve the desired strategic and financial benefits from these transactions. Our financial results could be adversely affected by the impact from the loss of earnings and corporate overhead contribution/allocation associated with divested businesses.

Furthermore, reducing or eliminating our ownership interests in these businesses might negatively affect our operations, prospects, or long-term value. We may lose access to resources or know-how that would have been useful in the development of our own business. Our ability to diversify or expand our existing businesses or to move into new areas of business may be reduced, and we may have to modify our business strategy to focus more exclusively on areas of business where we already possess the necessary expertise. We may sell our interests too early, and thus forego gains that we otherwise would have received had we not sold. Selecting businesses to dispose of or spin off, finding buyers for them (or the equity interests in them to be sold) and negotiating prices for what may be relatively illiquid ownership interests with no easily ascertainable fair market value will also require significant attention from our management and may divert resources from our existing business, which in turn could have an adverse effect on our business operations.

Considering, amongst others, the market conditions, financing needs and development of the subsidiaries and business, we retain the possibility to spin off certain business of our Group, such as the controllers business. We have obtained from the Hong Kong Stock Exchange a waiver from strict compliance with the three-year restriction requirement under paragraph 3(b) of Practice Note 15 in relation to the potential spin-offs of the controller business of our Group. For additional information, see "Waivers from Strict Compliance with the Listing Rules — Waiver in Respect of Strict Compliance with Practice Note 15 and the Three-Year Restriction on Spin-Offs."

Failure to comply with present or future environmental, safety and occupational health regulations and standards may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to regulations and standards relating to environmental, safety and occupational health matters where we operate. Under these laws and regulations, we are required to maintain safe production conditions and to protect the occupational health of our employees. However, there can be no assurance that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our manufacturing process produces pollutants such as wastewater, waste gas and industrial solid waste. The discharge of such pollutants from our manufacturing operations into the environment, if in violation of relevant regulations, may give rise to liabilities that may require us to incur costs to remedy such discharge. There can be no assurance that the situations that will give rise to environmental liabilities will be discovered, or that any environmental laws adopted in the future will not affect our operating costs and other expenses. Should stricter environmental protection standards and regulations be imposed in the future, there can be no assurance that we will be able to comply with such new regulations. Any increase in the manufacturing costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

We face risks related to title defects related to our properties.

As of December 31, 2024, in China, our Company and Major Subsidiaries owned (i) 21 properties, each exceeding 1,000 square meters, with an aggregate site area of approximately 783.7 thousand square meters, that had obtained the relevant title certificates in China, and (ii) 14 properties, which were still in the process of obtaining the relevant title certificates in China, with an aggregate site area of approximately 1,200 thousand square meters. These properties are primarily used for our productions and operations, as well as dormitories. See "Business — Properties." While we strive to obtain relevant title certificates for these properties, we may not be able to ultimately obtain these title certificates, and our ownership and use of such properties may be affected.

Failure to make adequate contributions to various employee benefit plans as required by regulations may subject us to penalties.

We are subject to various labor-related laws and regulations in the PRC and other jurisdictions where we operate. For example, PRC laws and regulations require us to participate in various government sponsored employee benefit plans. These benefit plans include social insurance, housing provident funds and other welfare-oriented payment obligations. According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and pay social insurance premiums and housing provident fund contributions for employees. During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain of our employees, as required by relevant laws and regulations. We may be required to pay any shortfall in social insurance contributions within a prescribed time period and to pay penalties. Our Directors are of the view that the amount of shortfall and penalties was immaterial, and will not have a material adverse impact on our operations or financial performance. However, we cannot assure you that any new laws and regulations or any changes in the implementation of the existing laws and regulations will not require us to pay any contribution shortfall or impose late payment penalties and fines on us, thereby adversely affecting our financial condition and results of operations.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches. A breach in our cybersecurity, or failure to protect confidential information, may result in legal and financial exposures and reputational damages.

We rely on information technology networks and systems for electronic communications among our personnel, suppliers, customers and other business partners and for synchronization with our manufacturers and logistics providers on demand forecast, order placements and manufacturing and service status and capacity. Our business involves storage and transmission of data about our business, suppliers, customers and other business partners. Our information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations. If we do not effectively resolve the issues in a timely manner, our business, results of operations and financial condition may be materially and adversely affected, and we could experience delays in reporting our financial results.

We may be subject to risks associated with our products and may lack sufficient insurance coverage for such claims. We may not be able to obtain adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed.

The products that we produce have the possibility to cause damage. Accordingly, we face the inherent risk of exposure to claims when the malfunction of our products results in property damage, personal injury or death. Our products may experience defects, which could subject us to lawsuits, product recalls or redesign efforts, all of which would be time-consuming and costly. Product liability claims against us could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of our future products, which would materially and adversely affect our brands, business, prospects and results of operations. As of the Latest Practicable Date, we obtained and maintained insurance policies that we believe are customary for businesses of our size and type and in line with standard commercial practice in the industry, however, our insurance coverage might not be sufficient to cover all potential product liability claims.

In addition, our business is subject to a variety of operational risks, including production disruptions due to operational errors, power outages, equipment failures and suspension due to other risks; operational restrictions imposed by environmental or other regulatory requirements; social, political and labor unrest; environmental or industrial accidents; and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. Furthermore, as we continue to expand our operations in overseas markets, we may be exposed to risks related to geopolitical tensions, policy changes and intellectual property and technology protection. These aforementioned risks may result in, including but not limited to, damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities. We may not have adequate or any insurance to cover these operational risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

Maintaining our brand image is critical to our success, and any failure to do so could severely damage our reputation and brands, which would have a material adverse effect on our business, financial condition and results of operations.

Our brands have worldwide recognition, and our success depends on our ability to maintain and enhance our brand image and reputation. The value and reputation of our brands depend on factors such as the quality, design, performance, functionality and durability of our products, product innovation and customer experience. We intend to continue making investments in these areas in order to develop, maintain and enhance our brand image. For example, among selling and marketing expenses, the marketing and traveling expenses were RMB48.0 million, RMB68.0 million and RMB79.6 million for the years ended December 31, 2022, 2023 and 2024, respectively, accounting for 9.7%, 11.3% and 11.0% of our total selling and marketing expenses for the same periods. As a result, costs associated with maintaining our brand image can be significant, and we may further incur substantial expenses to establish our brand image in new markets we have decided to or will enter. However, we cannot assure you that our investments in these areas would be successful, and expenses related to maintaining our brand image may have an adverse impact on our results of operations and financial condition if they do not yield the expected results.

Our brands, reputation and product sales could be harmed if, for example, our products fail to meet the expectations of our customers or contain defects or fail. In addition, adverse publicity about regulatory or legal action against us could damage our reputation and brand image, undermine customer confidence in us and reduce long-term demand for our products. See "— We may be involved in legal proceedings and commercial or contractual disputes, which could materially and adversely affect our reputation, business, results of operations and financial condition."

In addition, negative publicity concerning our Company, including our Shareholders, affiliates, Directors, officers, employees, business partners and other third parties, as well as the broader industry, can have detrimental effects. Such publicity, regardless of its accuracy, can tarnish our reputation, result in loss of customer trust, decreased sales and challenges in maintaining or establishing business relationships with our customers. It can also result in heightened scrutiny from regulators and stakeholders, potentially leading to increased compliance costs or legal challenges, subsequently impacting our business operations, financial condition, results and future prospects.

We may be involved in legal proceedings and commercial or contractual disputes, which could materially and adversely affect our reputation, business, results of operations and financial condition.

We may be involved in legal proceedings and commercial or contractual disputes in the ordinary course of our business. We cannot assure you that we will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our business operations. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

Our future strategic acquisitions or investments, if any, may not be successful, and we may not realize anticipated strategic benefits and financial returns from such transactions.

We may engage from time to time in acquisitions and other strategic investments in order to expand our production capacity, diversify our product portfolio, gain access to new markets and stable sources of raw materials or acquire new technologies. However, there can be no assurance that our efforts, or any future acquisitions or investments, will be successful or that we will achieve the anticipated strategic benefits and financial returns from such transactions.

There are various risks associated with our acquisitions and investments, which include the following:

- challenges related to integration of acquired company's or investee's operations into our business;
- substantial delays or reduction in anticipated synergies;
- events beyond our control, including changes in regulations, technology and economic conditions, which could adversely affect our ability to realize benefits and returns from such transaction;
- potential increase in indebtedness that could constrain our operations;
- exposure to unknown or contingent liabilities that could require significant expenditures and capital injections;
- failure to train, motivate, integrate and retain employees of acquired company or investee;
- diversion of management time and attention from our existing operations to address the transactions and related challenges or those associated with integration processes; and
- unanticipated write-offs or charges and impairment of goodwill.

If we fail to address any of the foregoing risks, our business, financial condition and results of operations may be materially and adversely affected.

You may experience complexities in effecting service of legal process and enforcing foreign court judgments against us and our management.

We are a company incorporated under the laws of the PRC, and the majority of our Directors, Supervisors and executive officers reside in China. As a result, it may not be possible for you to directly effect service of process upon us or such Directors, Supervisors or executive officers who reside in China, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws.

On July 3, 2008, the Supreme People's Court and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2008 Arrangement**"). Under the 2008 Arrangement, where any designated court of China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of China or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 18, 2019, the Supreme People's Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region by The Supreme People's Court of The People's Republic of China (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which became effective on January 29, 2024. The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of the 2008 Arrangement which is made before the effective date of the 2019 Arrangement.

In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations and interpretations, a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be recognized and enforced in China or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of court between China and the country where the judgment was made.

Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises by State Taxation Administration (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), dated November 6, 2008, issued by the STA, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, income and gains from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20%, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 by State Taxation Administration (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the STA, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares by Ministry of Finance of the People's Republic of China and State Taxation Administration (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Guo Shui Han [1998] No. 61) (國稅函[1998]61號) issued by the MOF of the PRC and the STA on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

If any PRC income tax is collected from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

Our business may be materially and adversely affected by force majeure events, natural disasters or other issues beyond our control.

Natural and man-made disasters and other force majeure events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people there. An occurrence or recurrence of any of such events could result in disruptions to our operations, which could adversely affect our business, financial condition, results of operations and prospects.

Our business operations could be disrupted if any of our employees is suspected of contracting any epidemic disease, since it could require our offices or facilities to be closed for disinfection or other remedial measures, which would adversely delay or disrupt our production schedule, and we may experience raw material shortages or price surges if the operations of any of our suppliers are disrupted by pandemics.

Moreover, natural disasters, including earthquakes, floods, landslides and droughts, could result in deaths, significant economic losses and significant and extensive damage to factories, power lines and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. Any future natural disasters, public health and public security hazards may, among other things, materially and adversely affect or disrupt our operations. Furthermore, such natural disasters, public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business, results of operations and prospects.

Foreign exchange regulations may limit our business and results of operations and our ability to remit dividends.

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate we shall have sufficient foreign exchange to meet our foreign exchange needs. For example, under the current PRC foreign exchange regulation, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected and could subject us to administrative penalties and fines.

RISKS RELATING TO THE GLOBAL OFFERING

We will be concurrently subject to listing and regulatory requirements of China and Hong Kong.

As we are listed on the Shenzhen Stock Exchange and will be listed on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

The characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the Global Offering, our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be traded on the Stock Exchange. Under current laws and regulations of China, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent trading volumes and liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

There has been no prior public market for our H Shares, and their liquidity and market price may be volatile.

There was no public market for our H Shares prior to the Global Offering. There can be no guarantee that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us, which may not be indicative of the market price of our H Shares following the completion of the Global Offering.

If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares may be materially and adversely affected.

The liquidity, trading volume and market price of our H Shares following the Global Offering may be volatile, which could result in substantial losses to investors.

The price at which our H Shares will trade after the Global Offering will be determined by the marketplace, which may be affected by various factors beyond our control, including:

- our financial performance;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, ourselves and the industry in which we operate;
- an assessment on the prospects for, and timing of, our future revenue and cost;
- structures that independent research analysts may publish, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities;
- general market sentiment regarding the industry we operate in;

- changes in laws and regulations of China;
- our actual or perceived failure to compete effectively in the market; and
- political, economic, financial and social conditions.

In addition, the Hong Kong Stock Exchange has from time to time experienced significant volatility in trading prices and volumes that have affected the market prices of securities of companies quoted on the Hong Kong Stock Exchange. As a result, investors in our H Shares may experience volatility in the market price of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

Our Controlling Shareholders Group have substantial influence over our Group and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders Group have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), the Controlling Shareholders Group will be together entitled to control the exercise of approximately 40.72% of the voting rights and thus remain as Controlling Shareholders Group of our Company. The interests of our Controlling Shareholders Group might differ from the interests of our other Shareholders. In the event that our Controlling Shareholders Group cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged, and their interests could be damaged. Any conflict of interest between our Controlling Shareholders Group and our other Shareholders may also materially and adversely affect aspects such as the decision and implementation of our business plans, which may in turn affect our operations and prospects.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

We have declared dividends in the past. We protect our Shareholders' interest by ensuring a consistent dividend policy. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of China, the payment of dividends may be subject to certain limitations. Moreover, the calculation of our profit under the China Accounting Standards for Business Enterprises ("**PRC GAAP**") may differ in certain respects from the calculation under the International Financial Reporting Standards ("**IFRS Accounting Standards**"). As a result, even if we report a profit for the year under IFRS Accounting Standards, we may not have distributable profits as determined by PRC GAAP. Additionally, the declaration, payment and amount of any future dividends are subject to the discretion of our Directors after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at a Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of China. See "Financial Information — Dividends and Dividend Policy" for further details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of China, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would affect the remittance of RMB into or out of China.

Should the Offer Price be higher than the net tangible book value per Share, subject to pricing, you may experience an immediate dilution in the book value of the Offer Shares you purchased in the Global Offering and may experience further dilution if we issue additional Shares in the future.

If the Offer Price of our H Shares is higher than the net tangible book value per Share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution. Existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible assets value per share of their shares.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and as a result the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the Global Offering. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this prospectus. As a result, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and any formal announcements made by us in Hong Kong with respect to the Global Offering.

Our future financing may cause dilution of your shareholding or place restrictions on our operations.

In order to raise capital and expand our business, we may consider offering and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;
- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

Certain facts, forecasts and statistics derived from external sources contained in this prospectus may not be reliable and the market opportunity estimates may not be accurate.

We have derived certain facts and other statistics in this prospectus, particularly the section headed "Industry Overview", from information provided by various public sources, industry associations, independent research institutes and other third-party sources, including the Frost & Sullivan Report that we commissioned. Our Directors and Joint Sponsors have exercised reasonable care in selecting and identifying the information sources, and believe that the sources of such information are appropriate sources for such information. We have taken reasonable care in extracting and reproducing such information. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Underwriters, or any other party involved in the Global Offering, and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other data problems, the statistics herein may be inaccurate. In addition, we cannot assure you that information in this prospectus is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere or similar metrics we used, and such information may not be complete or up-to-date. You should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Market opportunity estimates included in this prospectus, including our ability to capture a meaningful share of the relevant markets, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time and there is no guarantee that our market opportunity estimates will materialize in customers using our products and services as anticipated. Any expansion in our market depends on a number of factors, including the cost, performance and perceived value associated with our business and those of our competitors. Even if the market in which we compete meets the size estimates and growth forecasted in this prospectus, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is inherently subject to certain risks and uncertainties.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

The Global Offering is being made solely on the basis of the information and representations contained in this prospectus, which are true and accurate to the best of our knowledge and belief. Any information not contained in this prospectus should not be relied upon in making an investment decision with respect to the securities being offered.

Prior to the publication of this prospectus, there has been coverage in the media regarding us and the Global Offering, which may have contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. Investors should be aware that information and opinions published by third-party sources may have been based on outdated, incomplete, or inaccurate information. These sources may also have conflicts of interest, and their opinions may not be independent or objective. The media's coverage of our Company and the Global Offering may be influenced by a wide range of factors, including the bias of individual journalists, the preferences of media outlets and the demands of advertisers.

In preparation of the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

Rules	Subject matter
Rules 8.12 and 19A.15 of the Listing Rules	Management presence in Hong Kong
Rules 3.28 and 8.17 of the Listing Rules	Appointment of joint company secretaries
Paragraph 26 of Appendix D1A to the Listing Rules	Particulars of any alterations in the capital of any member of our Group
Paragraph 3(b) of Practice Note 15 to the Listing Rules	Three-year restriction on spin-offs
Chapter 14A of the Listing Rules	Continuing connected transactions
Rules 4.04(2) and 4.04(4)(a)	Acquisition after the Track Record Period
Rule 8.08(1)(b) and 19A.13A of the Listing Rules	Minimum public float of the H Shares
Rule 10.04 and Paragraph 5(2) of Appendix F1 to the Listing Rules	Subscription for H Shares by existing shareholders and/or their close associates
Paragraph 4.2 of Practice Note 18 of the Listing Rules	Clawback mechanism
Paragraph 5(1) of Appendix F1 to the Listing Rules and Chapter 4.15 of the Guide for New Listing Applicants	Proposed subscriptions of H Shares by certain cornerstone investors who are connected clients

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 and Rule 19A.15 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. The Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole. Therefore, our Company does not, and does not contemplate in the foreseeable future that we will, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

(i) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange. At present, our two authorised representatives are Mr. Zhang Yabo and Ms. Ho Wing Nga, our joint company secretaries;

(ii) pursuant to Rule 3.20 of the Listing Rules, each Director will provide their contact information to the Stock Exchange and to the authorised representatives. This will ensure that the Stock Exchange and the authorised representatives should have means for contacting all Directors promptly at all times as and when required;

(iii) we will endeavour to ensure that each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and

(iv) pursuant to Rule 3A.19 of the Listing Rules, we have retained the services of Huatai Financial Holdings (Hong Kong) Limited as compliance adviser (the "**Compliance Adviser**"), who will act as an additional channel of communication with the Stock Exchange. We will ensure that the Compliance Adviser will have access at all times to our authorised representatives, our Directors and other officers. We shall also ensure that such persons will promptly provide such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorised representatives, our Directors, other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Chartered Governance Institute;

(ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing the "relevant experience", the Hong Kong Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the CWUMPO and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company appointed Mr. Hu Kaicheng ("**Mr. Hu**"), our Board Secretary, and Ms. Ho Wing Nga, the Managing Director, Entity Solutions of Computershare Hong Kong Investor Services Limited, ("**Ms. Ho**"), as joint company secretaries of our Company. For further details, please see the section headed "Directors, Supervisors and Senior Management — Joint Company Secretaries" for their biographies.

Ms. Ho is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Our Company's principal business activities are outside Hong Kong. Our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to have as its joint company secretary a person such as Mr. Hu, who is an employee of our Company and who has day-to-day knowledge of our Company's affairs. Mr. Hu has the necessary nexus to the Board and close working relationship with the management team of our Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the Listing Date, in accordance with paragraphs 11 to 17 of Chapter 3.10 of the Guide for New Listing Applicants, on the conditions that: (i) Mr. Hu must be assisted by a person with qualifications under Rules 3.28 and 8.17 of the Listing Rules; and (ii) the waiver will be revoked if there are material breaches of the Listing Rules by our Company. In addition, Mr. Hu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Mr. Hu has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, we shall demonstrate to the Stock Exchange's satisfaction and seek its confirmation that Mr. Hu, having had the benefit of Ms. Ho's assistance during the three-year period, has attained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of company secretary so that a further waiver would not be necessary.

WAIVER IN RESPECT OF ALTERATION IN SHARE CAPITAL

Paragraph 26 of Appendix D1A to the Listing Rules requires this prospectus to include the particulars of any alterations in the capital of any member of our Group within the two years immediately preceding the issue of this prospectus.

As of the Latest Practicable Date, we have 74 subsidiaries globally. It would be unduly burdensome for us to disclose the required information in respect of all of our subsidiaries as our Company would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material nor meaningful to investors. Therefore, we have identified 19 Major Subsidiaries and none of the other subsidiaries of our Company individually contributed to 5% or more of our revenue, total profit or net profit during each year in the Track Record Period, or total assets or net assets as of December 31, 2022, 2023 or 2024, or holds any material assets, intellectual property rights, proprietary technologies, licences or permits of the Group, or has a significant impact on the Company's business operations and future development strategies based on the Company's comprehensive assessment of the Company's business composition and principal business. The non-disclosure of such information will not prejudice the interests of our Shareholders or potential investors.

By way of illustration, after intercompany eliminations, as of December 31, 2022, 2023 and 2024, the aggregate assets of the Major Subsidiaries represent approximately 82.6%, 87.2% and 85.6% of our total assets and for each of the financial years ended December 31, 2022, 2023 and 2024, the aggregate revenue of the Major Subsidiaries represents approximately 86.1%, 89.6% and 86.3% of our total revenue; and the aggregate profit before tax of the Major Subsidiaries represent approximately 69.2%, 72.1% and 73.0% of the Group's total profit before tax for each of the financial years ended December 31, 2022, 2023 and 2024. None of the other subsidiaries of our Company that are not Major Subsidiaries individually contributes to 5% or more of our Group's total assets as of December 31, 2022, 2023 and 2024 or 5% or more of our Group's revenue or profit before tax for each of the financial years ended December 31, 2022, 2023 and 2024. Accordingly, the remaining subsidiaries which are not Major Subsidiaries in our Group are relatively insignificant to the overall results of our Group.

We have disclosed the particulars of the changes in the share capital of our Company and the Major Subsidiaries in the section headed "Appendix IV — Statutory and General Information — 1. Further Information About Our Group — C. Further Information About Our Major Subsidiaries" in this prospectus.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 26 of Appendix D1A to the Listing Rules, in respect of disclosing the particulars of any alteration in the capital of any member of our Group within the two years immediately preceding the issue of this prospectus.

WAIVER IN RESPECT OF STRICT COMPLIANCE WITH PRACTICE NOTE 15 AND THE THREE-YEAR RESTRICTION ON SPIN-OFFS

Paragraph 3(b) of Practice Note 15 ("**PN15**") provides that the Listing Committee would not normally consider a spin-off application within three years of the date of listing of the issuer with regard to proposals submitted by issuers to effect the separate listing on the Stock Exchange or elsewhere of assets or business wholly or partly within their existing groups (the "**spin-off**"), given the original listing of the issuer will have been approved on the basis of the issuer's portfolio of businesses at the time of listing, and that the expectation of investors at that time would have been that the issuer would continue to develop those businesses.

Given our significant scale of overall business operation, we assess different opportunities for financing and business operation from time to time with an aim to create value to our Shareholders, including spinning off certain subsidiaries or business, subject to, amongst others, the market conditions, financing needs and development of the subsidiaries and business. We wish to retain the possibility to spin-off the controller business of the Company (the "**Proposed Spin-off Business**") within three years from the Listing (the "**Potential Spin-off**"). The exact timing of the Potential Spin-off would depend on a number of factors, including the status of the business development of the Proposed Spin-off Business, financing needs and the market conditions.

The Proposed Spin-off Business principally engages in the R&D, manufacturing and sales of controllers, with a main focus currently on the core component of refrigeration air-conditioning units, such as variable frequency controllers. With a strong R&D team comprising technical development experts in the field of controllers, the Proposed Spin-off Business aims to master high-end core technologies in this industry and develop high-quality controller products globally.

The Proposed Spin-off Business is distinct from the other business lines of the Company. The Company started the Proposed Spin-off Business in 2011, when the Company established the current entity operating the Proposed Spin-off Business (the "**Current Operating Entity**") in 2011. The Company has since then acquired business of several companies engaging in the production of controllers for refrigeration air-conditioning units, which were then all independent from the Company. The Proposed Spin-off Business expects to further expand into developing and manufacturing electronic intelligent controllers for other fields such as energy storage and automotive thermal management.

As of December 31, 2024, the Current Operating Entity has a total of around 550 employees. As of the Latest Practicable Date, the Current Operating Entity is approximately 72% owned by the Company. As of December 31, 2022, 2023 and 2024, the total assets of the Proposed Spin-off Business, and for each year ended December 31, 2022, 2023 and 2024, revenue and profit of Proposed Spin-off Business all accounted for less than 3% of that of our Group, respectively.

Since the commencement of the Proposed Spin-off Business, the factory and production lines used to operate the Proposed Spin-off Business have been independent from those used by the rest of the Company. The management team of the Current Operating Entity also manages the Proposed Spin-off Business independently and has developed a team of around 160 members dedicated in the R&D of controllers as of December 31, 2024. Accordingly, the Current Operating Entity in respect of the Proposed Spin-off Business also independently reviews and accesses the revenue, cost and profit performance, which is distinct from the rest of the Company. In addition, the Proposed Spin-off Business has a wide scope of customers, including but not limited to the Company. As of December 31, 2024, the revenue generated from members of the Group represents around 20.8% of the total revenue of the Current Operating Entity, while the revenue generated from customers other than members of the Group represents around 79.2%.

The market size of China's controller industry is substantial with rapid growth and vibrant financing activities. Despite the increased uncertainty in the internal and external environment in 2023, the development of China's controller industry maintained a rapid growth momentum with favorable policies and introduction of relevant economic stimulus. For example, according to Frost & Sullivan, the scale of China's controller market is expected to grow from RMB3.4 trillion in 2023 to RMB5.7 trillion in 2028, with a compound annual growth rate of 10.8%.

As of the Latest Practicable Date, our Company confirms that there is no omission of any material information relating to the Potential Spin-off in this prospectus.

Safeguards to Protect the Interests of the Shareholders

Despite the potential spin-offs within three years of Listing, our Company believes that there are sufficient safeguards to protect the interests of the Shareholders for the following reasons:

(i) The financial contribution of the Proposed Spin-off Business is immaterial. The Proposed Spin-off Business has an immaterial financial contribution to the Group, with the highest applicable percentage ratio falling below 5% for the financial year ended December 31, 2023. As the Proposed Spin-off Business will continue to be conducted by a subsidiary of the Company and consolidated to the financial statements of the Group after the Potential Spin-off, there will not be any material adverse impact on the consolidated financial statements of the Group after the Proposed Spin-off.

(ii) Pursuant to Provisions on the Spin-offs of Listed Companies (Trial) (《上市公司分拆規則（試行）》) (the "**Spin-off Rules**"), any proposed spin-offs, regardless of size, must be approved by two-thirds of the votes casted by shareholders (including both A Shares and, if applicable, H Shares shareholders) entitled to vote at the general meeting, as well as two-thirds of votes casted by the minority shareholders, who are not directors, supervisors or senior management of our Company and who individually or collectively hold less than 5% of the total number of shares in our Company (the "**Minority Shareholders")**, entitled to vote at the general meeting. Before any proposed spin-off is submitted to the shareholders for voting, our Company will disclose the relevant spin-off plan to its shareholders, which shall include but not limited to the following: (i) the purpose, commercial rationality, necessity, and feasibility of the spin-off; (ii) the impact of the spin-off on the shareholders of the Company, in particular, the Minority Shareholders, as well as impact on the creditors and other stakeholders of the Company; and (iii) the potential risks faced at each stage of the spin-off plan, and specific measures and plans to address such risks. Hence, the shareholders of the Company (including the Minority Shareholders) can make an informed decision as to whether to vote for or against such spin-off plan. As such, the Company believes the interest of the shareholders and its rights will not be prejudiced.

(iii) Pursuant to the Spin-off Rules, (i) the net profit of the subsidiary to be spun off, to which the listed company is entitled under the equity in the consolidated financial statements of the listed company for the latest financial year, shall not exceed 50% of the net profit attributable to shareholders of the listed company, and (ii) the net assets of the subsidiary to be spun off, to which the listed company is entitled under the equity in the consolidated financial statements of the listed company for the latest financial year, shall not exceed 30% of the net assets attributable to shareholders of the listed company. The above regulatory restrictions on the size of spin-off provide additional safeguard to protect the interests of the shareholders of our Company.

(iv) Our Directors owe fiduciary duties to our Company, including the duty to act in good faith and in the best interest of our Company. As such, our Directors will only pursue a potential spin-off if there are clear commercial benefits for both our Company and the Proposed Spin-off Business. In addition, our Directors will not direct our Company to conduct any spin-off if they believe that it will have an adverse impact on the interests of our Company and the Shareholders of our Company.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements in paragraph 3(b) of PN15 in relation to the Potential Spin-off within three years after the Listing subject to the following conditions:

(i) The Proposed Spin-off Business is distinct from the remaining business of our Group and the Potential Spin-off will not have any material adverse impact to the operations of the remaining Group;

(ii) The Company will updated the status of the Proposed Spin-off in its annual and interim reports within three years after the Listing;

(iii) The Potential Spin-off will not lead to any material adverse impact to the operations and financial position of the remaining Group nor will it lead to a material change in the Company's principal business resulting in the Company failing to meet applicable listing eligibility requirements under the Listing Rules;

(iv) The Company will disclose in this prospectus details of its intention to the Proposed Spin-off, including its principal business, the relevant financial contribution to the Company during the Track Record Period, the relevant reasons and benefits to the Company and its Shareholders, the basis that the Proposed Spin-off will not affect the Company's core business and the possibility of the Proposed Spin-off;

(v) The Company will seek approvals from the respective Shareholders pursuant to the requirements under the applicable PRC laws, including the Spin-off Rules; and

(vi) The Company will comply with (a) all other requirements of PN15 in respect of the Potential Spin-off unless otherwise waived by the Stock Exchange, and (b) the applicable requirements under Chapter 14 and/or Chapter 14A of the Listing Rules.

Notwithstanding the above waiver, whether or when to proceed with the Potential Spin-off, depends on various factors such as market conditions, the regulatory approval procedure, financial performance and valuation of business segments. The Potential Spin-off remain highly uncertain and could be subject to material changes in the future.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirements under the Listing Rules. For further details in this respect, see the section headed "Connected Transactions."

WAIVER IN RESPECT OF ACQUISITION AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and 4.04(4) of the Listing Rules require that the new applicant includes in its accountants' report the results and balance sheet of any business or subsidiary acquired, agreed or proposed to be acquired, since the date to which its latest audited accounts have been made up, in respect of each of the three financial year immediately preceding the issue of the listing document.

Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider an application for a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules taking into account the following factors:

(a) that all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are less than 5% by reference to the most recent audited financial year of the new applicant's trading record period;

(b) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the SFC in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(c) (i) where a new applicant's principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which Rules 4.04(2) and 4.04(4) of the Listing Rules relate, and has disclosed in its listing document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, "control" means the ability to exercise or control the exercise of 30% (or any amount specified in the Hong Kong Code on Takeovers and Mergers as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or (ii) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its listing document information required for the announcement for a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules on each acquisition. In this regard, "unduly burdensome" will be assessed based on each new applicant's specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target's books and records for the purpose of complying with the disclosure requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules).

In April 2025, our Group has entered into an equity transfer agreement in respect of our strategic investment into SH Advanser, S. de R.L. de C.V., a Mexican company primarily engaging in the provision of property services and other management services for factories (the "**Target**"), pursuant to which, through our two subsidiaries, we acquired 100% equity interest in the Target from two individuals, who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are Independent Third Parties (the "**Transferors**"), at a consideration of $10,000.00 Mexican Pesos ("**MXN**"), equivalent to approximately RMB3,712.09, based on an exchange rate of MXN2.6939 to RMB1.00 (the "**Investment**"). The consideration has been fully paid up in a lump sum in cash and the Investment has been completed on the same day as we entered into the equity transfer agreement. The consideration for the Investment was equal to the original amount invested by the Transferors and was determined through arm's length commercial negotiations.

The Company believes that the acquisition of the Target will contribute to our business expansion and will also support the Group's long-term business development. Our Directors considered that the Investment is on a normal commercial terms, fair and reasonable and in the interest of our Company and the Shareholders as a whole.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in respect of the Investment on the following grounds:

(i) Under Rule 14.04(9) of the Listing Rules, all the applicable percentage ratios in relation to the Investment are below 5% by reference to the most recent audited financial year of the Track Record Period. Therefore, we consider the Investment to be immaterial in the context of our Company's operations as a whole and will not result in any significant change to our financial position since December 31, 2024. All information that is reasonably necessary for the potential investors to make an informed assessment of the Company's activities or financial position has been included in this prospectus. As such, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules would not prejudice the interests of the investing public.

(ii) Given the Target was established in February 2025, the Target does not have available historical financial information which is readily available for disclosure in this prospectus in accordance with the Listing Rules. In addition, it would require considerable time and resources for our Company and its reporting accountants to fully familiarize themselves with the management accounting policies of the Target and compile the necessary financial information and supporting documents for disclosure in this prospectus. In addition, having considered the Investment to be immaterial and that the Company does not expect the Investment to have any material effect on its business, financial condition or operations, we believe that it would not be meaningful and would be impractical for us to disclose the audited financial information of the Target as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules and include the financial information of the Target during the Track Record Period in this prospectus.

(iii) The Company has provided alternative information about the Investment in this prospectus. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Listing Rules that the Company's directors consider to be material, including, for example, descriptions of the Target's principal business activities, the consideration for the Investment, and a statement that whether each of the counterparty is an Independent Third Party. Since the relevant percentage ratios of the Investment is less than 5% by reference to the most recent fiscal year of our Track Record Period, the current disclosure is adequate for potential investors to form an informed assessment of the Company. The Company will not use any proceeds from the Listing to fund the Investment.

WAIVER IN RESPECT OF MINIMUM PUBLIC FLOAT OF THE H SHARES

Rule 8.08(1)(a) and (b) (as amended by Rule 19A.13A) of the Listing Rules states that there must be an open market in the securities for which listing is sought. This will normally mean that: (a) at least 25% of the issuer's total number of issued shares must at all times be held by the public; (b) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares, having an expected market capitalisation at the time of listing of not less than HK$125,000,000.

We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(b) and 19A.13A of the Listing Rules, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1)(b) and Rule 19A.13A of the Listing Rules that the minimum percentage of H Shares of our Company to be held by the public upon Listing and from time to time following Listing shall be no less than 6.67% of our Company's total issued share capital (excluding treasury shares), subject to the following conditions:

(a) comply with the public float requirement under Rule 8.08(1) of the Listing Rules where at least 25% of our Company's total number of issued shares (A Shares and H Shares in aggregate and excluding treasury shares) must be held by the public from time to time;

(b) announce the percentage of H Shares held by the public immediately after the completion of the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option and after any exercise of the Offer Size Adjustment Option and the Over-allotment Option);

(c) confirm the sufficiency of public float in successive annual reports after Listing; and

(d) implement appropriate measures and mechanisms to ensure continual maintenance of minimum 6.67% public float of H Shares upon Listing.

ALLOCATION OF H SHARES TO EXISTING MINORITY SHAREHOLDERS AND/OR THEIR CLOSE ASSOCIATES

Rule 10.04 of the Listing Rules requires that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of the issuer either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled. It is provided in Rule 10.03(1) of the Listing Rules that no securities may be offered to existing shareholders on a preferential basis and no preferential treatment may be given to them in the allocation of the securities; and in Rule 10.03(2) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) must be achieved.

Paragraph 5(2) of Appendix F1 to the Listing Rules provides that no allocations will be permitted to the existing shareholders of the applicant or their close associates, whether in their own names or through nominees, in the Global Offering unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Chapter 4.15 of the Guide for New Listing Applicants provides that the Stock Exchange will consider giving consent and granting waiver from Rule 10.04 of the Listing Rules to an applicant's existing shareholders or their close associates to participate in an initial public offering if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

Prior to the Listing, our Company's share capital comprises entirely A Shares listed on the Shenzhen Stock Exchange. We have a large and widely dispersed public A Share shareholder base.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix F1 to the Listing Rules to permit H Shares in the International Offering to be placed to certain existing minority Shareholders who (i) hold less than 5% of the total voting rights in our Company prior to the completion of the Global Offering and (ii) are not and will not become (upon the completion of the Global Offering) core connected persons of our Company or the close associates of any such core connected person (together, the "**Existing Minority Shareholders**") and/or their close associates, subject to the conditions as follows:

(i) the Joint Sponsors confirm that each Existing Minority Shareholder to whom our Company may allocate the H Shares in the International Offering holds less than 5% of the total voting rights in our Company before Listing;

(ii) the Joint Sponsors confirm that each Existing Minority Shareholder is not, and will not be, a core connected person of our Company or any close associate of any such core connected person immediately prior to or following the Global Offering;

(iii) the Joint Sponsors confirm that none of the Existing Minority Shareholders has the right to appoint a Director and/or have any other special rights;

(iv) the Joint Sponsors confirm that allocation to the Existing Minority Shareholders or their close associates will not affect our ability to satisfy the public float requirement as prescribed by the Stock Exchange under Rule 8.08 of the Listing Rules or otherwise approved by the Stock Exchange;

(v) the Joint Sponsors confirm to the Stock Exchange in writing that based on (i) their discussions with our Company and the Overall Coordinators; and (ii) the confirmations provided to the Stock Exchange by our Company and the Overall Coordinators (confirmations (vi) and (vii) mentioned below), and to the best of their knowledge and belief, they have no reason to believe that any of the Existing Minority Shareholders or their close associates received any preferential treatment, or is in a position to exert influence on the Company to obtain actual or perceived preferential treatment in the allocation either as a cornerstone investor or as a placee by virtue of their relationship with our Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Chapter 4.15 of the Guide for New Listing Applicants, and details of the allocation to the Existing Minority Shareholders holding more than 1% of the issued share capital of the Company immediately prior to the completion of the Global Offering will be disclosed in this prospectus and/or the allotment results announcement, as the case may be;

(vi) our Company will confirm to the Stock Exchange in writing that:

a. in the case of participation as cornerstone investors, no preferential treatment has been, nor will be, given to the Existing Minority Shareholders or their close associates by virtue of their relationship with our Company, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Chapter 4.15 of the Guide for New Listing Applicants, nor is the Existing Minority Shareholder in a position to exert influence on the Company to obtain actual or perceived preferential treatment, and the Existing Minority Shareholders or their close associates' cornerstone investment agreements do not contain any material terms which are more favorable to the Existing Minority Shareholders or their close associates than those in other cornerstone investment agreements; or

b. in the case of participation as placees, no preferential treatment has been, nor will be, given to the Existing Minority Shareholders or their close associates, nor is the Existing Minority Shareholder in a position to exert influence on the Company to obtain actual or perceived preferential treatment, by virtue of their relationship with our Company in any allocation in the placing tranche; and

(vii) in the case of participation as placees, the Overall Coordinators will confirm to the Stock Exchange that, to the best of their knowledge and belief, no preferential treatment has been, nor will be, given to the Existing Minority Shareholders or their close associates by virtue of their relationship with our Company in any allocation in the placing tranche.

WAIVER IN RESPECT OF CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

Subject to the Stock Exchange granting the waiver described below, the Hong Kong Public Offering and the International Offering will initially account for 7.0% and 93.0% of the Global Offering, respectively, subject to the clawback mechanism described below. We have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Paragraph 4.2 of Practice Note 18 to the Listing Rules such that the allocation of the Offer Shares in the Hong Kong Public Offering will be adjusted as follows:

(a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 14 times or more but less than 46 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares will be reallocated to the

Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 36,033,000 Offer Shares, representing approximately 10.0% of the Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised);

(b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 46 times or more but less than 93 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 48,644,600 Offer Shares, representing approximately 13.5% of the Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised); and

(c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 93 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 95,487,500 Offer Shares, representing approximately 26.5% of the Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate. In addition, the Overall Coordinators would have discretion to allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. On the other hand, if the Hong Kong Public Offering is not fully subscribed, the unsubscribed Offer Shares under the Hong Kong Public Offering may be reallocated to the International Offering. See "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" for further details.

CONSENT IN RESPECT OF THE PROPOSED SUBSCRIPTION OF H SHARES BY A CORNERSTONE INVESTOR WHO IS A CONNECTED CLIENT

Paragraph 5(1) of Appendix F1 to the Listing Rules provides that no allocations will be permitted to "connected clients" of the overall coordinator(s), any syndicate member(s) (other than the overall coordinator(s)) or any distributor(s) (other than syndicate member(s)) (collectively, the "**Distributors**", and each a "**Distributor**"), without the prior written consent of the Stock Exchange.

Paragraph 13(7) of the Appendix F1 to the Listing Rules states that "connected client" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

Huatai Capital Investment Limited ("**HTCI**") has entered into a cornerstone investment agreement with the Company and China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited ("**Huatai**"). HTCI and Huatai Securities Company Limited ("**HTSC**") will enter into a series of cross border delta-one OTC swap transactions (the "**Greenwoods OTC Swaps**") with each other and their ultimate clients (the "**HTCI Ultimate Clients (Greenwoods)**"), respectively, pursuant to which HTCI will hold the Offer Shares on a non-discretionary basis to hedge the Greenwoods OTC Swaps, respectively, while the economic risks and returns of the underlying Offer Shares are passed to the HTCI Ultimate Clients (Greenwoods). HTCI, HTSC and Huatai, one of the Joint Sponsors, Overall Coordinators and Underwriters of the Global Offering, are members of the same group of companies. Accordingly, HTCI is a connected client of Huatai.

We have applied for, and the Stock Exchange has granted, a consent under paragraph 5(1) of Appendix F1 to the Listing Rules to permit HTCI (in connection with the Greenwoods OTC Swaps) to participate in the Global Offering as a cornerstone investor on the following basis and conditions as set out in Paragraph 5 of Chapter 4.15 of the Guide for New Listing Applicants:

(a) any Offer Shares to be allocated to HTCI will be held on behalf of independent third parties;

(b) the cornerstone investment agreement of HTCI does not contain any material terms which are more favorable to HTCI than those in other cornerstone investment agreements;

(c) no preferential treatment has been, nor will be, given to HTCI by virtue of its relationship with Huatai, in any allocation of Offer Shares in the International Offering other than the assured entitlement under the cornerstone investment agreement;

(d) HTCI confirms that to the best of its knowledge and belief, it has not received and will not receive preferential treatment in the allocation of Offer Shares in the Global Offering as a cornerstone investor by virtue of its relationship with Huatai, other than the assured entitlement under the relevant cornerstone investment agreements;

(e) each of the Company, the Overall Coordinators and HTCI has provided the Stock Exchange with written confirmations in accordance with Chapter 4.15 of the Guide for New Listing Applicants; and

(f) details of the cornerstone investment and details of the allocations will be disclosed in this prospectus and the allotment results announcement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

RESTRICTIONS ON OFFER AND SALE OF H SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the H Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered and sold, directly or indirectly, in mainland China or the U.S.

CSRC FILING

We have filed the required documents with the CSRC, and we have received a filing notice from the CSRC dated May 8, 2025, confirming our completion of the filing procedures pursuant to the new filing regime introduced by the new regulations on filing for the Global Offering and the application for listing of the H Shares on the Stock Exchange.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 25,223,100 Offer Shares and the International Offering of initially 335,106,900 Offer Shares (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised and subject, in each, to reallocation on the basis as set out in "Structure of the Global Offering").

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, the Capital Market Intermediaries, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the terms and conditions of the International Underwriting Agreement. See "Underwriting" for further details on the Underwriters and the underwriting arrangements.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option). Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Monday, June 23, 2025. Except for the A Shares that have been listed on the Shenzhen Stock Exchange and our pending application to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or debt securities is listed on or dealt in on the Hong Kong Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Hong Kong Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in mainland China.

Dealings in the H Shares registered in our H Share Register will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the shareholders as recorded on the H Share Register of our Company in Hong Kong and sent by ordinary post, at the shareholders' risk, to the registered address of each shareholder of our Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, the Capital Market Intermediaries, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese name shall prevail.

ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of RMB1.00 to HK$1.0913, Renminbi into U.S. dollars at the rate of US$1.00 to RMB7.1886 and Hong Kong dollars into U.S. dollars at the rate of US$1.00 to HK$7.8448.

No representation is made that any amounts in RMB or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

DIRECTORS & SUPERVISORS

Name	Position	Address	Nationality
Mr. ZHANG Yabo (張亞波先生)	Executive Director and Chairman of the Board	No.1, Lakeside Court, Sanhua Hezhuang, Qixing Street, Xinchang County, Zhejiang Province, PRC	Chinese
Mr. WANG Dayong (王大勇先生)	Executive Director	121, Building 13, Mingqinyuan, Greentown Rose Garden, No.688 Rose Avenue, Xinchang County, Zhejiang Province, PRC	Chinese
Mr. NI Xiaoming (倪曉明先生)	Executive Director	Room 1901, Unit 1, Building 4, Mingyuejiangnan, Binjiang District, Hangzhou, Zhejiang Province, PRC	Chinese
Mr. CHEN Yuzhong (陳雨忠先生)	Executive Director	No.9, Lakeside Court, Sanhua Hezhuang, Qixing Street, Xinchang County, Zhejiang Province, PRC	Chinese
Mr. ZHANG Shaobo (張少波先生)	Non-executive Director	No. 3, Lakeside Court, Sanhua Hezhuang, Qixing Street, Xinchang County, Zhejiang Province, PRC	Chinese
Mr. REN Jintu (任金土先生)	Non-executive Director	1-3-601, Sunshine Coast, No. 6, Yongjiang Road, Shangcheng District, Hangzhou, Zhejiang Province, PRC	Chinese
Mr. BAO Ensi (鮑恩斯先生)	Independent Non-executive Director	Room 601, Block A, Building 6, Piku Hutong, Xicheng District, Beijing, PRC	Chinese

Name	Position	Address	Nationality
Mr. SHI Jianhui (石建輝先生)	Independent Non-executive Director	25-402, Bo Jing Ting, Yinzhou, Ningbo, Zhejiang Province, PRC	Chinese
Ms. PAN Yalan (潘亞嵐女士)	Independent Non-executive Director	5-1-201, Zhijingyuan, Xixichengyuan, Xihu District, Hangzhou, Zhejiang Province, PRC	Chinese
Mr. Ge Jun (葛俊先生)	Independent Non-executive Director	Room A, 26/F, 11 Bonham Road, Central and Western District, Hong Kong	Chinese
Mr. ZHAO Yajun (趙亞軍先生)	Supervisor	28-2-402 Jinchang Wenhua, Gongshu District, Hangzhou, Zhejiang Province, PRC	Chinese
Mr. MO Yang (莫楊先生)	Supervisor	Room 502, Unit 1, Block 4, Huanglong Apartment, No.2 Fengtan Road, Xihu District, Hangzhou, Zhejiang Province, PRC	Chinese
Mr. CHEN Xiaoming (陳笑明先生)	Supervisor	No.3, Building 9, Tianhe Garden, Xinchang County, Zhejiang Province, PRC	Chinese

See "Directors, Supervisors and Senior Management" for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

China International Capital Corporation Hong Kong Securities Limited
29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

Overall Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center, 99 Queen's Road Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong
Joint Bookrunners	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

Caitong International Securities Co., Limited
Unit 2401-05, 24/F, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road, Wan Chai
Hong Kong

Zheshang International Financial Holdings Co., Limited
1703-1706, 17/F, Infinitus Plaza
199 Des Voeux Road Central, Sheung Wan
Hong Kong

Joint Lead Managers

China International Capital Corporation Hong Kong Securities Limited
29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
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99 Queen's Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

Caitong International Securities Co., Limited
Unit 2401-05, 24/F, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
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Hong Kong

Zheshang International Financial Holdings Co., Limited
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Hong Kong

Capital Market Intermediaries

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29/F One International Finance Centre
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Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

Caitong International Securities Co., Limited
Unit 2401-05, 24/F, Grand Millennium Plaza
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Hong Kong

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road, Wan Chai
Hong Kong

Zheshang International Financial Holdings Co., Limited
1703-1706, 17/F, Infinitus Plaza
199 Des Voeux Road Central, Sheung Wan
Hong Kong

Legal advisers to our Company	*As to Hong Kong and U.S. laws* **Clifford Chance** 27/F, Jardine House One Connaught Place Central Hong Kong *As to PRC laws* **T&C Law Firm** 11/F, Block A, Huanglong Century Square No. 1 Hangda Road Xihu District Hangzhou, Zhejiang Province PRC
Legal advisers to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws* **Linklaters** 11/F, Alexandra House Chater Road Central Hong Kong *As to PRC laws* **Jingtian & Gongcheng** 34th Floor, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District Beijing, PRC

Independent Auditor and Reporting Accountant	**Confucius International CPA Limited** *Certified Public Accountants* Room 1501-8, 15/F., Tai Yau Building, 181 Johnston Road, Wan Chai Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square 1717 West Nanjing Road Jing'an District Shanghai, PRC
Receiving Bank	**Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower 3 Garden Road Central Hong Kong

Registered Office and Headquarters in Mainland China	No. 219 Woxi Avenue, Chengtan Street Xinchang, Shaoxing, Zhejiang Province PRC
Principal Place of Business in Hong Kong	46/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Company Website	https://zjshc.com *(the information contained on this website does not form part of this prospectus)*
Joint Company Secretaries	Mr. Hu Kaicheng (胡凱程先生) No. 219 Woxi Avenue, Chengtan Street Xinchang, Shaoxing, Zhejiang Province PRC Ms. Ho Wing Nga (何詠雅女士) *FCG (CS, CGP), HKFCG (CS, CGP) (PE)* 46/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. Zhang Yabo (張亞波先生) No. 219 Woxi Avenue, Chengtan Street Xinchang, Shaoxing, Zhejiang Province PRC Ms. Ho Wing Nga (何詠雅女士) 46/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Bao Ensi (鮑恩斯先生) *(Chairman)* Ms. Pan Yalan (潘亞嵐女士) Mr. Shi Jianhui (石建輝先生)
Remuneration and Evaluation Committee	Mr. Shi Jianhui (石建輝先生) *(Chairman)* Mr. Ren Jintu (任金土先生) Mr. Bao Ensi (鮑恩斯先生)
Nomination Committee	Ms. Pan Yalan (潘亞嵐女士) *(Chairman)* Mr. Zhang Yabo (張亞波先生) Mr. Shi Jianhui (石建輝先生)

Strategy Management and ESG Committee	Mr. Zhang Yabo (張亞波先生) *(Chairman)* Mr. Wang Dayong (王大勇先生) Mr. Ni Xiaoming (倪曉明先生) Mr. Chen Yuzhong (陳雨忠先生) Mr. Zhang Shaobo (張少波先生) Mr. Shi Jianhui (石建輝先生)
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Compliance Adviser	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center, 99 Queen's Road Central Hong Kong
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*The information and statistics set out in this section have been extracted, in part, from various official government sources and a market research report prepared by Frost & Sullivan (the "**Frost & Sullivan Report**") and commissioned by us. We believe that these sources are appropriate sources for such information and statistics and reasonable care has been exercised by us in selecting and identifying the named information sources, compiling, extracting and reproducing the information, and ensuring no material omission of the information. Neither our Company nor any of the Relevant Persons (which, for the purpose of this paragraph) has independently verified the information and statistics from official government sources, and no representation is given as to its accuracy.*

The refrigeration and air-conditioning control components are core sub-components of refrigeration and air-conditioning product components, designed to enable functions including system monitoring, regulation and intelligent control, among others. We primarily operate in (i) the refrigeration and air-conditioning control component industry, (ii) automotive thermal management system component industry and (iii) strategic emerging industries including bionic robot electromechanical actuator industry.

REFRIGERATION AND AIR-CONDITIONING CONTROL COMPONENT MARKET

Overview of Refrigeration and Air-conditioning Control Components

Refrigeration and air-conditioning control components are integral parts used in air conditioners and other refrigeration facilities for household and commercial application scenarios. They provide essential functions such as controlling heating and cooling processes, regulating refrigerant flow, measuring pressure, among others. The primary components category that fulfill these essential functions include valves, heat exchangers, controllers and pumps.

Functions and Applications of Refrigeration and Air-Conditioning Control Components

Category	Component	Function	Main Application
Valves	Electronic Expansion Valve	Regulate refrigerant flow into the evaporator to optimize cooling efficiency	Refrigeration and air conditioning system, refrigerator
	Four-way Reversing Valve[1]	Change the direction of the refrigerant flow to enable the transition between cooling and heating modes	Refrigeration and heating cycle systems
	Solenoid Valve[2]	Electrically controlled to control the flow of refrigerants	Refrigeration units, freezers, air conditioners, heat pumps and coffee machine
	Service Valve[3]	Regulate refrigerant circulates through the system	Split type air conditioners
	Ball Valve[4]	Efficiently control the flow of refrigerant	Refrigeration and air conditioning system
	Assemblies	Connect valves and carry and transport refrigerants	Refrigeration and air conditioning system
	Others	Including electric valve, thermostatic expansion valve, electric switching water valve, water inlet valve for washing machines, gas valve and other valves that regulate the flow of refrigerants and fluid	Refrigeration and air conditioning system and washing machine
Heat Exchangers	Micro-channel Heat Exchanger	Heat exchanger with a channel hydraulic diameter of less than 3mm, which improves the heat exchange capacity of the fluid	Household and commercial air conditioning, refrigeration systems, and washing machine
	Others	Including brazed plate heat exchanger and other heat exchangers that efficiently transfer heat	Refrigeration and air conditioning system
Controllers	Pressure Sensor	Detect pressure and convert it into a signal for precise system regulation	Air conditioning, refrigeration and heat pump systems
	Inverter Controller	Optimize energy performance by intelligently adjusting the operating modes of compressors	Refrigeration and air conditioning system
	Others	Including controller, temperature controller and other controllers that regulate and control the cooling process	Refrigeration and air conditioning system
Pumps	Omega Pump[5]	Pumps housings with integrated, direct or indirect heating of the rinse water, optionally assembled systems including inlet and outlet hoses and integrated thermal safety elements	Dishwashers
	Others	Including drain pump, shielded pump for water and other pumps used for the transportation, circulation and pressure regulation of liquids or gases	Refrigeration and air conditioning system
Others		Including motorized damper, micro-channel condenser, superconductive plate, filter drier, fluid reservoir, muffler and other components used for controlling heating and cooling processes	Household and commercial air conditioning, refrigeration systems, and washing machine

Source: the Frost & Sullivan Report

Notes:

(1) The scope of four-way reversing valves includes gigaforce four-way reversing valves.

(2) The scope of solenoid valves includes bistable solenoid valves and coffee machine solenoid valves.

(3) The scope of service valves includes bar-stock service valves.

(4) The scope of ball valves includes water ball valves.

(5) The scope of Omega pumps includes Omega BLDC pumps.

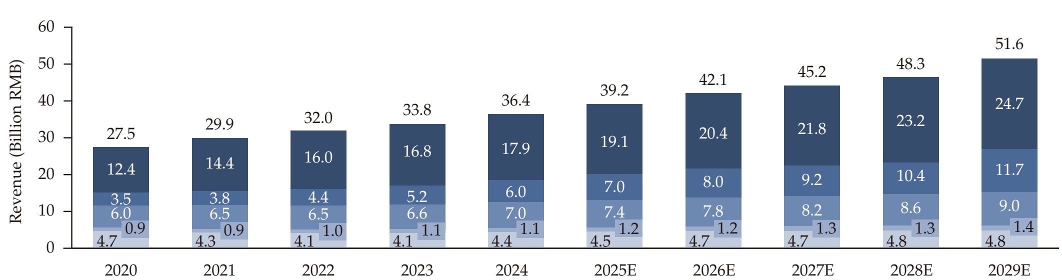
The value chain of refrigeration and air-conditioning control component market involves upstream raw material suppliers, midstream refrigeration and air-conditioning control component manufacturers and downstream applications. Upstream raw material suppliers primarily produce raw materials that primarily include copper, aluminum and other non-ferrous metals. Midstream refrigeration and air-conditioning control component manufacturers primarily produce a variety of components. Downstream applications primarily include household and commercial applications, among which household applications mainly include household air conditioners, refrigerators and dishwashers, among others, whilst commercial applications mainly include commercial air conditioners, refrigeration systems in cold chain logistics and cooling systems in data centers, among others.

Global Market Size of Refrigeration and Air-conditioning Control Components

The global market size of refrigeration and air-conditioning control components in terms of revenue increased from RMB27.5 billion in 2020 to RMB36.4 billion in 2024, with a CAGR of 7.4%. With the increasing demand for refrigeration and air-conditioning, the global market size of refrigeration and air-conditioning control components categories in terms of revenue is expected to reach RMB51.6 billion in 2029, representing a CAGR of 7.2% from 2024 to 2029. In terms of revenue in 2024, the global market size of valves, heat exchangers, controllers and pumps accounted for 49.2%, 16.5%, 19.2% and 3.0%, respectively, of the global market size for refrigeration and air-conditioning control components, totaling an aggregate of 87.9%.

Revenue of Refrigeration and Air-conditioning Control Components Market By Category (Global), 2020 – 2029E

Revenue	*CAGR (2020-2024)*	*CAGR (2024-2029E)*
Valves	9.7%	6.6%
Heat exchangers	14.8%	14.1%
Controllers	3.9%	5.2%
Pumps[1]	7.0%	4.4%
Others[2]	-1.7%	2.1%
Total	**7.4%**	**7.2%**



Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Notes:

(1) The revenue of Omega pumps under the pumps category equals the shipment of Omega pumps multiplied by the average selling price, as major manufacturers of Omega pumps include appliance manufacturers who produce Omega pumps to be integrated into their own products and do not generate revenue from sales of Omega pumps. For other pumps under the pumps category, revenue is calculated based on sales volume and average selling price.

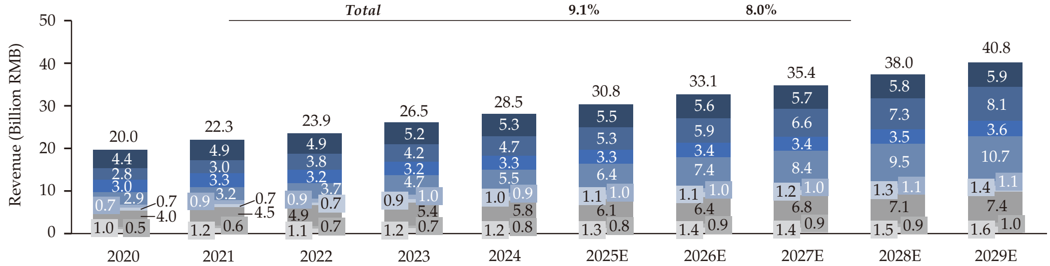
(2) Others include approximately ten types of components, such as motorized damper, micro-channel condenser, superconductive plate, filter drier and other components used for controlling heating and cooling processes.

Based on (i) the functions to achieve the control of heating and cooling process and (ii) the impacts on system performances including efficiency, energy conservation, precise regulation and automatic control, there are certain key refrigeration and air-conditioning control components (the "**key components**"). Key components primarily include four-way reversing valves, electronic expansion valves, service valves, micro-channel heat exchangers, solenoid valves, Omega pumps, inverter controllers, ball valves and pressure sensors.

From 2020 to 2024, the global revenue of four-way reversing valves, electronic expansion valves, service valves, micro-channel heat exchangers, solenoid valves, Omega pumps, inverter controllers, ball valves and pressure sensors grew at a CAGR of 4.8%, 13.6%, 2.4%, 16.9%, 6.5%, 9.3%, 9.8%, 9.9% and 4.7%, respectively. The global revenue of four-way reversing valves, electronic expansion valves, service valves, micro-channel heat exchangers, solenoid valves, Omega pumps, inverter controllers, ball valves and pressure sensors is expected to grow at a CAGR of 2.2%, 11.6%, 1.8%, 14.4%, 4.9%, 6.9%, 5.0%, 4.8% and 6.1% from 2024 to 2029, respectively. In terms of revenue in 2024, the global market size of four-way reversing valves, electronic expansion valves, service valves, micro-channel heat exchangers, solenoid valves, Omega pumps, inverter controllers, ball valves and pressure sensors accounted for 14.6%, 12.9%, 9.1%, 15.1%, 2.5%, 2.7%, 15.9%, 2.2% and 3.3%, respectively, of the global market size for refrigeration and air-conditioning control components, totaling an aggregate of 78.3%.

Revenue of Key Refrigeration and Air-conditioning Control Components Market (Global), 2020 – 2029E

Revenue	*CAGR (2020-2024)*	*CAGR (2024-2029E)*
Four-way reversing valves	4.8%	2.2%
Electronic expansion valves	13.6%	11.6%
Service valves	2.4%	1.8%
Micro-channel heat exchangers	16.9%	14.4%
Solenoid valves	6.5%	4.9%
Omega pumps[1]	9.3%	6.9%
Inverter controllers	9.8%	5.0%
Ball valves	9.9%	4.8%
Pressure sensors	4.7%	6.1%
Total	**9.1%**	**8.0%**



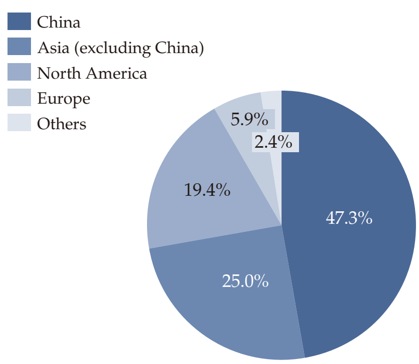
Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Note:

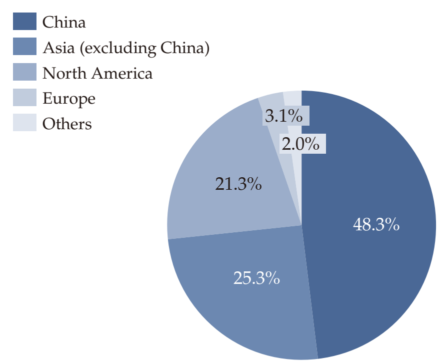
(1) The revenue of the global market size of Omega pumps equals the shipment of Omega pumps multiplied by the average selling price, as major manufacturers of Omega pumps include appliance manufacturers who produce Omega pumps to be integrated into their own products and do not generate revenue from sales of Omega pumps.

China is the largest refrigeration and air-conditioning control component market in the world. In terms of revenue of refrigeration and air-conditioning control components in 2024, China accounted for approximately 47.3% of the global revenue. By 2029, the revenue of refrigeration and air-conditioning control components in China is expected to account for approximately 48.3% of the global revenue.

Revenue of Refrigeration and Air-conditioning Control Component Market (By Region), 2024



Revenue of Refrigeration and Air-conditioning Control Component Market (By Region), 2029E



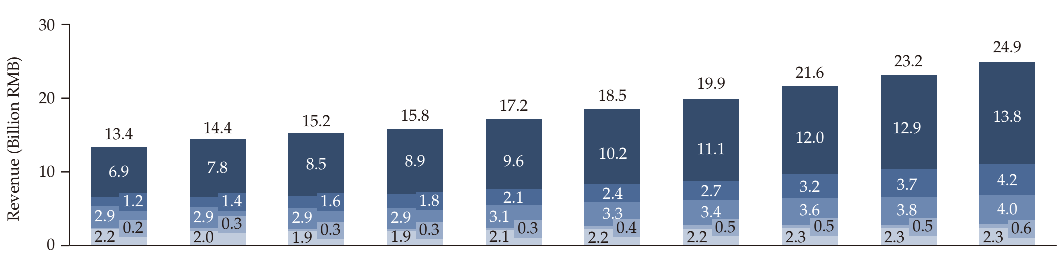
Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Market Size of Refrigeration and Air-conditioning Control Components in China

The market size of refrigeration and air-conditioning control components in China in terms of revenue increased from RMB13.4 billion in 2020 to RMB17.2 billion in 2024, with a CAGR of 6.4%. With the increasing demand for refrigeration and air-conditioning, the market size of refrigeration and air-conditioning control components categories in China in terms of revenue is expected to reach RMB24.9 billion in 2029, representing a CAGR of 7.7% from 2024 to 2029.

Revenue of Refrigeration and Air-conditioning Control Components Market By Category (China), 2020 – 2029E

Revenue	*CAGR (2020-2024)*	*CAGR (2024-2029E)*
Valves	8.5%	7.6%
Heat exchangers	13.6%	15.4%
Controllers	1.7%	5.2%
Pumps[(1)]	15.4%	10.6%
Others[(2)]	-2.1%	2.6%
Total	**6.4%**	**7.7%**



Source: China Refrigeration and Air-Conditioning Industry Association; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Notes:

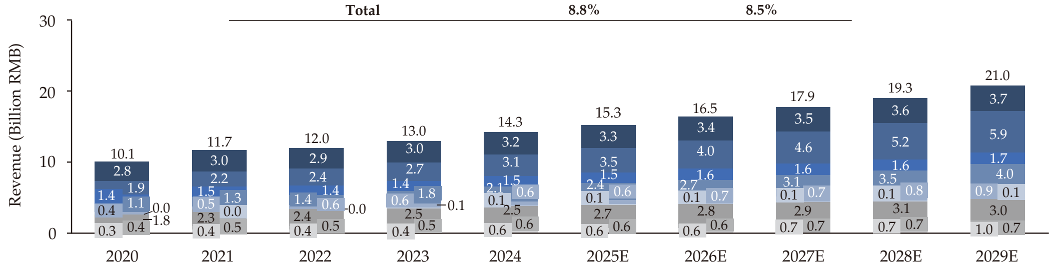
(1) The revenue of Omega pumps under the pumps category equals the shipment of Omega pumps multiplied by the average selling price, as major manufacturers of Omega pumps include appliance manufacturers who produce Omega pumps to be integrated into their own products and do not generate revenue from sales of Omega pumps. For other pumps under the pumps category, revenue is calculated based on sales volume and average selling price.

(2) Others include approximately ten types of components, such as motorized damper, micro-channel condenser, superconductive plate, filter drier and other components used for controlling heating and cooling processes.

From 2020 to 2024, the revenue of four-way reversing valves, electronic expansion valves, service valves, micro-channel heat exchangers, solenoid valves, Omega pumps, inverter controllers, ball valves and pressure sensors in China grew at a CAGR of 3.4%, 13.0%, 1.7%, 16.5%, 10.6%, 18.4%, 8.6%, 11.9% and 19.2%, respectively. The revenue of four-way reversing valves, electronic expansion valves, service valves, micro-channel heat exchangers, solenoid valves, Omega pumps, inverter controllers, ball valves and pressure sensors in China is expected to grow at a CAGR of 2.8%, 13.3%, 2.0%, 14.3%, 8.0%, 13.2%, 3.7%, 5.4% and 10.3% from 2024 to 2029, respectively.

Revenue of Key Refrigeration and Air-conditioning Control Components Market (China), 2020 – 2029E

Revenue	*CAGR (2020-2024)*	*CAGR (2024-2029E)*
Four-way reversing valves	3.4%	2.8%
Electronic expansion valves	13.0%	13.3%
Service valves	1.7%	2.0%
Micro-channel heat exchangers	16.5%	14.3%
Solenoid valves	10.6%	8.0%
Omega pumps[(1)]	18.4%	13.2%
Inverter controllers	8.6%	3.7%
Ball valves	11.9%	5.4%
Pressure sensors	19.2%	10.3%
Total	**8.8%**	**8.5%**



Source: China Refrigeration and Air-Conditioning Industry Association; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Note:

(1) The revenue of the market size of Omega pumps in China equals the shipment of Omega pumps multiplied by the average selling price, as major manufacturers of Omega pumps include appliance manufacturers who produce Omega pumps to be integrated into their own products and do not generate revenue from sales of Omega pumps.

Market Drivers and Future Opportunities of Refrigeration and Air-conditioning Control Components

Favorable policies promote low energy consumption. As energy costs continue to rise, consumers are more willing to purchase appliances that can help them save utility costs and reduce their adverse impact on the environment. Meanwhile, governments worldwide have introduced a series of low-carbon and energy-saving policies to accelerate the green transformation of economic development. For instance, the State Council issued the "Action Plan for Energy Conservation and Carbon Reduction from 2024 to 2025" (《2024-2025年節能降碳行動方案》) in 2024, which proposed to strengthen the management of carbon emission intensity, and implement special actions for energy conservation and carbon reduction in different industries. Such supporting policies and growing awareness for energy conservation and carbon reduction drives the increasing demand for refrigeration and air-conditioning control components, such as electronic expansion valves that can improve heat exchange efficiency and reduce energy waste by precisely regulating refrigerant flow, and inverter controllers that can optimize energy performance by intelligently adjusting the operating modes of compressors. In addition, due to the accelerated elimination of refrigerants that cause environmental pollutions, the upgrade and replacement of air conditioners further drives the growth in downstream demand.

Growing requirements for product performance drive product iteration and upgrading. Consumers are placing greater value on air conditioners of better quality and functionality that contribute to a healthy, comfortable, and eco-friendly home environment, which raises growing requirements for product performance of refrigeration and air-conditioning control components. In response to the growing requirements for product performance, refrigeration and air-conditioning control component manufacturers have been dedicated to conducting product iteration and upgrading. For instance, the technological upgrading in micro-channel heat exchangers such as the innovative design of bending areas can achieve miniaturization of core components and significantly enhance energy efficiency by increasing heat exchange surface area.

Rising living standards and increasing penetration rate of air conditioners. With increasing consumer purchasing power and living standards, the penetration rate of air conditioners, particularly in emerging markets, continues to rise, further fueling the growth of the global air conditioners market. The global per capita annual net income grew at a CAGR of 4.9% from 2020 to 2024, whilst in emerging markets such as India, the per capita annual net income grew at a CAGR of 6.1% during the same period. Moreover, the penetration rate of air conditioners in some regions stays relatively low, with the average volume of air conditioners per hundred households in China, Americas and Europe reaching approximately 153, 95 and 43 as of December 31, 2024, respectively, while the average volume of air conditioners per hundred households in India reaching only 20 as of December 31, 2024. Therefore, the rising living standards create a greater demand for air conditioners, thereby stimulating demand for refrigeration and air-conditioning control components.

Global warming drives surging demand for air conditioners. In recent years, due to global warming, extreme weather events, such as prolonged heatwaves, have become increasingly frequent, driving a significant increase in demand for air conditioning. For instance, in Europe, unprecedentedly high temperatures have resulted in the highest recorded average temperatures in summer, which has accelerated the popularization of air conditioners. From 2020 to 2024, the revenue of residential air conditioners in Europe increased from RMB43.5 billion to RMB68.8 billion, with a CAGR of 12.1%. Further, the surging demand for air conditioners in Europe boosted the demand for refrigeration and air-conditioning control components.

Growth in China's exports driven by increasing demand from overseas market. The demand for refrigeration and air-conditioning control components in overseas markets continues to grow, driven by strict implementation of energy-saving and emission-reduction policies, as well as consumers' preference for high-performance products. China's refrigeration and air-conditioning control component manufacturers leads the global supply and are expanding their brand influence through superior product quality, efficient supply chain management and price advantages, thereby accelerating their global business expansion. Therefore, driven by increasing demand in overseas markets, the exports of refrigeration and air-conditioning control components in China is expected to maintain a stable growth in the future. With the early advantage and global recognition, the global R&D bases, localized production and sales network, the collaboration with many internationally renowned enterprises, and high-quality products and service tailored to local customer needs in overseas markets, our Group can benefit from the increasing demand from overseas market.

Growth prospects from emerging applications. With the rapid growth of the cold chain logistics industry and data center industry, refrigeration and air-conditioning control components have ushered in broad development opportunities in emerging markets. From 2020 to 2024, the market size of cold chain logistics in China grew at a CAGR of 8.8%, whilst the market size of data center services in China grew at a CAGR of 11.6% during the same period. Emerging downstream applications raise higher requirements for the efficiency and reliability of refrigeration and air-conditioning systems, thereby driving the growth in demand for specialized components tailored for cold chain logistics and data centers. In the future, the growth prospects from emerging applications will further promote the development of the refrigeration and air-conditioning control component market.

Competitive Landscape of Global Refrigeration and Air-conditioning Control Components

The global refrigeration and air-conditioning control component market is highly concentrated, with approximately 60 refrigeration and air-conditioning control component manufacturers as of December 31, 2024. With the increasingly prominent technical barriers and scale advantages in the refrigeration and air-conditioning control component market, the global market concentration is showing an upward trend. Leading component manufacturers have continuously consolidated their dominant positions through technological improvement, product quality and cost efficiency advantages. In contrast, small component manufacturers may find it difficult to compete with leading manufacturers, due to insufficient technological reserves, limited production scale, and relatively weak supply chain integration capabilities. Our competitors in the global refrigeration and air-conditioning control component market mainly include Dun'an Environment, Saginomiya Seisakusho, Fujikoki and Danfoss, among others.

In terms of revenue in 2024, the global top three manufacturers of refrigeration and air-conditioning control components accounted for approximately 81.0%, among which our Group ranked first, with a market share of approximately 45.5%.

Top Three Providers of Refrigeration and Air-conditioning Control Components in terms of Revenue (Global), 2024

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**16.6**	**45.5%**
2	Company A[(1)]	Zhejiang Province, China	9.6	26.4%
3	Company B[(2)]	Japan	3.3	9.1%

Source: Annual Reports; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Notes:

(1) Company A is a group established in 2001 and listed on the Shenzhen Stock Exchange in 2004, engaging in the provision of refrigeration components, air conditioning equipment and core components of NEV thermal management systems.

(2) Company B is a private group established in 1948, engaging in the provision of refrigeration components, automatic controls, air conditioning and other HVAC equipment.

In terms of revenue in 2024, the global top three manufacturers of valves of refrigeration and air-conditioning control components accounted for approximately 89.7%, among which our Group ranked first, with a market share of approximately 59.8%.

In terms of revenue in 2024, the global top three manufacturers of heat exchangers of refrigeration and air-conditioning control components accounted for approximately 92.8%, among which our Group ranked first, with a market share of approximately 44.6%.

Top Three Providers of Refrigeration and Air-conditioning Valves in terms of Revenue (Global), 2024

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**10.7**	**59.8%**
2	Company A	Zhejiang Province, China	4.0	22.1%
3	Company B	Japan	1.4	7.8%

Top Three Providers of Refrigeration and Air-conditioning Heat Exchangers in terms of Revenue (Global), 2024

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**2.7**	**44.6%**
2	Company C[(1)]	Sweden	1.8	29.1%
3	Company D[(2)]	Denmark	1.2	19.1%

Source: Annual Reports; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Notes:

(1) Company C is a group established in 1883 and listed on the Nasdaq Stockholm Exchange in 2002 and the London Stock Exchange in 2010, engaging in the provision of products in the areas of heat transfer, separation and fluid handling.

(2) Company D is a private established in 1933, engaging in the provision of heat exchangers, high pressure pumps and other components for HVAC equipment.

In terms of revenue in 2024, the global top three manufacturers of controllers of refrigeration and air-conditioning control components accounted for approximately 31.6%, among which our Group ranked second, with a market share of approximately 12.5%.

In terms of revenue in 2024, the global top three manufacturers of pumps of refrigeration and air-conditioning control components accounted for approximately 87.5%, among which our Group ranked first, with a market share of approximately 49.2%.

Top Three Providers of Refrigeration and Air-conditioning Controllers in terms of Revenue (Global), 2024

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	Company D	Denmark	0.9	12.9%
2	**Our Group**	**Zhejiang Province, China**	**0.9**	**12.5%**
3	Company B	Japan	0.4	6.2%

Top Three Providers of Refrigeration and Air-conditioning Pumps in terms of Revenue (Global), 2024

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**0.6**	**49.2%**
2	Company E[(1)]	Germany	0.3	29.5%
3	Company F[(2)]	Denmark	0.1	8.8%

Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Notes:

(1) Company E is a private group established in 1967, engaging in the provision of dishwashers, refrigerator, freezers, vacuum cleaners, and other home appliances. Company E's revenue of pumps equals shipment of pumps multiplied by average selling price.

(2) Company F is a private group established in 1945, engaging in the provision of high-efficiency, energy-saving pumps and water solutions for domestic homes.

In terms of revenue in 2024, the global top three manufacturers of electronic expansion valves accounted for approximately 87.6%, among which our Group ranked first, with a market share of approximately 51.4%.

In terms of revenue in 2024, the global top three manufacturers of four-way reversing valves accounted for approximately 87.3%, among which our Group ranked first, with a market share of approximately 55.4%.

In terms of revenue in 2024, the global top three manufacturers of solenoid valves accounted for approximately 74.7%, among which our Group ranked first, with a market share of approximately 47.7%.

In terms of revenue in 2024, the global top three manufacturers of service valves accounted for approximately 78.6%, among which our Group ranked first, with a market share of approximately 39.1%.

Top Three Providers of Electronic Expansion Valves, Four-way Reversing Valves, Solenoid Valves and Service Valves in terms of Revenue (Global), 2024

Electronic Expansion Valves

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**2.4**	**51.4%**
2	Company G(1)	Japan	1.1	22.5%
3	Company A	Zhejiang Province, China	0.6	13.7%

Four-way Reversing Valves

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**2.9**	**55.4%**
2	Company A	Zhejiang Province, China	0.9	17.7%
3	Company B	Japan	0.8	14.2%

Solenoid Valves

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**0.4**	**47.7%**
2	Company B	Japan	0.2	18.0%
3	Company G	Japan	0.1	9.0%

Service Valves

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**1.3**	**39.1%**
2	Company A	Zhejiang Province, China	1.0	30.0%
3	Company H(2)	Guangdong Province, China	0.3	9.5%

Source: Annual Reports; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Notes:

(1) Company G is a private group established in 1949, engaging in the provision of in-vehicle air-conditioning systems, space air-conditioners and other various kinds of climatic temperature controlling equipment.

(2) Company H is a private group established in 2007, engaging in the production of refrigeration components, including service valves, four-way reversing valves, electronic expansion valves, among others.

In terms of revenue in 2024, the global top three manufacturers of micro-channel heat exchangers accounted for approximately 70.7%, among which our Group ranked first, with a market share of approximately 43.4%.

In terms of revenue in 2024, the global top three manufacturers of Omega pumps accounted for approximately 96.6%, among which our Group ranked first, with a market share of approximately 53.6%.

In terms of revenue in 2024, the global top three manufacturers of pressure sensors accounted for approximately 56.2%, among which our Group ranked second, with a market share of approximately 15.9%.

In terms of revenue in 2024, the global top three manufacturers of ball valves accounted for approximately 80.3%, among which our Group ranked first, with a market share of approximately 32.8%.

The global market size of inverter controllers in terms of revenue reached approximately RMB5.8 billion in 2024. The global inverter controller market is concentrated, with approximately 40 market participants as of December 31, 2024. In terms of revenue in 2024, our Group accounted for approximately 10.9% of the global market size of inverter controllers.

Top Three Providers of Micro-channel Heat Exchanger, Omega Pump, Inverter Controller, Pressure Sensor and Ball Valve in terms of Revenue (Global), 2024

Micro-channel Heat Exchangers

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**2.4**	**43.4%**
2	Company D	Denmark	1.0	18.9%
3	Company A	Zhejiang Province, China	0.5	8.4%

Omega Pumps(1)

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**0.5**	**53.6%**
2	Company E	Germany	0.3	37.4%
3	Company I(2)	Guangdong Province, China	0.1	5.6%

Pressure Sensors

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	Company B	Japan	0.3	25.3%
2	**Our Group**	**Zhejiang Province, China**	**0.2**	**15.9%**
3	Company J(3)	United States	0.2	15.0%

Ball Valves

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**0.3**	**32.8%**
2	Company D	Denmark	0.2	28.7%
3	Company A	Zhejiang Province, China	0.1	18.8%

Source: Annual Reports; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Notes:

(1) The revenue of Omega pumps equals the shipment of pumps multiplied by the average selling price, as major manufacturers of Omega pumps include appliance manufacturers who produce Omega pumps to be integrated into their own products and do not generate revenue from sales of Omega pumps.

(2) Company I is a group established in 2000 and listed on the Shenzhen Stock Exchange in 2013 and the Hong Kong Stock Exchange in 2024, engaging in the provision of a wide range of home appliances, including air conditioners, refrigerators, washing machines and kitchen appliances, among others.

(3) Company J is a group established in 1916 and listed on the New York Stock Exchange in 2010, engaging in the provision of mission-critical sensors, electrical protection components and sensor-rich solutions.

AUTOMOTIVE THERMAL MANAGEMENT SYSTEM COMPONENT MARKET

Overview of Automotive Thermal Management System Components

The automotive thermal management components are a type of core automotive components. The thermal management system is composed of components that monitor and control the operating temperature of various automotive systems, such as the engine and passenger cabin areas, to improve efficiency and prevent damage to the components. Given (i) the functions to achieve the control of cooling and heating process within automotive thermal management systems, and (ii) the impact on system performances such as control accuracy, efficiency and energy conservation, there are four crucial component categories in automotive thermal management system components: (i) integrated modules, (ii) automotive valves, including automotive electronic expansion valves and automotive electronic water valves, (iii) automotive pumps, including electronic and mechanical water pumps and (iv) automotive heat exchangers, including battery coolers and cooling plates.

Based on automotive types, automotive thermal management system can be divided into thermal management system for ICEVs and thermal management system for NEVs. Thermal management system for ICEVs consists of a powertrain thermal management system and cabinet thermal management system. Thermal management system for NEVs is more complex, including systems for cabinet thermal management, battery thermal management and electrical/control system thermal management, thus it generates more demands and sets higher performance requirements for thermal management system components, including electronic expansion valves, electronic water pumps and electric compressors. The demand for automotive thermal management system components is driven by the transformation in the downstream automotive industry. Considering the transition from ICEVs to NEVs, leading thermal management system component manufacturers are at the forefront of product upgrades, driving the iteration of thermal management system components and further enhancing their application in NEVs.

With the rapid development of NEV industry, the importance of the NEV thermal management system is becoming increasingly prominent. In particular, electronic expansion valves, which can precisely control the flow of refrigerants, effectively manage the temperatures of cabin areas, batteries and motors of NEVs. Meanwhile, integrated modules optimize space utilization and enhance system efficiency by integrating multiple functions. As key components of thermal management system in NEVs, automotive electronic expansion valves and integrated modules are experiencing a surge in demand.

Functions and Applications of Automotive Thermal Management System Components

Category	Component	Function	Main Application
Integrated Modules	Integrated Modules	Optimize space utilization and enhance system efficiency by integrating multiple functions	Cabinet thermal management, battery thermal management
Automotive Valves	Electronic Expansion Valve	Effectively facilitate the cooling and heating functions within the thermal management systems of NEVS	Cabinet thermal management
	Others	Including oil valve, electric ball valve, thermostatic expansion valve with shut off electronic water pump and other valves that regulate the flow of liquid or gas	Cabinet thermal management, electrical/control system thermal management, battery thermal management
Automotive Heat Exchangers	Battery Cooler and Module	Introduce the refrigerant from the air conditioning system, which absorb the heat transferred from the battery cooling circuit in the evaporator and carry the heat away	Battery thermal management
	Others	Including cooling plate, oil cooler, oil cooler module and other heat exchangers that efficiently transfer heat	Cabinet thermal management, electrical/control system thermal management, battery thermal management
Automotive Pumps	Electronic Water Pump	Drive the circulation of coolant, absorbing heat, and transferring it to the outside air through a cooling device	Battery thermal management
	Others	Including electric oil pump and other pumps that used for the transportation, circulation and pressure regulation of liquids	Cabinet thermal management, electrical/control system thermal management, battery thermal management
Others		Including accumulators, compressors and other components used in the automotive thermal management system	Cabinet thermal management, electrical/control system thermal management, battery thermal management

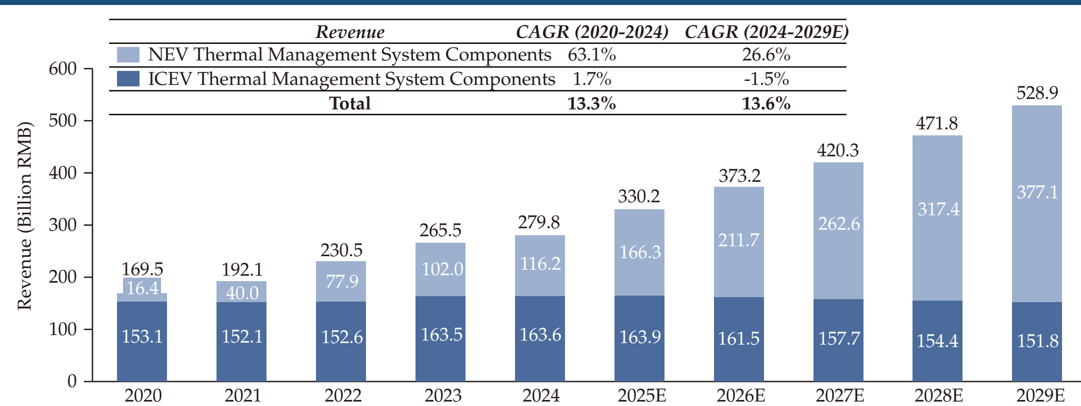
Source: the Frost & Sullivan Report

The value chain of the automotive thermal management system component market primarily involves upstream raw material suppliers, midstream automotive thermal management system components providers and downstream automotive companies. Upstream raw materials primarily include copper, aluminum and other non-ferrous metals. Midstream participants primarily include automotive thermal management system component manufacturers that produce components such as valves, pumps and heat exchangers, and system integrators that are responsible for system assembly and produce integrated modules such as the engine cooling system, HVAC system and battery cooling system. The downstream of automotive thermal management system components is automotive companies.

Global Market Size of Automotive Thermal Management System Components

The global market size of automotive thermal management system components in terms of revenue increased from RMB169.5 billion in 2020 to RMB279.8 billion in 2024, with a CAGR of 13.3%. In particular, driven by the rapid development of the NEV industry, the revenue generated by thermal management system components for NEVs increased from RMB16.4 billion in 2020 to RMB116.2 billion in 2024, with a CAGR of 63.1%. By 2029, the global market size of automotive thermal management system components in terms of revenue is expected to reach RMB528.9 billion, with a CAGR of 13.6% from 2024 to 2029. In particular, the revenue generated by thermal management system components for NEVs is expected to reach RMB377.1 billion, with a CAGR of 26.6% from 2024 to 2029. China is the largest market in the global automotive thermal management system component market, with revenue of automotive thermal management system components accounting for approximately 48.4% in 2024.

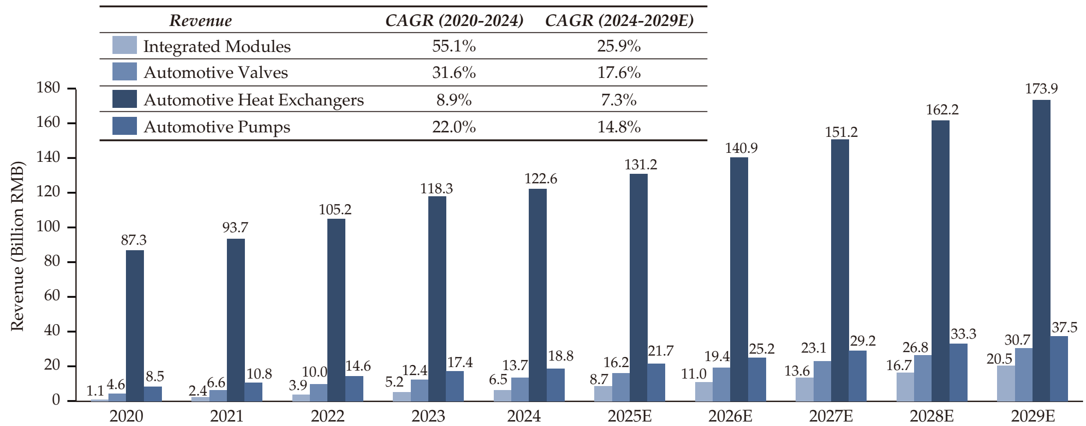
Revenue of Automotive Thermal Management System Component Market by Automotive Types (Global), 2020 – 2029E



Source: International Organization of Motor Vehicle Manufacturers; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

The global market size of each of four crucial categories — integrated modules, automotive valves, automotive heat exchangers and automotive pumps — in terms of revenue reached RMB6.5 billion, RMB13.7 billion, RMB122.6 billion and RMB18.8 billion in 2024, growing at a CAGR of 55.1%, 31.6%, 8.9% and 22.0%, respectively, from 2020 to 2024, and is expected to reach RMB20.5 billion, RMB30.7 billion, RMB173.9 billion and RMB37.5 billion, growing at a CAGR of 25.9%, 17.6%, 7.3% and 14.8% from 2024 to 2029, respectively. In 2024, in terms of revenue, the global market size of integrated modules, automotive valves, automotive heat exchangers and automotive pumps accounted for 2.3%, 4.9%, 43.8% and 6.7%, respectively, of the global market size of automotive thermal management system components, totaling an aggregate of 57.7%.

Revenue of Automotive Thermal Management System Components by Crucial Categories (Global), 2020 – 2029E



Source: International Organization of Motor Vehicle Manufacturers; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

In recent years, the global penetration rate of NEVs increased from 6.7% in 2020 to 23.6% in 2024, and is expected to further increase to 43.7% by 2029. NEVs are becoming increasingly important in the global automotive market, prompting the significant development of NEV thermal management systems.

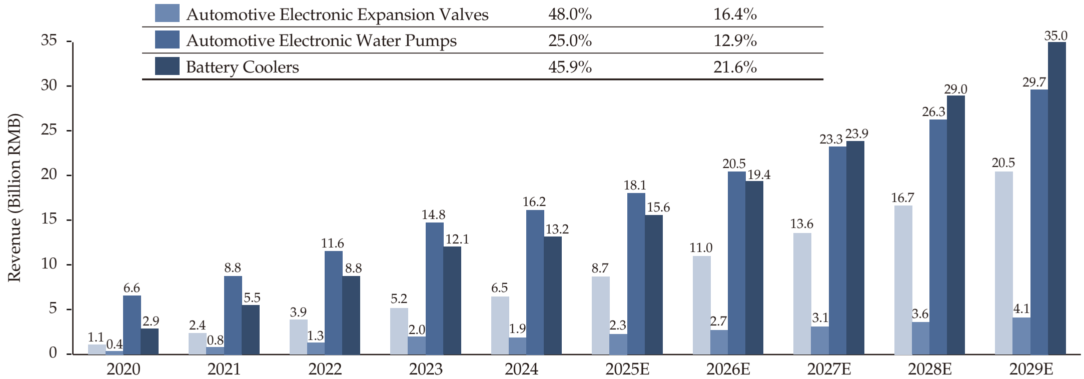
Taking into account (i) the functions to achieve the control of cooling and heating process within NEV thermal management systems and (ii) the impact on system performances such as control accuracy, efficiency and energy conservation, the integrated modules, automotive electronic expansion valves, automotive electronic water pumps, and battery coolers are four crucial components in NEV thermal management systems. Specifically, the integrated modules optimize space utilization and enhance system efficiency by integrating multiple functions. The automotive electronic expansion valves effectively facilitate the cooling and heating functions within the NEV thermal management systems. Automotive electronic water pump are responsible for driving the circulation of coolant, absorbing heat, and transferring it to the outside air through a cooling device. Battery coolers introduce the refrigerant from the air conditioning system, which absorb the heat transferred from the battery cooling circuit in the evaporator and carry the heat away.

Further, as of December 31, 2024, there were over 30 types of components in NEV thermal management system, among which the integrated modules, automotive electronic expansion valves, automotive electronic water pumps and battery coolers accounted for 5.6%, 1.6%, 13.9% and 11.4%, respectively, of the global market size of NEV thermal management system components in terms of revenue in 2024, totaling an aggregate of 32.5%. Automotive electronic expansion valves, automotive electronic water pumps and battery coolers are representative components of valves, pumps and heat exchangers of automotive thermal management systems, respectively, in the era of automotive electrification. These components ensure the precise control of cooling and heating process within NEV thermal management systems and effectively manage the temperatures of cabin areas, batteries and motors of NEVs. Additionally, automotive electronic expansion valves, automotive electronic water pumps and battery coolers hold a relatively higher share in their respective categories compared to the share of other components in the same category, accounting for 13.9%, 86.2% and 10.8%, respectively, of the global market size of valves, pumps and heat exchangers within automotive thermal management systems components in terms of revenue in 2024.

The global market size of integrated modules in terms of revenue increased from RMB1.1 billion in 2020 to RMB6.5 billion in 2024, with a CAGR of 55.1%, and is expected to reach RMB20.5 billion in 2029, with a CAGR of 25.9% from 2024 to 2029. The global market size of automotive electronic expansion valves in terms of revenue increased from RMB0.4 billion in 2020 to RMB1.9 billion in 2024, with a CAGR of 48.0%, and is expected to reach RMB4.1 billion in 2029, with a CAGR of 16.4% from 2024 to 2029. The global market size of automotive electronic water pumps in terms of revenue increased from RMB6.6 billion in 2020 to RMB16.2 billion in 2024, with a CAGR of 25.0%, and is expected to reach RMB29.7 billion in 2029, with a CAGR of 12.9% from 2024 to 2029. From 2020 to 2024, the global market size of battery cooler in terms of revenue increased from RMB2.9 billion to RMB13.2 billion, with a CAGR of 45.9%, and is expected to reach RMB35.0 billion in 2029, with a CAGR of 21.6% from 2024 to 2029.

Revenue of Automotive Thermal Management System Components by Crucial Components (Global), 2020 – 2029E

Revenue	CAGR (2020-2024)	CAGR (2024-2029E)
Integrated Modules(1)	55.1%	25.9%
Automotive Electronic Expansion Valves	48.0%	16.4%
Automotive Electronic Water Pumps	25.0%	12.9%
Battery Coolers	45.9%	21.6%



Source: International Organization of Motor Vehicle Manufacturers; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

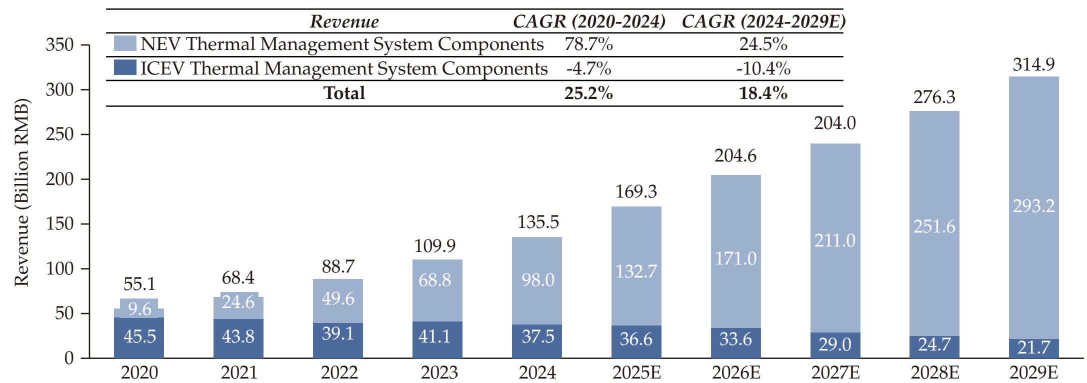
Note:

(1) Integrated modules are both a subset of the aforementioned four crucial component categories and a subset of the aforementioned four crucial components, as integrated modules do not have further sub-classifications.

Market Size of Automotive Thermal Management System Components in China

The market size of automotive thermal management system components in China in terms of revenue increased from RMB55.1 billion in 2020 to RMB135.5 billion in 2024, with a CAGR of 25.2%. In particular, the revenue generated by thermal management system components for NEVs in China increased from RMB9.6 billion in 2020 to RMB98.0 billion in 2024, with a CAGR of 78.7%. By 2029, the market size of automotive thermal management system components in China in terms of revenue is expected to reach RMB314.9 billion, with a CAGR of 18.4% from 2024 to 2029. In particular, the revenue generated by thermal management system components for NEVs in China is expected to reach RMB293.2 billion, with a CAGR of 24.5% from 2024 to 2029.

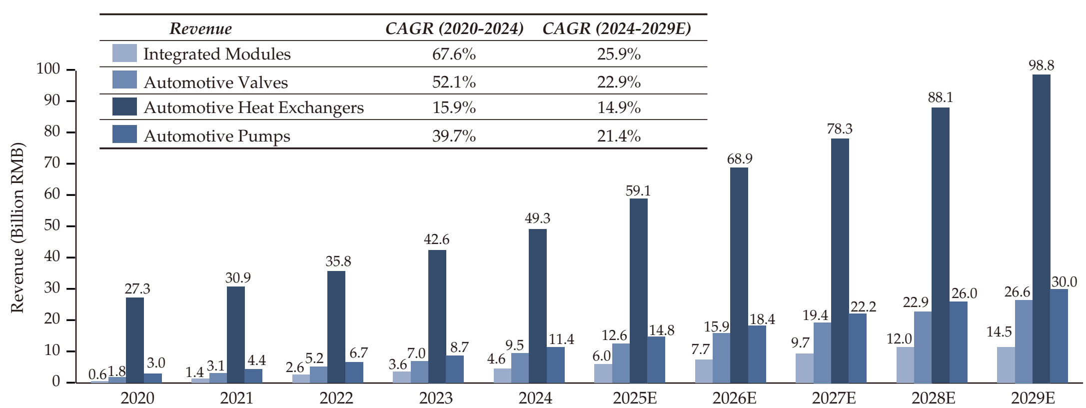
Revenue of Automotive Thermal Management System Component Market (China), 2020 – 2029E



Source: China Association of Automobile Manufacturers; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

The market size of integrated modules, automotive valves, automotive heat exchangers and automotive pumps in China in terms of revenue reached RMB4.6 billion, RMB9.5 billion, RMB49.3 billion and RMB11.4 billion in 2024, growing at a CAGR of 67.6%, 52.1%, 15.9% and 39.7%, respectively, and is expected to reach RMB14.5 billion, RMB26.6 billion, RMB98.8 billion and RMB30.0 billion in 2029, with a CAGR of 25.9%, 22.9%, 14.9% and 21.4% from 2024 to 2029, respectively.

Revenue of Crucial Automotive Thermal Management System Components Categories (China), 2020 – 2029E

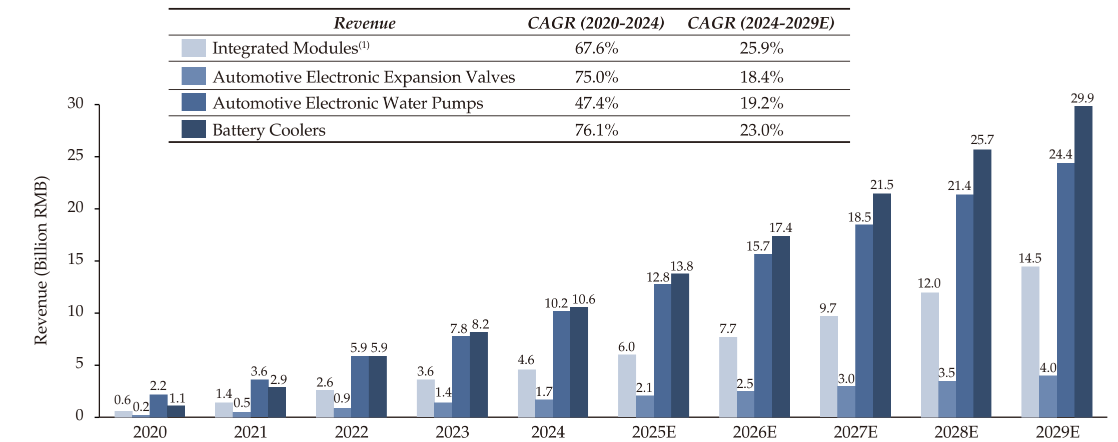


Source: China Association of Automobile Manufacturers; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

In recent years, the penetration rate of NEVs in China increased from 5.4% in 2020 to 40.9% in 2024, and is expected to further increase to 76.8% by 2029. The increasing penetration rate of NEVs in China promotes the significant growth of integrated modules, automotive electronic expansion valves, automotive electronic water pumps and battery coolers, which are crucial components in NEV thermal management systems.

The market size of integrated modules in China in terms of revenue increased from RMB0.6 billion in 2020 to RMB4.6 billion in 2024, with a CAGR of 67.6%, and is expected to reach RMB14.5 billion in 2029, with a CAGR of 25.9% from 2024 to 2029. The market size of automotive electronic expansion valves in China in terms of revenue increased from RMB0.2 billion in 2020 to RMB1.7 billion in 2024, with a CAGR of 75.0%, and is expected to reach RMB4.0 billion in 2029, with a CAGR of 18.4% from 2024 to 2029. The market size of automotive electronic water pumps in China in terms of revenue increased from RMB2.2 billion in 2020 to RMB10.2 billion in 2024, with a CAGR of 47.4%, and is expected to reach RMB24.4 billion in 2029, with a CAGR of 19.2% from 2024 to 2029. From 2020 to 2024, the market size of battery coolers in China in terms of revenue increased from RMB1.1 billion to RMB10.6 billion, with a CAGR of 76.1%, and is expected to reach RMB29.9 billion in 2029, with a CAGR of 23.0% from 2024 to 2029.

Revenue of Crucial Automotive Thermal Management System Components (China), 2020 – 2029E



Source: China Association of Automobile Manufacturers; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Note:

(1) Integrated modules are both a subset of the aforementioned four crucial component categories and a subset of the aforementioned four crucial components, as integrated modules do not have further sub-classifications.

Market Drivers and Future Opportunities of Automotive Thermal Management System Components

Rapid development of the NEV industry. Owing to the de-carbonization goals of the global automobile industry, the improvement of NEV technologies, and the development of NEV charging infrastructure, the global NEV industry has been experiencing rapid development. The global sales volume of NEVs grew from 5.2 million in 2020 to 21.4 million in 2024, with a CAGR of 42.7%, while the global sales volume of ICEVs experienced a decrease from 72.8 million in 2020 to 69.2 million in 2024, with a CAGR of -1.3%. Meanwhile, technological advancements such as 5G and the Internet of Things ("**IoT**") have accelerated the development of intelligent connected vehicles, and the commercialization of autonomous driving technology is gradually unfolding, which has further increased the penetration of NEVs. From 2020 to 2024, the global penetration rate of NEVs increased from 6.7% to 23.6%. The continuously developing NEV industry has driven the rapid expansion of the automotive thermal management system component market.

Growing demand for reliable thermal management system. Advancements in NEV battery and charging technology require more reliable thermal management system to ensure charging safety. Batteries are prone to overheating during the charging process, and improper temperature control may affect performance or even cause safety issues. Therefore, an efficient thermal management system is crucial for maintaining the optimal operating temperature of batteries, ensuring the safety and performance. With the development of high-voltage fast charging and battery technologies, the need for rapid heat dissipation increases, which drives the demand for efficient automotive thermal management system, thereby stimulating the growing demand for thermal management system components.

Integrated and modular design. With the advancements in automotive thermal management technology, the automotive thermal management system components are evolving towards an integrated and modular design. Integrated thermal management system connects some or all circuits of the motor systems, battery systems, electronic control systems and air conditioning systems into a large circulation loop, which can not only achieve comprehensive thermal management and reduce energy waste, but also effectively reduces overall vehicle weight and space occupied. Modular design of automotive thermal management system can shorten the assembly time, enhance the versatility across different vehicle models and reduce the maintenance costs of these systems.

Development of intelligent control. Intelligent thermal management system can monitor the vehicle's operating conditions and environmental parameters in real time through intelligent components. They automatically adjust the operating modes and parameter settings of the thermal management system to improve efficiency and performance. The intelligent control can not only achieve precise temperature regulation, but also adapt to various situations based on user characteristics and current or future road conditions, as well as weather information. Additionally, the advancement of autonomous driving technology will significantly increase the computational power requirements of automotive chips, leading to more prominent chip cooling issues, which will drive the growing demand for efficient thermal management system components.

Green and efficient development. With the increasing global attention to environmental protection and sustainable development, green and low-carbon development is the core goal of automotive thermal management system. The advancements of battery cooling and heating technology, the development of heat pump technology, and the replacement of refrigerants with weak greenhouse effects promote the optimization of vehicle energy consumption, which raises higher requirements for product performance of thermal management system components.

Globalization. Under the trend of global economic integration, the global procurement of automotive thermal management system components has become a major trend in the automotive industry. As market competition intensifies, major automobile manufacturers in the world have been dedicated to seeking the best suppliers of automotive thermal management system components and advanced technical solutions worldwide, which provides broad development opportunities for automotive thermal management system component manufacturers to expand business layout in overseas markets.

Competitive Landscape of Global Automotive Thermal Management System Components

The global automotive thermal management system component market is highly concentrated. Leading companies leverage first-mover advantages to accumulate expertise in core components and system development capabilities. They also possess technical advantages in system integration. As of December 31, 2024, there were over 400 market participants in the global automotive thermal management system component market. Our competitors in the global automotive thermal management system components market mainly include DENSO Corporation, Hanon Systems, Valeo SE and MAHLE GmbH, among others. In terms of revenue in 2024, the global top five providers of automotive thermal management system components accounted for approximately 77.9%, among which our Group ranked fifth, with a market share of approximately 4.1%.

Top Five Providers of Automotive Thermal Management System Components in terms of Revenue (Global), 2024

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	Company K[(1)]	Japan	84.7	30.3%
2	Company L[(2)]	Korea	54.1	19.3%
3	Company M[(3)]	France	35.7	12.8%
4	Company N[(4)]	Germany	31.8	11.4%
5	**Our Group**	**Zhejiang Province, China**	**11.4**	**4.1%**

Source: Annual Reports; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Notes:

(1) Company K is a group established in 1949 and listed on the Nagoya Stock Exchange in 1951 and the Tokyo Stock Exchange in 1953, engaging in the provision of automotive component and systems, industrial products and home appliances.

(2) Company L is a group established in 1986 and listed on the Korea Exchange in 1996, engaging in the provision of automotive thermal and energy management solutions.

(3) Company M is a group established in 1923 and listed on the Euronext Paris in 1932, engaging in the provision of components, integrated systems, and modules for the automobile industry.

(4) Company N is a private group established in 1920, engaging in the provision of engine systems, filtration, electrics, mechatronics, and thermal management.

The global market of integrated modules is concentrated, with less than 15 market participants as of December 31, 2024. In terms of revenue in 2024, the top three providers of integrated modules accounted for approximately 89.6%, among which our Group ranked first, with a market share of approximately 65.6%.

The global market of automotive valves is relatively concentrated, with less than 70 market participants as of December 31, 2024. In terms of revenue in 2024, the top three providers of automotive valves accounted for approximately 39.4%, among which our Group ranked first, with a market share of approximately 19.3%.

The global market of automotive heat exchangers is concentrated, with less than 50 market participants as of December 31, 2024. In terms of revenue in 2024, our Group accounted for approximately 1.4% of the global revenue.

The global market of automotive pumps is concentrated, with less than 50 market participants as of December 31, 2024. In terms of revenue in 2024, the top five providers of automotive pumps accounted for approximately 80.6%, among which our Group ranked fourth, with a market share of approximately 8.6%.

Top Three Providers of Integrated Modules, Automotive Valves and Top Five providers of Automotive Pumps in terms of Revenue (Global), 2024

Integrated Modules

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**4.3**	**65.6%**
2	Company K	Japan	1.1	16.5%
3	Company M	France	0.5	7.5%

Automotive Valves

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**2.6**	**19.3%**
2	Company G	Japan	2.0	14.4%
3	Company A	Zhejiang Province, China	0.8	5.7%

Automotive Pumps

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	Company P(1)	Germany	5.5	29.4%
2	Company K	Japan	3.9	20.7%
3	Company L	Korea	2.8	15.1%
4	**Our Group**	**Zhejiang Province, China**	**1.6**	**8.6%**
5	Company Q(2)	Germany	1.3	6.8%

Source: Annual Reports; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Notes:

(1) Company P is a private group established in 1868, engaging in the provision of automotive technology and service.

(2) Company Q is a private group established in 2019, engaging in the provision of automotive drivetrain and powertrain technologies.

The global market of automotive electronic expansion valves is concentrated, with less than 20 market participants as of December 31, 2024. In terms of revenue in 2024, the top three providers of automotive electronic expansion valves accounted for approximately 89.7%, among which our Group ranked first, with a market share of approximately 48.3%.

The global market of battery coolers is relatively concentrated, with less than 30 market participants as of December 31, 2024. In terms of revenue in 2024, the global top three providers of battery coolers accounted for approximately 62.7%, among which our Group ranked third, with a market share of approximately 5.9%.

The global market of automotive electronic water pumps is relatively concentrated, with less than 50 market participants as of December 31, 2024. In terms of revenue in 2024, the global top five providers of automotive electronic water pumps accounted for approximately 69.1%, among which our Group ranked fourth, with a market share of approximately 5.5%.

Top Three Providers of Automotive Electronic Expansion Valves and Battery Coolers and Top Five Providers of Automotive Electronic Water Pumps in terms of Revenue (Global), 2024

Automotive Electronic Expansion Valves

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	**Our Group**	**Zhejiang Province, China**	**0.9**	**48.3%**
2	Company G	Japan	0.5	24.1%
3	Company A	Zhejiang Province, China	0.3	17.3%

Battery Coolers

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	Company N	Germany	5.4	40.9%
2	Company R(1)	United States	2.1	15.9%
3	**Our Group**	**Zhejiang Province, China**	**0.8**	**5.9%**

Automotive Electronic Water Pumps

Ranking	Company	Headquarter	Revenue (Billion RMB)	Market Share
1	Company P	Germany	4.5	27.8%
2	Company K	Japan	3.1	19.1%
3	Company L	Korea	2.2	13.6%
4	**Our Group**	**Zhejiang Province, China**	**0.9**	**5.5%**
5	Company S(2)	Zhejiang Province, China	0.5	3.1%

Source: Annual Reports; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

Notes:

(1) Company R is a group established in 1916 and listed on the New York Stock Exchange in 2004, engaging in the provision of automotive thermal management components.

(2) Company S is a private group established in 2016, engaging in the provision of automotive thermal management solutions.

CHALLENGES OF REFRIGERATION AND AIR-CONDITIONING CONTROL COMPONENTS AND AUTOMOTIVE THERMAL MANAGEMENT SYSTEM COMPONENTS

Fluctuations in Downstream Demands. Refrigeration and air-conditioning control components and automotive thermal management system components have various downstream applications, including refrigeration and air-conditioning products, ICEVs and NEVs, home appliances, data centers, and cold-chain transportation industries. Changes in market demands from these downstream industries could impact operational conditions and financial outcomes. If downstream demands cannot maintain robust growth, market participants may face challenges in business operation and profitability.

Keep up with Technological Advancements. The rapid advancement of technologies and the emergence of new industry standards present significant challenges to manufacturers of refrigeration and air-conditioning control components and automotive thermal management system components. These manufacturers must continually invest in R&D to keep pace with technological upgrades and process improvements, ensuring alignment with ever-evolving industry standards. Failure to do so could lead to a decline in their competitiveness.

Cost Control Capabilities. The raw materials used in the production of refrigeration and air-conditioning control components and automotive thermal management system components primarily include copper and aluminum, which are bulk commodities known for significant price volatility. If market participants face substantial increases in raw material costs that were not anticipated during price negotiations with customers, their profitability may be adversely affected. Consequently, establishing a robust cost control mechanism has become one of the major challenges.

ENTRY BARRIERS OF REFRIGERATION AND AIR-CONDITIONING CONTROL COMPONENTS AND AUTOMOTIVE THERMAL MANAGEMENT SYSTEM COMPONENTS

Technical Barrier. The refrigeration and air-conditioning control component market and automotive thermal management system component market have high technical barriers. Established market players need to master knowledge of production processes for diversified components to cater the customers' requirements. Additionally, these components must be compatible with numerous downstream applications such as different air conditioners and vehicle models, which raises higher requirements for the technical capabilities of market players. However, it is rather difficult for new entrants to accumulate the relevant technologies in a short period of time.

Customer Barrier. Established market players need to obtain customer recognition and establish trust through long-term cooperation. Since there are differences in the requirements for refrigeration and air-conditioning control components and thermal management system components among different customers, market players need to collaborate deeply with their customers and participate in the product development process as early as possible. For new entrants, it takes a considerable amount of time to attract new customers and establish their own customer reserves.

Production Barrier. Established market players generally have established stringent standards for product design and production processes. They also have to strictly adhere to quality management systems to ensure high standards of product qualities. Additionally, leading manufacturers with large-scale production can benefit from economies of scale to respond quickly to market demand, complete timely delivery of various large orders, and effectively reduce costs. New entrants need a lot of time to accumulate experience and expertise in production and achieve large-scale production.

Capital Barrier. The refrigeration and air-conditioning control component market and automotive thermal management system component market require a large amount of investment in production facilities and equipment, which raises a high capital barrier for new entrants. Additionally, sufficient working capital is necessary to meet customers' procurement needs. New entrants may face financial pressure due to limited production capacity and market share in the initial stages.

BIONIC ROBOT ELECTROMECHANICAL ACTUATOR MARKET

Overview of Bionic Robot Electromechanical Actuator Market

Electromechanical actuators are one of the core components of a bionic robot system, which is responsible for converting electrical signals into corresponding mechanical motions to achieve precise control of the joints or moving parts of bionic robots. Electromechanical actuators mainly include motors, reducers and sensors, among others. The coordinated operation of these components provides the required torque and speed, allowing bionic robots to move along the predetermined trajectory. Based on motion types, electromechanical actuators are primarily categorized into rotary actuators and linear actuators. Rotary actuators are designed to drive joints for rotational movement and are suitable for applications like shoulder, elbow and hip joints. Linear actuators generate straight-line motion and are ideal for scenarios requiring linear displacement, such as the extension or contraction of limbs. The precise control, high-precision positioning and real-time monitoring capabilities of electromechanical actuators are crucial for enhancing the movement performance, stability and intelligence of bionic robots, and are key components that drive technological progress and enable broad applications of bionic robotics.

At present, the bionic robotics industry is still in the exploring stage. Electromechanical actuators manufacturers generally establish stable collaborations with bionic robotics manufacturers to jointly develop products that cater to market demand, and continually refine the design and performance of electromechanical actuators based on customers' feedback. Driven by the supporting policies such as the "Guiding Opinions on Innovative Development of Humanoid Robots" (《人形機器人創新發展指導意見》) issued by the Ministry of Industry and Information Technology in 2023 and proposed to achieve batch production of bionic robots by 2025 and realize large-scale development by 2027, the accelerated production plans by leading industry players, the technological breakthroughs in mechanical design, motion control and artificial intelligence, and the performance improvement and cost reduction of core components, the bionic robot industry is expected to realize mass production in the near future. As bionic robot technology matures and achieves mass production, the demand for electromechanical actuators in the bionic robotics market is expected to significantly increase, thereby driving the rapid growth of market size.

From 2020 to 2024, the global market size of bionic robot electromechanical actuators in terms of revenue increased from RMB93.9 million to RMB1,376.1 million, with a CAGR of 95.7%. As the downstream demand continues to grow, by 2029, the global market size of bionic robot electromechanical actuators in terms of revenue is expected to reach approximately RMB62.8 billion, representing a CAGR of 114.7% from 2024 to 2029.

Market Drivers and Future Opportunities of Bionic Robot Electromechanical Actuators

Aging population and rising labor costs. As many countries transition into aged societies, labor resources are becoming increasingly scarce. In 2023, the proportion of individuals aged 60 and above in the global population reached 14.2%, and it is expected to reach 16.7% by 2030. Bionic robots become an alternative for replacing labor force due to their ability to imitate human movements, adapt to complex environments and perform delicate tasks. Meanwhile, with the economic development, labor costs are gradually rising. To maintain competitiveness, companies need to find effective ways to reduce labor costs. Bionic robots equipped with efficient electromechanical actuators can help companies to reduce long-term operational costs, and improve production flexibility and responsiveness. Therefore, the aging population and rising labor costs have stimulated the demand for bionic robots, thereby accelerating the development of the bionic robot electromechanical actuator market.

Supportive policies. The Chinese government attaches great importance to the development of the robotics industry and has issued a series of policies to support its growth. For instance, in 2023, the Ministry of Industry and Information Technology ("**MIIT**") issued the "Guiding Opinions on Innovative Development of Humanoid Robots" (《人形機器人創新發展指導意見》), which emphasized to strengthen the development of foundational components and develop actuators with high power density. Additionally, in 2021, the MIIT and other 14 departments jointly issued the "14th Five-Year Plan for Development of Robotics Industry" (《"十四五"機器人產業發展規劃》), which proposed to achieve breakthroughs in a number of core technologies and high-end products in the robotics industry by 2025, with the performance and reliability of key components reaching the level of similar international products. These policies collectively support the development of the bionic robot electromechanical actuators industry, and accelerate technological advancements and market expansion.

Industrial chain synergy. As the domestic production rates of core components such as motors, reducers and sensors continue to increase, domestic manufacturers are gaining competitive advantages in these critical areas. Electromechanical actuators manufacturers that establish stable cooperative relationships with upstream component manufacturers and downstream bionic robots manufacturers can facilitate synergy along the industrial chain, which can ensure the stable and adequate supply of key components, reduce production costs, respond to market demands timely, and promote technological advancements in the entire industrial chain.

Technological innovation. With the development of advanced technologies such as artificial intelligence ("**AI**"), sensing technology and new materials, bionic robot electromechanical actuators have made significant progress in performance and expanded their applications. Electromechanical actuators manufacturers have been dedicated to enhancing competitiveness through continuous technological innovation. For instance, the application of AI and digital technologies has improved the fine-control capabilities of electromechanical actuators. AI technology enables the analysis of actuator movement patterns and environmental changes, optimizes control strategies and achieves more precise motion control. Meanwhile, digital technologies, such as high-precision sensors, high-speed data processing, and Internet of Things ("**IoT**") connectivity, further enhance the response speed and operational accuracy of actuators, which ensures that the real-time motion status of actuators can be captured and accurately fed back to the control system, thereby enhancing the system stability and reliability. Due to technological innovation, electromechanical actuators can adapt to a wider range of application scenarios and task requirements.

Expanding downstream applications of bionic robots. With continuous technological advancements, the downstream applications of bionic robots have expanded from the industrial sector to multiple industries, including education and entertainment, emergency rescue, medical services and logistics services, among others. The extensive application scenarios stimulate a growing demand for bionic robot electromechanical actuators, and raise higher requirements for product performance. For instance, applied in medical services, humanoid robots are utilized for surgical assistance, rehabilitation therapy and elderly care, which requires actuators to have enhanced flexibility, safety and response speed.

Entry Barriers of Bionic Robot Electromechanical Actuators

Technical barrier. As a critical component of bionic robots, the design and manufacturing of electromechanical actuators involve multiple disciplines including mechanical design, electronic engineering and materials science, among others, which requires market participants to have sufficient technical accumulation. To develop products with a precise control of position, speed and force, electromechanical actuators manufacturers need to possess expertise in material selection, production processes and control algorithms. Moreover, with continuous evolution of market demand, the participants need to maintain their competitiveness through continuous technological innovation and product iteration. Therefore, new entrants without sufficient technical reserves and strong capabilities in technological innovation may find it difficult to master core technologies of electromechanical actuators in a short period of time, while the participants with early advantages, technical reserves and manufacturing capabilities such us our Group can obtain prominent competitiveness and quickly capture market shares.

Capital barrier. The electromechanical actuators industry requires substantial capital investment to support research and development, prototyping, mass production and product iteration. During the R&D process, participants need to invest in the procurement of advanced equipment, the recruitment and training of specialized talents, technology research and product development. Entering the production stage, participants need to invest in the establishment of production facilities and the procurement of raw materials and components to ensure the stable production. Therefore, sufficient capital investment is one of the major barriers for new entrants.

Customer resource barrier. Currently, the bionic robotics industry is still in the exploring stage. Established electromechanical actuators manufacturers need to establish cooperative relationships with bionic robot manufacturers, fully cooperate with customers in product development and application testing, and continuously optimize product design and performance. Once bionic robots achieve mass production, electromechanical actuators manufacturers will establish long-term and stable partnerships with their customers, ensuring steady demands. New entrants may find it difficult to gain customer trust in a short time, whereas participants that have early business layout can establish their own customer base and quickly capture market shares.

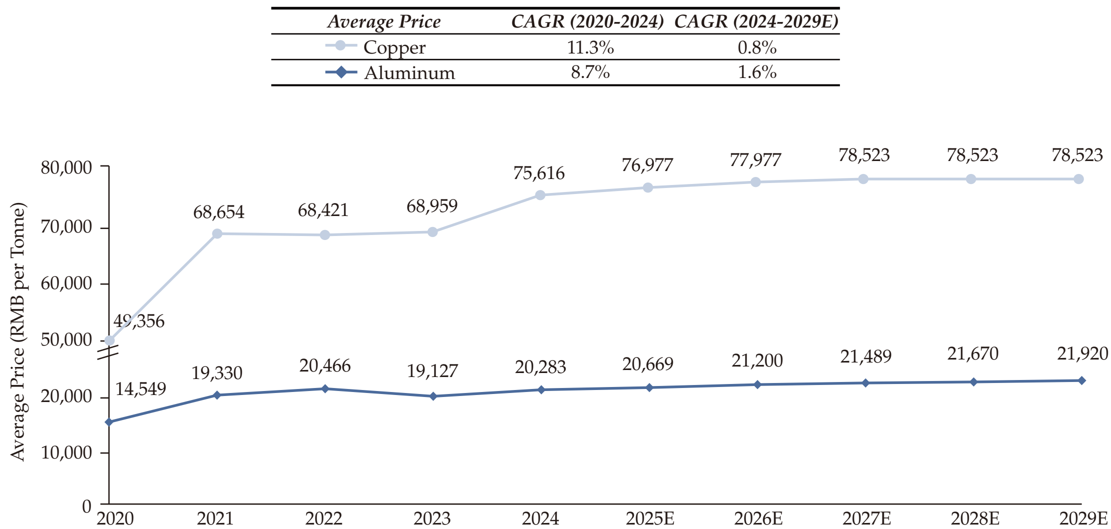
Talent barrier. The bionic robot electromechanical actuators market is a technology intensive industry. The manufacturers require talents with theoretical foundation and practical experience to design and develop high-performance and reliable electromechanical actuators. Moreover, as electromechanical actuator technology continues to evolve, the manufacturers need to have innovative talents to promote technological innovation and product upgrades. However, the talents with expertise in bionic robot electromechanical actuators are relatively rare, and cultivating these talents requires a lengthy period of time. Therefore, new entrants may face significant challenges in establishing sufficient talent reserves.

ANALYSIS OF RAW MATERIAL PRICES IN CHINA

The average prices of copper and aluminum in China are primarily influenced by macro economy, supply and demand dynamics, policy regulations, and average prices in global markets. From 2020 to 2024, the average prices of copper and aluminum in China increased from RMB49,356 per tonne and RMB14,549 per tonne to RMB75,616 per tonne and RMB20,283 per tonne, with a CAGR of 11.3% and 8.7%, respectively. In 2021, the economic recovery in China following the COVID-19 pandemic led to a rapid increase in demand for copper and aluminum. In addition, restrictions on energy and power consumption significantly drove up the prices of these metals in China. In 2023, the demand for aluminum from downstream industries such as real estate and infrastructure construction declined, resulting in a decrease in aluminum prices. However, increased demand from the new energy and power industries boosted copper demand, leading to a rise in copper prices. In 2024, as central banks of major economies commence a rate-cutting cycle, copper prices are expected to rise rapidly due to its financial attributes. By 2029, the average prices of copper and aluminum in China is expected to reach RMB78,523 per tonne and RMB21,920 per tonne, with a CAGR of 0.8% and 1.6% from 2024 to 2029, respectively.

The price fluctuations of copper and aluminum bring challenges for manufacturers of refrigeration and air-conditioning control components and automotive thermal management system component. These fluctuations in raw material prices poses a challenge for cost control, requiring companies to optimize procurement strategies and enhance cost management capabilities to mitigate the operational risks resulted from price fluctuations of copper and aluminum. Failure to establish effective cost control and hedging mechanisms to address raw material price fluctuations may result in increased production costs, reduced profits, and forced adjustments in product prices, thereby impacting market competitiveness.

Average Price of Major Raw Materials (China), 2020 – 2029E



Source: National Development and Reform Commission; International Monetary Fund; Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; the Frost & Sullivan Report

SOURCE AND RELIABILITY OF INFORMATION

In connection with the Global Offering, we engaged an independent market research consultant, Frost & Sullivan, to conduct an analysis of, and to prepare an industry report on, the industries where we operate with a commission fee of RMB270,000. Founded in 1961, Frost & Sullivan is an independent global consulting firm that conducts industry research and prepares industry reports on a wide range of industries, among other services. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report with its consent.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the collected data and information, and cross-check each respondent's information and expressions against those of others: (i) detailed primary research, which involved discussing the status of the industry with leading industry participants and industry experts; and (ii) secondary research, which involved reviewing published sources including reports of market participants, independent research reports and data based on Frost & Sullivan's own research database.

Frost & Sullivan adopted the following primary assumptions while making projections for preparing the Frost & Sullivan Report: (i) global economy is likely to maintain steady growth in the next decade; (ii) global social, economic and political environment is likely to remain stable in the forecast period; and (iii) market drivers like surging demand for air conditioners, accelerated urbanization and rising living standards, favourable policies and growing requirements for product performance, among others.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

Our business are subject to relevant laws, rules and regulations of the places where we operate in many aspects. This section sets out a summary of the PRC laws, regulations and regulatory documents (the "**PRC laws**") that are significant to our current business activities in the PRC, which are subject to changes in the future. However, it does not include a detailed analysis of the PRC laws relating to our business activities and operations in the PRC and is not intended to be an exhaustive list of all PRC laws applicable to our operations in the PRC.

LAWS AND REGULATIONS RELATING TO COMPANIES

The Company Law of the PRC was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on December 29, 1993 and implemented since July 1, 1994, and last amended on December 29, 2023 and came into effect on July 1, 2024. Under the Company Law of the PRC, companies are generally classified into two categories, namely, limited liability companies and joint stock limited companies. The major amendments to the latest Company Law of the PRC, which came into effect on July 1, 2024, include improving the company establishment and exit regime, optimizing the organizational structures of companies, improving the capital system of companies, strengthening the responsibilities of controlling shareholder and management, and reinforcing the corporate social responsibilities, among others. We do not expect the amendments to have any material adverse effect on our operational and financial performance.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Encouraged Industries for Foreign Investment (《鼓勵外商投資產業目錄》, the "**Encouraged Catalog**"), the Special Administrative Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施(負面清單)》, the "**Negative List**") and the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, the "**Foreign Investment Law**"), together with its implementation rules and ancillary regulations, which are promulgated and amended from time to time by the MOFCOM and the National Development and Reform Commission (the "**NDRC**").

The Foreign Investment Law was promulgated by the National People's Congress (the "**NPC**") in March 15, 2019 and came into effect on January 1, 2020, which replaced three then existing laws on foreign investments in the PRC, namely, Law of the PRC on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), Law of the PRC on Wholly Foreign-owned Enterprise (《中華人民共和國外資企業法》) and Law of the PRC on Chinese-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》). The Foreign Investment Law, by means of legislation, establishes the basic framework for the access, promotion, protection and regulation of foreign investment with the aim of investment protection and fair competition. According to the Foreign Investment Law, foreign investment shall enjoy pre-establishment national treatment, except for foreign investments that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List promulgated or approved by the State Council. To ensure the effective implementation of the Foreign Investment Law, the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條

例》, the "**Foreign Investment Law Implementation Regulations**") was promulgated by the State Council in December 2019 and came into effect on January 1, 2020, which further clarified that the state encourages and promotes foreign investment, protects the legitimate rights and interests of foreign investors, regulates administration on foreign investment, continues to optimize foreign investment environment and advances a higher-level of opening.

The NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Edition) (《外商投資准入特別管理措施（負面清單）（2024年版）》, the "**2024 Negative List**") on September 6, 2024, which implemented since November 1, 2024, to replace the previous Negative List. Pursuant to the Foreign Investment Law, the Foreign Investment Implementation Regulations and the 2024 Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are deemed "permitted" for foreign investments.

LAWS AND REGULATIONS RELATING TO OVERSEAS INVESTMENT

Pursuant to the Administrative Measures for Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on September 6, 2014 and implemented since October 6, 2014, the MOFCOM and provincial competent commerce authorities shall carry out administration either by record-filing or approval on a case-by-case basis of overseas investment by enterprises. Overseas investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by approval. Overseas investment by enterprises that falls in any other circumstances shall be subject to administration by record-filing.

Pursuant to the Administrative Measures for Overseas investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and implemented since March 1, 2018, a domestic enterprise (the "**Investor**") making overseas investment shall obtain approval, conduct record-filing or other procedures applicable to overseas investment projects (the "**Projects**"), report relevant information, and cooperate with the supervision and inspection. Sensitive Projects carried out by Investors directly or through overseas enterprises controlled by them shall be subject to approval; non-sensitive Projects directly carried out by Investors, namely, non-sensitive projects involving Investors' direct contribution of assets or interests or provision of financing or guarantee shall be subject to record-filing. The aforementioned "sensitive project" refers to projects that involve a sensitive country or region or a sensitive industry. The catalog of sensitive industries shall be promulgated by the NDRC. The currently effective sensitive industry catalog is the Catalog of Sensitive Sectors for Overseas investment (2018 Edition) (《境外投資敏感行業目錄（2018年版）》), which came into effect on March 1, 2018.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》, the "**Product Quality Law**"), which was promulgated by the SCNPC on February 22, 1993 and implemented since September 1, 1993, and last amended on December 29, 2018, engaging in product manufacturing and sales activities within the territory of the PRC shall comply with the Product Quality Law. Manufacturers shall be responsible for the quality of the products they produce and sell. Quality of products shall meet the following requirements: (i) the products shall be free from any unreasonable threats to personal or property safety, and shall conform to national standards or industrial standards for ensuring human health and personal or property safety if there are such standards; (ii) the products shall have the functions they should have, except where there are description about the functional defects; and (iii) the products shall meet the standards specified on the products or their packages and the quality condition specified by way of product instructions or samples. In case of violation of the Product Quality Law, the market regulatory authorities have the right to order the producers and sellers to stop production and sales, confiscate the products which are illegally produced or sold and impose fines. In case of serious violations, the business license of the producer or seller will be revoked, and if the violation constitutes an offence, the violating producer or seller is obliged to hold criminal responsibility in.

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated by the NPC on May 28, 2020 and came into effect on January 1, 2021, in the event of damages caused to others due to the defects in a product, the infringed party may seek compensation from the producer or the seller of such product and shall have the right to request the producer and the seller to assume tortious liability, such as cessation of infringement, removal of obstruction, and elimination of danger.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》, the "**Production Safety Law**") promulgated by the SCNPC on June 29, 2002 and implemented since November 1, 2002, and last amended on June 10, 2021, entities engaged in production and business activities in the PRC shall comply with the Production Safety Law and other laws and regulations relating to production safety. To ensure production safety, entities shall strengthen the management, establish and improve responsibility systems and policies, improve conditions, promote the development of standards, and enhance the level in this aspect. The primary persons in charge of the production and operation entities are fully responsible for the production safety of their entities. Violation of the Production Safety Law may result in imposition of fines, suspension of operation, an order to cease operation, or even assumption of criminal responsibility in case serious consequences are caused.

LAWS AND REGULATIONS RELATING TO FIRE PREVENTION

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and implemented since September 1, 1998, and last amended on April 29, 2021 and implemented since the same date, together with the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design for Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and implemented since June 1, 2020, and last amended on August 21, 2023 and implemented since October 30, 2023, the fire prevention design and construction work of a construction project must conform to the national fire prevention technical standards. For construction projects which are required to have fire prevention design in accordance with the national fire prevention technical standards for project construction, the examination and acceptance system on fire prevention design for construction project shall be applied. Where, upon the completion of construction projects, application for acceptance on fire prevention is required by the competent department of housing and urban-rural development under the State Council, the construction entities shall apply to the competent department of housing and urban-rural development for acceptance checks for fire prevention. With respect to construction projects other than those mentioned above, construction entities shall, after an acceptance check, file their results to the competent department of housing and urban-rural development for record purposes, and such department shall conduct random inspections thereof. Construction projects that are subject to fire prevention acceptance check in accordance with the laws are prohibited from being put into use if they do not go through or fail the fire prevention acceptance check. Other construction projects that fail the random inspections according to laws shall be suspended from using.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

Import and Export Management

According to the Regulations of the PRC on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on December 10, 2001 and came into effect on January 1, 2002, and last amended on March 10, 2024 and came into effect on May 1, 2024, the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 and came into effect on July 1, 1994, and last amended on December 30, 2022 and came into effect on the same date, the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and came into effect on July 1, 1987, and last amended on April 29, 2021 and came into effect on the same date, the Measures for Record Filing and Registration by Foreign Business Operators (《對外貿易經營者備案登記辦法》) promulgated by MOFCOM on June 25, 2004 and came into effect on July 1, 2004, and last amended on May 10, 2021 and came into effect on the same date, and the Administrative Provisions of the Customs of the PRC on Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC on November 19, 2021 and came into effect on January 1, 2022, foreign trade business operators engaging in the import or export of goods or technology must go through the record filing and registration formalities with the MOFCOM or the agency entrusted by the MOFCOM.

Unless otherwise provided, the declaration for imported or exported goods and the payment of duties may be made by the consignees or consignors themselves, or by entrusted customs brokers. Customs declaration entities refer to consignees or consignors of imported or exported goods or customs brokers that have filed for record with customs. Customs declaration entities may conduct customs declaration business within the customs territory of the PRC.

Import and Export Commodity Inspection

According to the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) promulgated by the SCNPC on February 21,1989 and implemented since August 1, 1989, and last amended on April 29, 2021 and came into effect on the same date, and the Regulations for the Implementation of the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) promulgated by the State Council on August 31, 2005 and implemented since December 1, 2005, and last amended on March 29, 2022 and implemented since May 1, 2022, the General Administration of Customs shall be responsible for inspection of commodities in the PRC. The entry-exit inspection and quarantine authorities shall conduct inspection on the import and export of commodities listed in the catalog and on the import and export other commodities that shall be subject to the inspection by the entry-exit inspection authorities as prescribed by laws and administrative regulations. For the imported and exported commodities other than those that are subject to inspection by the entry-exit inspection and quarantine authorities as mentioned above, the entry-exit inspection and quarantine authorities shall conduct random inspection in accordance with state regulations. Imported commodities subject to inspection may not be sold or used if they have not been inspected. Exported commodities subject to inspection may not be exported if they have not been inspected or fail to pass the inspection.

LAWS AND REGULATIONS RELATING TO ANTI-MONOPOLY AND ANTI-UNFAIR COMPETITION

Anti-Monopoly

According to the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) (the "**Anti-Monopoly Law**") promulgated by the SCNPC on August 30, 2007 and implemented since August 1, 2008, and last amended on June 24, 2022 and implemented since August 1, 2022, the Anti-Monopoly Law applies to the monopolistic practices in domestic economic activities in the PRC as well as the monopolistic practices outside the PRC which have exclusion or restriction effects on domestic market competitions. The monopolistic practices under the Anti-Monopoly Law include any monopoly agreement reached by any operators, abuse of market-dominating position by any operators and any concentration of operators which has eliminated or limited or may eliminate or limit the market competition. The anti-monopoly law enforcement agency of the State Council are responsible for enforcement of the Anti-Monopoly Law in accordance with the provisions thereof. The anti-monopoly law enforcement authorities of the State Council may, depending on the needs of their work, authorize the corresponding authorities of the people's governments of provinces, autonomous regions, and municipalities to be responsible for enforcement of the Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law shall be ordered by the anti-monopoly law enforcement authority to stop the illegal act and may be imposed a fine.

Anti-Unfair Competition Law

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**") promulgated by the SCNPC on September 2, 1993 and implemented since December 1, 1993, and last amended on April 23, 2019 and came into effect on the same date, operators shall comply with the principle of voluntariness, equality, fairness, integrity and abide by laws and business ethics in market transactions. Under the Anti-Unfair Competition Law, unfair competition refers to disruption on market competition or order by an operator in violation of the provisions under the Anti-Unfair Competition Law in the production and operating activities, which cause damage to the legitimate rights and interests of other operators or consumers. Operators who violate the Anti-Unfair Competition Law shall bear corresponding civil, administrative and criminal responsibilities depending on the specific circumstances.

LAWS AND REGULATIONS RELATING TO ENVIRONMENT PROTECTION

Environment Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on September 13, 1979 and came into effect on the same date, and amended on April 24, 2014 and implemented since January 1, 2015, enterprises, public institutions and other manufacturers shall prevent and reduce environmental pollution and ecological damage, and shall assume liabilities for any damage caused in accordance with the laws. Pollutant-discharging enterprises, public institutions and other manufacturers shall adopt measures to prevent and treat waste gas, waste water, waste residue, medical waste, dust, malodorous gas, radioactive substances generated in manufacturing, construction or any other activities, and any other environmental pollution and hazards such as noise, vibration, ray radiation and electromagnetic radiation.

Atmospheric Pollution

According to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on September 5, 1987, and implemented since June 1, 1988, and last amended on October 26, 2018 and came into effect on the same date, enterprises, public institutions, and other business entities shall, according to relevant provisions and monitoring norms of the state, monitor the industrial waste gases and the toxic and hazardous atmospheric pollutants listed in the catalog mentioned in Article 78 of the Atmospheric Pollution Prevention and Control Law of the PRC they have discharged, and preserve the original monitoring records. Enterprises and public institutions discharging industrial waste gases or the toxic or hazardous atmospheric pollutants listed in the aforementioned catalog and other entities subject to pollutant discharging licensing administration shall obtain a pollutant discharge license.

Water Pollution

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) promulgated by the SCNPC on May 11, 1984, and implemented since November 1, 1984, and last amended on June 27, 2017 and implemented since January 1, 2018, an enterprise or public institution or other business entity which directly or indirectly discharges industrial waste water or medical sewage to waters or waste water or sewage that may be discharged after a pollutant discharge license has been obtained as required shall obtain a pollutant discharge license.

Solid Waste

According to the Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on October 30, 1995, and implemented since April 1, 1996, and last amended on April 29, 2020 and implemented since September 1, 2020, any entity or individual that produces, collects, stores, transports, utilizes, or disposes solid wastes shall take measures to prevent or reduce environmental pollution caused by solid wastes, and be liable for resultant environmental pollution in accordance with the law.

Noise Pollution

According to the Law of the PRC on Prevention and Control of Pollution From Noise (《中華人民共和國噪聲污染防治法》), which was promulgated by the SCNPC on December 24, 2021 and came into effect on June 5, 2022, the emission of noise and generation of vibration shall comply with the noise emission standards, the relevant ambient vibration control standards and the requirements of relevant laws, regulations and rules.

Environmental Impact Assessment

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and implemented since September 1, 2003, and last amended on December 29, 2018 and came into effect on the same date, and the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and came into effect on the same date, and last amended on July 16, 2017 and implemented since October 1, 2017, the state implements an environmental impact assessment system for construction projects. An environmental impact report is required to thoroughly assess the potential environmental impact if the construction project may result in a material impact on the environment; an environmental impact statement is required to analyze or conduct a project-based evaluation if the construction project may result in slight impact on the environment; a registration form of environmental impact is required to be filed if the construction project may only result in minimal impact on the environment and no environmental impact assessment is required. No construction project can be commenced without undergoing assessment on environmental impact in accordance with the laws. After the completion of the construction project for which an environment impact report or an environment impact statement was prepared, the construction unit shall, in accordance with the standards and procedures formulated by competent administrative department for environment protection under the State Council, conduct inspection and acceptance of the ancillary environment protection facilities, and prepare an inspection and acceptance report. No ancillary environment protection facilities of such projects may be put into production or use until such facilities pass the inspection and acceptance; Any ancillary facilities that failed to undergo or pass the inspection and acceptance procedure may not be put into production or use.

If an enterprise violates the aforesaid laws and regulations, the environmental protection administrative departments at the county level or above may order it to suspend production or construction, impose a fine and order it to conduct restoration.

Permission for Pollutant Discharges

According to the Regulations on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and implemented since March 1, 2021, and the Catalog for the Classified Management of Pollutant Discharge Permitting for Stationary Pollution Sources (2019 Edition) (《固定污染源排污許可分類管理名錄》(2019年版)) issued by the Ministry of Ecology and Environment on December 20, 2019 and came into effect on the same date, enterprises, public institutions and other manufacturers which are subject to pollutant discharge permit management as stipulated by laws must apply for and obtain pollutant discharge permits. Without this permit, discharging pollutants is prohibited. Pollutant discharging entities with a significant volume of pollutant generation, emissions or environmental impact are subject to comprehensive management on permission of pollutant discharge. Those with a smaller volume of pollutant generation, emissions and environmental impact are subject to simplified management on permission of pollutant discharge. Entities with minimal pollutant generation, emissions and environmental impact are subject to pollutant discharge registration management.

LAWS AND REGULATIONS RELATING TO LARGE-SCALE RENEWAL OF EQUIPMENT AND THE TRADE-IN

According to the Action Plan for Promoting Large-scale Equipment Renewals and Trade-ins of Consumer Goods (《推動大規模設備更新和消費品以舊換新行動方案》) (the "**Action Plan**") issued by the State Council on March 7, 2024 and came into effect on the same date, measures including equipment renewal, trade-ins of consumer goods, recycling, refining the standards, and strengthening policy support will be taken to promote investment and consumption. In the field of trade-in of household appliances, the Action Plan encourages giving preferential discount to consumers who exchange old household appliances for energy-saving ones, and encourages better-off regions to give subsidies to consumers to purchase green and smart home appliances.

According to the Measures on Increasing Efforts to Support Large-scale Equipment Renewals and Trade-ins of Consumer Goods (《關於加力支持大規模設備更新和消費品以舊換新的若干措施》) jointly issued by the NDRC and the Ministry of Finance on July 24, 2024, approximately RMB300 billion in ultra-long special treasury bonds will be earmarked to boost large-scale equipment renewals and trade-ins of consumer goods. Individual consumers will enjoy trade-in subsidies for 8 types of household appliances, namely air conditioners, refrigerators, washing machines, water heaters, televisions, computers, household stoves, and range hoods with energy efficiency or water efficiency standards of level 2 or above. The subsidy is set at 15% of the selling prices of the appliances, and an additional subsidy of 5% of the selling prices will be given for the purchase of the appliances with energy efficiency or water efficiency standards of level 1 and above. Each consumer can be subsidized for one unit of each type of the appliances, and the subsidy for each unit may not exceed RMB2,000.

According to the Policy on Increasing Efforts to Expand Scope of Large-scale Equipment Renewals and Trade-ins of Consumer Goods (《關於2025年加力擴圍實施大規模設備更新和消費品以舊換新政策的通知》) jointly issued by the NDRC and the Ministry of Finance on January 8, 2025, in terms of household appliances, the government will strengthen support for the trade-ins of household appliances, and will continue to support the trade-ins of 8 types of household appliances such as refrigerators, washing machines, televisions, air conditioners, computers, water heaters, household stoves, range hoods, among others, and include 4 types of household appliances such as microwaves, water purifiers, dishwashers, and rice cookers in the subsidy scope. Individual consumers who purchase products with Level 2 energy efficiency or water efficiency standards from the 12 categories of household appliances mentioned above will receive a subsidy of 15% of the product's selling price; for products with Level 1 energy efficiency or water efficiency standards, the subsidy standard is 20% of the product's selling price. Each consumer can receive a subsidy for 1 item per product category (up to 3 items for air conditioning products), with a maximum subsidy of RMB2,000 per item. Individual consumers who have already enjoyed the trade-in subsidy for certain types of household appliances in 2024 can continue to enjoy the subsidy for purchasing similar household appliances in 2025. In terms of car purchase, the government will improve the subsidy standards for car replacement and update, and expand the scope of support for car scrapping and update. If an individual consumer transfers a registered passenger car under their name and purchases a new passenger car, they will receive a subsidy for car replacement and renewal. The maximum subsidy for purchasing a new energy passenger car per unit shall not exceed RMB15,000, and the maximum subsidy for purchasing a fuel passenger car per unit shall not exceed RMB13,000. Individual consumers who scrap eligible diesel and other fuel passenger vehicles or new energy passenger vehicles and purchase eligible new energy passenger vehicles or 2.0-liter and below displacement fuel passenger vehicles will receive a subsidy of RMB20,000 per unit for purchasing new energy passenger vehicles and a subsidy of RMB15,000 per unit for purchasing 2.0-liter and below displacement fuel passenger vehicles.

LAWS AND REGULATIONS RELATING TO TAXATION

Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (the "**EIT Law**") promulgated by the SCNPC on March 16, 2007 and implemented since January 1, 2008, and last amended on December 29, 2018 and implemented since the same date, and the Implementation Rules of the EIT Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) promulgated by the

State Council on December 6, 2007 and came into effect on January 1, 2008, and last amended on April 23, 2019 and came into effect on the same date, a resident enterprise means an enterprise established within the PRC in accordance with the laws, or established in accordance with any laws of foreign country or region but with an actual management entity within the PRC. A resident enterprise is subject to an EIT of 25% for any income generated within or outside the PRC. A preferential EIT rate is applicable to any key industry and project which is supported and encouraged by the State. Key high-tech enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

Value-Added Tax

According to the Interim Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and implemented since January 1, 1994, and last amended on November 19, 2017 and came into effect on the same date, and the Detailed Rules for the Implementation of the Interim Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance on December 25, 1993 and implemented since the same date, and last amended on October 28, 2011 and implemented since November 1, 2011, entities and individuals that sell goods or processing and repair services, sales services, intangible assets, or immovables, or import goods within the territory of the PRC are taxpayers of value-added tax (VAT), and shall pay VAT in accordance with law. Unless otherwise stipulated, the VAT rate is 17% for taxpayers selling goods, provision of labor services, leasing tangible movable property or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunications, or construction services, or leasing or selling real estate, transferring land use rights, or selling or importing specified goods; and unless otherwise stipulated, 6% for taxpayers selling services or intangible assets.

According to the Notice on Adjusting Value-added Tax Rate (《關於調整增值稅稅率的通知》) jointly issued by the MOF and the STA on April 4, 2018 and came into effect on May 1, 2018, the tax rates of 17% and 11% originally applicable to any taxpayer who makes VAT taxable sales or imports goods were adjusted to 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was jointly promulgated by the MOF, the STA and the General Administration of Customs on March 20, 2019, the tax rate of 16% and 10% originally applicable to general VAT taxpayers who make VAT taxable sales or import goods were adjusted to 13% and 9%, respectively.

Dividend Distribution

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) promulgated by the SCNPC on September 10, 1980 and implemented since the same date, and last amended on August 31, 2018 and implemented since January 1, 2019, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) promulgated by the SCNPC on January 28, 1994 and implemented since the same date, and last amended on December 18, 2018 and implemented since January 1, 2019, dividends distributed by PRC enterprises are subject to individual income tax levied at a uniform rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC on September 7, 2015 and came into effect on September 8, 2015, where an individual holds the shares of a listed company obtained from the public offering for more than one year and transfers the stock of the listed company on the stock market, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the public offering and transfers the stock of the listed company on the stock market, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

According to the EIT Law and the Regulation on the Implementation of the EIT Law of the PRC since January 1, 2008, an enterprise income tax rate of 10% shall normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC, unless the jurisdiction in which such non-PRC resident investors are incorporated has a tax treaty with the PRC that provides for a preferential withholding arrangement. According to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by the PRC Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation on November 6, 2008 and implemented on the same date, a PRC resident enterprise is required to withhold enterprise income tax at a uniform rate of 10% on dividends paid to non-PRC resident enterprise holders of H Shares since 2008.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) (the "**Fifth**

Protocol"), issued by The State Administration of Taxation and came into effect on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulations of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and implemented since April 1, 1996, and last amended on August 5, 2008 and implemented since the same date, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, subject to certain procedural requirements, can be carried out in foreign currency without prior approval from the SAFE. On the contrary, approval from or registration with relevant government authorities is required where RMB is to be converted into foreign currencies and remitted out of China to pay capital items such as direct investment, repayment of foreign currency loans, repatriation of investments and securities investment outside China.

According to the Circular on Issues Concerning the Administration of Foreign Exchange Involved in Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated on December 26, 2014 by the SAFE and implemented since the same date, a domestic company shall, within 15 working days after the completion of its overseas listing and issuance, register the overseas listing with the local branch of the State Administration of Foreign Exchange of the place where it is incorporated. The funds raised by domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the use of funds shall be consistent with those as set out in the public disclosure documents such as the prospectus or corporate bond issuance prospectus, circulars to shareholders and resolutions of the board of directors or shareholders' meeting.

According to the Notice on Revolutionize and Regulate Capital Account Settlement Management Policies (《關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE on June 9, 2016 and implemented since the same date, and last amended on December 4, 2023 and implemented since the same date, foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in relevant policies may be settled with banks depending on the actual need of the domestic institutions for business operation. Where the existing laws and regulations have restrictive provisions on the settlement of foreign exchange receipts under capital accounts of domestic institutions, such provisions shall prevail. The tentative percentage of foreign exchange settlement for foreign currency receipts under capital account of domestic institutions is fixed at 100% for the time being, subject to adjustment by the SAFE in due time in line with the balance of payment.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL INSURANCE

Labor Regulations

According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5,1994, and came into effect on January 1, 1995 and last amended on December 29, 2018 and implemented since the same date, the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, and implemented since January 1, 2008, and last amended on December 28, 2012 and implemented since July 1, 2013, and the Implementation Regulations of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008 and implemented since the same date, labor contracts shall be entered into in writing if employment relationships are to be established between employers and employees. Employers shall truthfully inform the employees of the work duties, working conditions, occupational hazards, labor remuneration and any other information that employees request to know. Employers shall pay labor remuneration to the employees in full and in a timely manner in accordance with the provisions of the employment contracts and relevant laws and regulations, and the wages of the employees may not be lower than the local standards on minimum wages.

Social Insurance

According to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, and came into effect on July 1, 2011 and last amended on December 29, 2018, and implemented since same date, the Provision Regulations for The Collection And Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and implemented since the same date, and last amended on March 24, 2019 and implemented since the same date, Trial Measures on Maternity Insurance of employees (《企業職工生育保險試行辦法》) promulgated by the Ministry of Labor (now being the Ministry of Human Resources and Social Security) on December 14, 1994 and implemented since January 1, 1995, the Regulation on Work-related Injury Insurance (《工傷保險條例》) promulgated by the State Council on April 27, 2003 and implemented since January 1, 2004, last amended on December 20, 2010 and implemented since January 1, 2011, enterprises are required to register for social insurance at the local social insurance department and provide social insurance for their employees. Where an enterprise fails to pay social insurance premiums, the collection agency of the social insurance premiums has the power to order the breaching enterprise to pay or make up the amount within a prescribed time limit, and those that fail to pay within the time limit will be subject to administrative penalties such as fines.

Housing Provident Fund

According to the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and implemented since the same date, and last amended on March 24, 2019 and implemented since the same date, enterprises are required to complete the registration of contribution to the housing provident fund with the housing fund management center, and the procedures for opening or transfer of the housing provident fund accounts for their employees. Enterprises shall make contribution to the housing provident fund in a timely manner. Where an enterprise fails to pay or underpays the housing provident fund, the housing provident fund management center has the power to order the breaching enterprise to make the payment within a prescribed time limit. If the contribution to the housing provident fund has not been made after the expiration of the time limit, an application may be made to a people's court for mandatory enforcement.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the People's Republic of China (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and implemented since April 1, 1985, last amended on October 17, 2020 and implemented since June 1, 2021, and the Implementation Rules of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001 and implemented since July 1, 2001, last amended on December 11, 2023 and implemented since January 20, 2024, patents in the PRC are categorized into invention patents, utility model patents and design patents. Commencing from the date of application, the duration of patent rights for invention patents, utility model patents, and design patents are twenty years, ten years and fifteen years, respectively. The patent right enjoyed by the patentee are protected by law. No person may misappropriate the patent without permission or authorization of the patentee. Otherwise, the use of the patent in question constitutes an infringement of the patent right.

Trademark

According to the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 and implemented since March 1, 1983, last amended on April 23, 2019 and implemented since November 1, 2019, and the Implementation Rules of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and implemented since September 15, 2002, last amended on April 29, 2014 and implemented since May 1, 2014, trademarks approved by and registered with the Trademark Office are registered trademarks, including good marks, service marks, collective marks and certification marks. The valid period of a registered trademark is ten years, commencing from the date of the registration. For continuous use of the registered trademark, the trademark registrant is required to apply for renewal within twelve months before the expiry date. The valid period for each renewal of registration is ten years, commencing from the date immediately following the expiration of the previous validity period of the trademark.

Copyright

According to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and implemented since June 1, 1991, last amended on November 11, 2020 and implemented since June 1, 2021, works of PRC citizens, legal persons or unincorporated organization, which refer to intellectual achievements in the fields of literature, art, and science that are original and can be expressed in a certain form, whether published or not, enjoy copyrights. A copyright holder enjoys various rights, including the right of publication, the right of authorship and the right of reproduction.

According to the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and implemented since October 1, 1991, last amended on January 30, 2013 and implemented since March 1, 2013, and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by National Copyright Administration on February 20, 2002 and implemented since the same date, last amended on June 18, 2004 and implemented since July 1, 2004, the National Copyright Administration is in charge of the registration and administration of copyright for software nationwide and designates the China Copyright Protection Center as the software registration authority. The China Copyright Protection Center grants certificates of registration to computer software copyright applicants who are in compliance with the requirements under the Regulations for the Protection of Computer Software and the Measures for the Registration of Computer Software Copyright.

Domain name

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and implemented since November 1, 2017, domain name registration is handled through domain name service agencies established under relevant regulations, and applicants become domain name holders upon successful registration.

LAWS AND REGULATIONS RELATING TO NETWORK SECURITY AND DATA SECURITY

Pursuant to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) promulgated by SCNPC on November 7, 2016 and implemented since June 1, 2017, no individual or entity is allowed to engage in any activities endangering cyber security, including hacking into others' networks, interference with the normal functions of others' networks and theft of cyber data; or provide any programs or tools specifically used for activities endangering cyber security, including hacking, interference with the normal functions and protective measures of a network, and theft of cyber data; it is impermissible for any individual or entity to provide any assistance such as technical support, advertising and promotion, or payment and settlement to any person who, having been brought to such individual or entity's knowledge, engages in activities endangering cyber security. Network operators are required to take technical and any other necessary measures to ensure the security of personal data they collect, and prevent information leaks, damage or loss. In the event that leakage, damage or loss of personal data occurs or is likely to occur, such network operators are required to take remedial measures immediately, and inform users in a timely manner as required and report to relevant competent authorities.

Pursuant to the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) promulgated by SCNPC on June 10, 2021 and implemented since September 1, 2021, the State established a data classification and hierarchical protection system to conduct classified and hierarchical protection based on the importance of data in economic and social development, as well as the degree of harm to national security, public interest or the legitimate rights and interests of individuals and entities once such data is tampered with, destroyed, leaked or illegally obtained and used. Relevant authorities are coordinated under the national data security coordination mechanism (國家數據安全工作協調機制) to compile a catalog of key data to strengthen the protection of key data. The State established a data security review system to conduct national security reviews for data processing activities that affect or may affect national security.

Pursuant to Measures on Cybersecurity Review (《網絡安全審查辦法》) jointly announced by the Cyberspace Administration of China and several regulatory authorities in China on April 13, 2020 and implemented since June 1, 2020, last amended on December 28, 2021 and implemented since February 15, 2022, the Cybersecurity Review Office (網絡安全審查辦公室) is established under the Cyberspace Administration of China, and responsible for formulating cybersecurity review systems and standards and organizing cybersecurity reviews. Key information infrastructure operators who purchase network products and services and network platform operators who engage in data processing activities that affect or may affect national security are subject to cybersecurity review by the Cybersecurity Review Office. Network platform operators with personal data of more than one million users must file applications to the Cybersecurity Review Office for cybersecurity review before listing overseas. If the member units under the cybersecurity review working mechanism opine that any network products and services and data processing activities affect or potentially affect national security, the Cybersecurity Review Office has the duty to conduct a review in accordance with relevant requirements after reporting to the Central Cyberspace Affairs Commission for approval in compliance with the procedure.

LAWS AND REGULATIONS RELATING TO SECURITIES AND OVERSEAS LISTING

Securities Laws and Regulations

Pursuant to the Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "**Securities Law**") promulgated by SCNPC on December 29, 1998 and implemented since July 1, 1999, last amended on December 28, 2019 and implemented since March 1, 2020, trading activities in securities market in China are comprehensively regulated, including the issuance and trading of securities, takeovers by listed companies, the duties and responsibilities of stock exchanges, securities companies and securities regulatory authorities. The Securities Law further regulates that the issuance of securities overseas directly or indirectly by domestic companies or having their securities listed overseas are required to comply with relevant regulations of the State Council, with detailed implementation measures to be issued by the State Council separately. The China Securities Regulatory Commission (the "**CSRC**") is the securities regulatory body set up by the State Council to supervise and administer the securities market pursuant to the laws and regulations, to maintain market order, and to ensure lawful market operations. Currently, the issuance and trading of H shares are principally regulated by the laws and regulations promulgated by the State Council and the CSRC.

Overseas Listing

The CSRC issued several regulations regarding the requirements of the management of filings for overseas offering and listing by domestic companies, which promulgated on February 17, 2023 and implemented since March 31, 2023, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with several supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》), together with several supporting guidelines (collectively referred to as the "**Overseas Listing Measures**"). According to the Overseas Listing Measures, the PRC domestic companies that seek to offer and have their securities listed overseas, either directly or indirectly, are required to submit required documents to the CSRC within three working days after its application for overseas listing is submitted.

The Overseas Listing Measures provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such listing and fund-raising are explicitly prohibited by law, administrative regulations or relevant state stipulations; (ii) the oversea offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) either the domestic company or its controlling shareholder(s), or the de facto controller(s), has/have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company is suspected of committing a crime or severe violation of laws and regulations, and is under investigation in accordance with law and no clear conclusion has been made thereof yet; (v) there is/are material ownership dispute(s) over equity interests held by the domestic company's controlling shareholder(s) or the shareholder(s) that are controlled by the controlling shareholder(s) or the de facto actual controller(s). Additionally, the Overseas Listing Measures stipulates that if the following significant events take place after its oversea offering and listing, the issuer shall report the specific situation to the CSRC within three working days after the occurrence and make an announcement of the relevant event: (i) change of control; (ii) being subject to investigation, punishment or any other measures by overseas securities regulatory authorities or relevant competent authorities; (iii) change of listing status or listing board transfer; (iv) voluntary or compulsory termination of the listing. Meanwhile, domestic companies engaging in overseas offering and listing activities shall strictly comply with national security laws, administrative regulations and relevant rules on, among others, foreign investment, network security, and data security, and effectively fulfil their obligations to safeguard national security.

Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) jointly issued by the CSRC, MOF, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023 and implemented since March 31, 2023, a domestic company that provides or publicly discloses, either directly or through its overseas listed entities, any documents and materials involving state secrets or work secrets of government agencies to entities such as relevant securities companies, securities service providers or overseas regulators, and individuals shall obtain approval from competent authorities with approval authority in accordance with law, and file with the secrecy administrative department at the same level. The working papers prepared within China by the securities companies and securities service providers that provide corresponding services for overseas offering and listing of domestic companies are required to be kept within China. Cross border transfer shall go through the approval procedures in accordance with relevant regulations of China.

OVERVIEW

Our journey traces back to Xinchang Refrigeration Components Factory (新昌縣製冷配件廠) in 1984, which was incorporated as a legal entity under the system of the collective ownership-based economy of the PRC. It was later renamed Zhejiang Province Xinchang Refrigeration Components Headquarters Factory (浙江省新昌製冷配件總廠). On September 10, 1994, together with Fujikoki Manufacturing Co., Ltd. (株式会社不二工機製作所), Mitsubishi Corporation (三菱商事株式会社) and Orient Trading Co., Ltd. (東方貿易株式会社), it established Sanhua-Fujikoki Co., Ltd. (三花不二工機有限公司) as a Sino-Japanese joint venture, marking the establishment of our Company. On December 19, 2001, Sanhua-Fujikoki Co., Ltd. was converted to a joint stock company, which later changed its name to Zhejiang Sanhua Intelligent Controls Co., Ltd. See "— Major Shareholding Changes of Our Company" below for details.

With over 30 years of operations, we have amassed significant manufacturing expertise and continue to diligently track market trends to effectively reduce costs while enhancing product performance.

In 2005, the A shares of our Company were listed on the Shenzhen Stock Exchange (stock code: 002050) and were further included in the Shanghai-Shenzhen 300 Index, Shenzhen 100 Index, MSCI, FTSE Russell and other major indices.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following is a summary of our Group's key corporate and business development milestones:

Year	Event
1994	Sanhua-Fujikoki Co., Ltd. (三花不二工機有限公司) was incorporated as a Sino-Japanese joint venture and our Company has since then established.
2001	Sanhua-Fujikoki Co., Ltd. (三花不二工機有限公司) was converted to a joint stock company.
2005	Our Company was officially listed on the Shenzhen Stock Exchange (stock code: 002050).
2008	We acquired a variety of assets from our parent company, including Ranco's global four-way reversing valve business, after which we became the world's largest manufacturer of four-way reversing valves.
2012	We acquired Aweco's worldwide operations, strengthening our localization efforts and strategic presence in Europe.
2015	We acquired the entire equity of Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd. (杭州三花微通道換熱器有限公司), whose micro-channel heat exchanger business subsequently became one of our core businesses.

Year	Event
2017	We acquired the entire equity of Zhejiang Sanhua Automotive Components Co., Ltd. (浙江三花汽車零部件有限公司), thereby expanding our range of products to include automotive components, such as automotive electronic expansion valves, temperature control valves and automotive thermostatic expansion valves. Our automotive electronic expansion valves earned us the distinction of being the first Chinese company to win the PACE Award.
2018	Our Vietnam production base was completed and put into operation. We acquired the tubing component business in the United States and Mexico from ATI, broadening the layout of our refrigeration and air-conditioning product component business in North America.
2023	We were ranked among the top 100 global automotive component manufacturers by Automotive News.
2024	As of December 31, 2024, the R&D team for our bionic robot electromechanical actuator had grown to over 180 members, more than three times of that as of December 31, 2023. We have been proactively planning our overseas production layout and collaborating with our key customers to develop products, aiming to gain an early advantage in the industry.

MAJOR SUBSIDIARIES

The principal business activities and date of establishment of each of our Major Subsidiaries are shown below:

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
Zhejiang Sanhua Trading Co., Ltd. (浙江三花商貿有限公司) ("**Sanhua Trading**")	100%	Sales of refrigeration and air-conditioning product components	March 27, 2012, PRC
Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd. (浙江三花製冷集團有限公司) ("**Sanhua Climate & Appliance Controls**")	100%	R&D, manufacturing and sales of refrigeration and air-conditioning product components	December 17, 2004, PRC
Zhejiang Sanhua Automotive Components Co., Ltd. (浙江三花汽車零部件有限公司) ("**Sanhua Automotive Components**")	100%	R&D, manufacturing and sales of automotive components	October 12, 2004, PRC

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
Shaoxing Sanhua New Energy Automotive Components Co., Ltd. (紹興三花新能源汽車部件有限公司) ("**Shaoxing Sanhua New Energy Automotive Components**")	100%	R&D, manufacturing and sales of automotive components	February 10, 2017, PRC
Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (浙江三花商用製冷有限公司) ("**Sanhua Commercial Refrigeration**")	100%	R&D, manufacturing and sales of refrigeration and air-conditioning product components	October 9, 2020, PRC
Zhejiang Sanhua Automotive Components Trading Co., Ltd. (浙江三花汽零商貿有限公司) ("**Sanhua Automotive Components Trading**")	100%	Sales of automotive components	August 31, 2021, PRC
Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd. (杭州三花微通道換熱器有限公司) ("**Sanhua Micro Channel Heat Exchanger**")	100%	R&D, manufacturing and sales of refrigeration and air-conditioning product components	August 4, 2006, PRC
Shaoxing Sanhua Automotive Thermal Management Technology Co., Ltd. (紹興三花汽車熱管理科技有限公司) ("**Sanhua Automotive Thermal Management**")	100%	R&D, manufacturing and sales of automotive components	December 3, 2020, PRC
Wuhu Sanhua Auto-Control Components Co., Ltd. (蕪湖三花自控元器件有限公司) ("**Wuhu Sanhua Auto-Control**")	100%	R&D, manufacturing and sales of refrigeration and air-conditioning product components	October 14, 2011, PRC
Guangdong Sanhua Green Energy Auto Parts Co., Ltd. (廣東三花新能源汽車部件有限公司) ("**Guangdong Sanhua**")	100%	R&D, manufacturing and sales of automotive components	February 17, 2023, PRC
Sanhua International Singapore Pte. Ltd. (三花國際新加坡私人有限公司) ("**Sanhua International Singapore**")	100%	Sales of refrigeration and air-conditioning product components and automotive components	October 24, 2005, Singapore

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
Sanhua International, Inc. (三花國際有限公司) ("**Sanhua International**")	100%	Sales of refrigeration and air-conditioning product components and automotive components	May 10, 2002, United States
R-Squared Puckett, Inc. (R氏帕克特製造有限公司) ("**R-Squared Puckett**")	100%	R&D, manufacturing and sales of refrigeration and air-conditioning product components	May 7, 1997, United States
Sanhua Singapore Automotive Investment Pte. Ltd. (三花新加坡汽車投資有限公司) ("**Sanhua Automotive Investment**")	100%	Sales of automotive components	November 20, 2023, Singapore
Sanhua Automotive Poland Sp.z.o.o. (三花波蘭汽車零部件有限責任公司) ("**Sanhua Poland**")	100%	R&D, manufacturing and sales of automotive components	November 30, 2022, Poland
Sanhua Industry (Thailand) Co., Ltd. (三花泰國實業有限公司) ("**Sanhua Thailand**")	100%	R&D, manufacturing and sales of refrigeration and air-conditioning product components	January 31, 2023, Thailand
Sanhua Automotive Mexico S. de R.L. de C.V. (三花汽車零部件墨西哥有限公司) ("**Sanhua Mexico**")	100%	Manufacturing of automotive components	June 15, 2016, Mexico
Sanhua (Vietnam) Company Limited (三花(越南)有限公司) ("**Sanhua Vietnam**")	100%	R&D, manufacturing and sales of refrigeration and air-conditioning product components	September 4, 2018, Vietnam
AWECO Polska Appliance SP.z.o.o. (亞威科波蘭電器設備有限責任公司) ("**Aweco Poland**")	100%	R&D, manufacturing and sales of refrigeration and air-conditioning product components	May 18, 2006, Poland

The Company held majority equity interests in the above Major Subsidiaries throughout the Track Record Period.

See "Appendix IV — Statutory and General Information — C. Further Information about Our Major Subsidiaries" for more details on share capital changes of the Major Subsidiaries.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Our Founder and Early Development of Our Company

When Xinchang Refrigeration Components Factory was established in 1984, Mr. Zhang Daocai was appointed as the factory director, the person-in-charge of the factory. In February 1985, Xinchang Refrigeration Components Factory changed its name to Zhejiang Province Xinchang Refrigeration Components Headquarters Factory (浙江省新昌製冷配件總廠). On September 10, 1994, under the leadership of Mr. Zhang Daocai, Sanhua-Fujikoki Co., Ltd. (三花不二工機有限公司, "**Sanhua-Fujikoki**") was established as a Sino-Japanese joint venture by Zhejiang Province Xinchang Refrigeration Components Headquarters Factory together with Fujikoki Manufacturing Co., Ltd. (株式会社不二工機製作所), Mitsubishi Corporation (三菱商事株式会社) and Orient Trading Co., Ltd. (東方貿易株式会社). Fujikoki Manufacturing Co., Ltd. (株式会社不二工機製作所), Mitsubishi Corporation (三菱商事株式会社) and Orient Trading Co., Ltd. (東方貿易株式会社) are all Independent Third Parties, each held 37%, 39%, 15% and 9% of the share capital, respectively.

Conversion into Joint Stock Limited Company and Listing on the Shenzhen Stock Exchange

Following three capital transfers, the total investment from foreign investors decreased below 25%. On October 18, 2001, based on an agreement among all then shareholders, Sanhua-Fujikoki was converted from a limited liability company to a joint stock limited company with registered capital of RMB83 million. On December 19, 2001, we finished the registration procedures of the conversion and our then shareholders consists Sanhua Holding, Zhejiang Zhongda Group Co., Ltd. (浙江中大集團股份有限公司, "**Zhejiang Zhongda**"), Zhang Yabo, Oriental Trading Co., Ltd., Ren Jintu, and Wang Jianmin, each held 50%, 25%, 10%, 9%, 3%, 3% of the then share capital of our Company. Zhejiang Zhongda and Wang Jianmin are both Independent Third Parties. According to then applicable PRC regulations, since Oriental Trading Co., Ltd. held 9% of the total share capital of our Company, the Ministry of Commerce of the PRC approved the change of our Company to a foreign-invested joint-stock company with a foreign investment less than 25% on October 29, 2003. Subsequently, on March 1, 2004, with the approval of the Zhejiang Provincial Administration for Industry and Commerce, the company type of our Company was changed to a Sino-foreign joint-stock company (with a foreign investment ratio of less than 25%).

In 2005, we completed the listing of our A Shares on the Shenzhen Stock Exchange (stock code: 002050) (the "**A-Shares Listing**"). In the A-Shares Listing, we issued an aggregate of 30,000,000 A Shares, accounting for 26.55% of our Company's then issued shares of 113,000,000 immediately following the A-Shares Listing.

Upon completion of the A-Shares Listing, the shareholding structure of our Company was as follows:

Shareholder Name	Number of Shares	Shareholding Percentage (%)
Non-tradable Shares		
Sanhua Group	41,500,000	36.73
Zhejiang Zhongda	20,750,000	18.36
Zhang Yabo	8,300,000	7.35
Oriental Trading Co., Ltd.	7,470,000	6.61
Ren Jintu	2,490,000	2.20
Wang Jianmin	2,490,000	2.20
Tradable A Shares	**30,000,000**	**26.55**
Total	**113,000,000**	**100**

Other Major Shareholding Changes

On October 25, 2005, the non-tradable shareholders of our Company agreed to compensate the tradable shareholders by distributing Shares, thereby granting the non-tradable Shares the right to be listed and traded on the Shenzhen Stock Exchange. For every ten tradable Shares held, the tradable shareholders would receive three Shares from the non-tradable shareholders. Based on the 30 million tradable Shares as of November 17, 2005, holders of each ten tradable Shares received three Shares from the non-tradable shareholders. Specifically, Sanhua Holding transferred 4,660,714 shares (whose shareholding decreased from 36.73% to 32.60% accordingly), Zhejiang Zhongda transferred 2,330,357 shares (whose shareholding decreased from 18.36% to 16.30% accordingly), Oriental Trading Co., Ltd. transferred 838,929 shares (whose shareholding decreased from 6.61% to 5.87% accordingly), Zhang Yabo transferred 900,000 shares (whose shareholding decreased from 7.35% to 6.55% accordingly), and Ren Jintu transferred 270,000 shares (whose shareholding decreased from 2.20% to 1.96% accordingly) to the tradable shareholders.

In 2008, following the approval of our Shareholders and the relevant regulatory authority, we were approved to purchase assets through a combination of share issuance and cash payment. According to this approval, our Company issued 151,000,000 ordinary A Shares to Sanhua Holding to purchase 74% equity in Sanhua Climate & Appliance Controls, 100% equity in Xinchang Sitong Electromechanics Co., Ltd. (新昌縣四通機電有限公司), 100% equity in Xinchang Sanyuan Machinery Co., Ltd. (新昌縣三元機械有限公司), 100% equity in Sanhua International (USA) Co., Ltd., and 100% equity in Nihon Sanhana Trading Co., Ltd. (日本三花貿易株式会社), and to acquire 75% equity in Changzhou Ranco Reversing Valve Co., Ltd. (常州蘭柯四通閥有限公司) with cash. After completing this share issuance for asset purchase, our registered capital was changed to RMB264,000,000 consisting of 264,000,000 A Shares.

In 2010, following the approval of our Shareholders and the relevant regulatory authority, we were approved of a private issuance of no more than 50 million new Shares. In December 2010, we issued 33,368,666 shares to seven qualified subscribers including Sanhua Holding, Zhang Jianguo, Shanghai Jinlifang Equity Investment Management Partnership Co., Ltd. (上海金力方長匯股權投資合夥企業(有限合夥)), Zhejiang Aoxin Holding Group Co., Ltd. (浙江奧鑫控股集團有限公司), Zhejiang Industrial Investment Fund Partnership (LLP) (浙江浙商產業投資基金合夥企業(有限合夥)), Shenzhen Zhongxin Lianhe Venture Capital Co., Ltd. (深圳市中信聯合創業投資有限公司) and Meng Shengxi. Except Sanhua Holding, all of them are Independent Third parties and Shanghai Jinlifang Equity Investment Management Partnership Co., Ltd. (上海金力方長匯股權投資合夥企業(有限合夥)) and Shenzhen Zhongxin Lianhe Venture Capital Co., Ltd. (深圳市中信聯合創業投資有限公司) was deregistered. After the completion of this private placement, our registered capital was changed to RMB297,368,666 consisting of 297,368,666 A Shares.

In 2015, following the approval of our Shareholders and the relevant regulatory authority, we were approved to purchase assets through issuance of 208,809,136 A Shares to Zhejiang Sanhua Qianjiang Automotive Parts Group Co., Ltd. (浙江三花錢江汽車部件集團有限公司, now known as Sanhua Green Energy) to purchase 100% equity in Sanhua Micro Channel Heat Exchanger. Additionally, we were approved of a private issuance of no more than 61,349,694 A Shares to raise supporting funds for the asset purchase. After completing this share issuance for asset purchase and raising supporting funds, our registered capital was changed to RMB1,801,476,140 consisting of 1,801,476,140 A Shares.

In 2017, following the approval of our Shareholders and the relevant regulatory authority, we were approved to issue 230,686,695 A Shares to Sanhua Green Energy to purchase 100% equity in Sanhua Automotive Components. Additionally, we were approved of a private issuance of no more than RMB132,231,000 worth of A Shares to raise supporting funds. After completing this share issuance for asset purchase and raising supporting funds, our registered capital was changed to RMB2,120,316,835 consisting of 2,120,316,835 A Shares.

For details changes in share capital of our Company within the two years immediately preceding the date of this prospectus, see "Statutory and General Information — 1. Further Information about our Company — B. Changes in Share Capital of our Company" in Appendix IV to this prospectus.

EXCHANGEABLE BONDS ISSUED BY SANHUA GREEN ENERGY

On April 27, 2023, Sanhua Green Energy issued an exchangeable bonds ("**Exchangeable Bonds**") in an aggregate principal amount of RMB2.05 billion with maturity date on April 27, 2026 at a coupon rate of 1.00%, which are listed on the SZSE and are exchangeable for A Shares of the Company held by Sanhua Green Energy from February 19, 2024 to April 24, 2026 (the "**EB Exercise Period**").

Based on the terms and conditions of the Exchangeable Bonds, The initial exchange price of the Exchangeable Bonds should not be lower than the closing price of the A Shares before the disclosure date of the offering circular of the Exchangeable Bonds or the average closing price of the A Shares over the 20 prior trading days. When the A Shares undergoes changes such as share dividends, capital increase from reserves, rights issues, or cash dividends, the conversion price will be adjusted according to the following formulas:

- **Share Dividends or Capital Increase from Reserves**: $P1=P0\times N/(N+n)$
- **Rights Issues**: $P1=P0\times(N+k)/(N+n)$, $k=n\times A/M$
- **Cash Dividends**: $P1=P0-D$

Where, "P1" is the adjusted conversion price, "P0" is the conversion price before adjustment, "N" is the total number of ordinary shares before the share dividend, capital increase, or rights issue, "n" is the number of new shares issued in the share dividend, capital increase, or rights issue, "A" is the price of the rights issue, "M" is the closing price of the Shares on the trading day before the announcement date of the rights issue announcing the effective and irrevocable terms of the rights issue, and "D" is the amount of cash dividend per share.

In addition, within the first 24 months of the term of the Exchangeable Bonds, if the closing price of A Shares is below 90% of the current exchange price for at least ten out of any consecutive 20 trading days, the authorized person of the board of directors of Sanhua Green Energy has the right to decide whether to adjust the exchange price downward. After the first 24 months of the term of the exchangeable bonds, if the closing price of the A Shares is below 100% of the current exchange price for at least ten out of any consecutive 20 trading days, the authorized person of the board of directors of Sanhua Green Energy has the right to decide whether to adjust the exchange price downward. If there has been an adjustment to the exchange price during the aforementioned 20 trading days, the closing price and exchange price before the adjustment day will be calculated based on the pre-adjustment prices, and the closing price and exchange price on and after the adjustment day will be calculated based on the post-adjustment prices.

The initial exchange price of the Exchangeable Bonds was RMB26.80 per Share and was adjusted to RMB25.95 per Share due to distributions of dividends of the Company as of the Latest Practicable Date.

As security for the obligations of Sanhua Green Energy under the Exchangeable Bonds, Sanhua Green Energy pledged 220 million A Shares of the Company held by it to Zheshang Securities Co., Ltd., the pledge agent for the holders of the Exchangeable Bonds (the "**Pledge Agent**"). Under the terms and conditions of the Exchangeable Bonds, the initial pledged shares should be no less than the market value of the 160% of the Exchangeable Bonds (calculated based on the closing price of the A Shares on the preceding trading day for 20 consecutive trading days). In addition, Sanhua Green Energy is obliged to pledge additional A Shares and/or cash, which would be triggered when the market value of the pledged shares is less than 140% of the outstanding principal and interest of the Exchangeable Bonds, calculated based on the closing price of the A Shares on the preceding trading day for 10 consecutive trading days, Sanhua Green Energy must, within 20 trading days from the date of triggering this event, pledge additional A Shares or cash to bring the collateral ratio to 160% or above. If a holder of the Exchangeable Bonds makes exchanges for A Shares during the EB Exercise Period, Sanhua Green Energy will transfer beneficial interest in the pledged A Shares to the holder, and the pledge on these transferred A Shares will be released.

Due to the exercise of part of the Exchangeable Bonds, as of the Latest Practicable Date, the outstanding amount of the Exchangeable Bonds is RMB349.71 million and the maximum number of A Shares could be exchanged is 13,476,300 Shares. As of the Latest Practicable Date, Sanhua Green Energy held 677,851,480 of A Shares of the Company, representing 18.16% of the total issued share capital of the Company. Assuming all the remaining Exchangeable Bonds were exchanged into the A Shares of the Company at the conversion price of RMB25.95 per Share, the A Shares held by Sanhua Green Energy would decrease to 664,375,180 A Shares, representing (i) approximately 17.80% of the Company's issued share capital as of the Latest Practicable Date, (ii) approximately 16.23% of the Company's issued share capital upon the completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised and (iii) approximately 15.78% of the Company's issued share capital upon the completion of the Global Offering and the exercise of the Offer Size Adjustment Option and the Over-allotment Option in full. This may however be subject to adjustment as a result of the adjustment of exchange price of the Exchangeable Bonds. As of the Latest Practicable Date, a total of 155,103,526 A Shares held by Sanhua Green Energy, representing 4.16% of the total issued share capital of the Company, are under pledge for the Exchangeable Bonds.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We had not carried out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

OUR LISTING ON THE SHENZHEN STOCK EXCHANGE AND REASONS FOR THE LISTING ON THE STOCK EXCHANGE

Since 2005, our Company has been listed on the Shenzhen Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shenzhen Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects since our listing on the Shenzhen Stock Exchange, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors' attention in relation to our compliance record on the Shenzhen Stock Exchange. Based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation with regard to the compliance records of the Company on the Shenzhen Stock Exchange.

Our Company seeks to be listed on the Hong Kong Stock Exchange in order to provide further capital for the development and expansion of our business, provide an additional fundraising platform for our Company should the need arise, further strengthen our business profile and market position in the industry, and better attract overseas investors and talents. See "Business — Our Strategies" and "Future Plans and Use of Proceeds" for more details.

THE CONCERT PARTIES

Pursuant to an acting-in-concert agreement entered into among Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo (together, the "**Concert Parties**") dated March 14, 2017, all the Concert Parties agreed to act in concert by aligning their votes at the Board and/or the shareholders' meetings of our Company in accordance with the consensus achieved among them. The Concert Parties entered into the acting-in-concert agreement in accordance with regulations applicable to companies listed on Shenzhen Stock Exchange which deem them as joint controllers of the Company. If the Concert Parties are unable to reach consensus on any matter presented, the opinion represented by the majority of the voting rights held by the Concert Parties in the Company's Shares shall be adopted. The acting-in-concert agreement was executed to ensure the Company remains under long-term stable control, thereby to secure the Group's sustained development and establish a mechanism for addressing differing opinions among the Concert Parties. This agreement is intended to remain valid for long.

PROPOSED GLOBAL DEPOSITARY RECEIPT APPLICATION

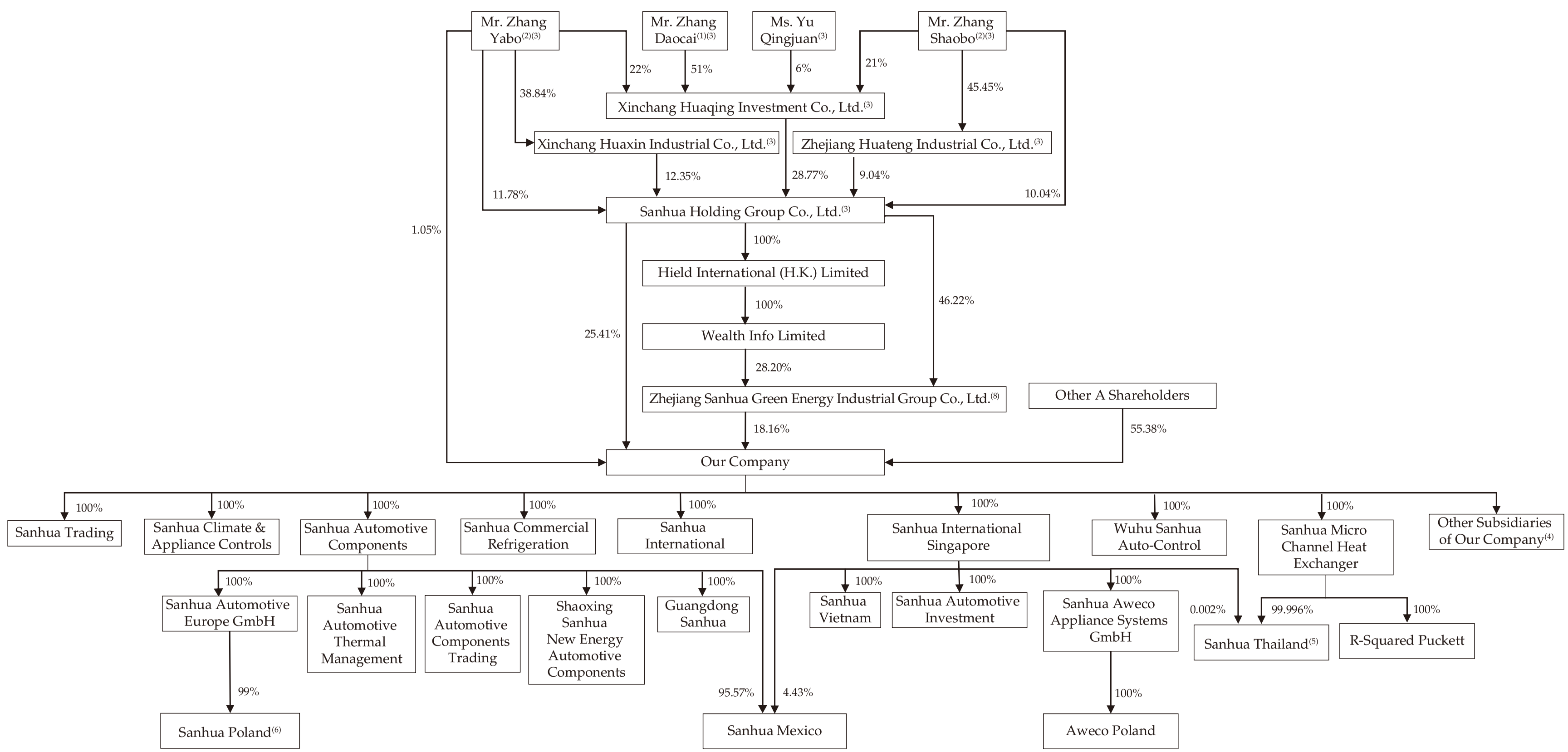
As approved by the Board on November 28, 2022 and by the shareholders of the Company on December 14, 2022, we proposed to offer Global Depositary Receipts ("**GDR**") of the Company globally and list the GDRs on the SIX Swiss Exchange (the "**Proposed GDR Application**"). The listing application was later submitted to the SIX Swiss Exchange on December 20, 2022 and a conditional approval was obtained from the SIX Swiss Exchange. The Proposed GDR Application plan was further approved and prolonged by the Board on June 3, 2024 and by the shareholders of the Company on June 20, 2024. However, based on the needs of the Company business operation in October 2024, we terminated the Proposed GDR Application and proceeded to seek a listing of our Shares on the Stock Exchange. During our preparation for the Proposed GDR Application, we did not encounter any material difficulties or legal impediments which led us to suspend the preparation for the Proposed GDR Application.

To the best of our Directors' knowledge, our Directors are not aware of (1) any other matters relating to the Proposed GDR Application that are relevant to the Listing and should be reasonably highlighted in this prospectus for investors to form an informed assessment of our Company; (2) any enquiries from CSRC, the Shenzhen Stock Exchange or the SIX Swiss Exchange relating to the Proposed GDR Application that would affect our Company's suitability for listing on the Stock Exchange; (3) any other matters relating to the Proposed GDR Application that may have implications on our Company's suitability for listing on the Stock Exchange or on the truthfulness, accuracy and completeness of information disclosed in this prospectus; (4) any disagreement or dispute between us and the professional parties involving in the Proposed GDR Application; or (5) any other matters that need to be brought to the attention of the Stock Exchange and investors in Hong Kong in relation to the Proposed GDR Application. Based on the independent due diligence conducted by the Joint Sponsors, nothing in relation to the Proposed GDR Application has come to their attention that should be brought to the investors' attention.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate Structure Immediately before the Global Offering

The following chart depicts a simplified shareholding and beneficial ownership structure of our Group immediately prior to the completion of the Global Offering (assuming that no changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing):



Notes:

(1) Mr. Zhang Daocai is the father of Mr. Zhang Yabo and Mr. Zhang Shaobo and they have entered into an acting in concert agreement. See "— The Concert Parties." Ms. Yu Qingjuan is the spouse of Mr. Zhang Daocai. Mr. Zhang Daocai is the founder of our Company.

(2) Mr. Zhang Yabo is an Executive Director, the Chairman of the Board and the Chief Executive Officer of our Company. See "Directors, Supervisors and Senior Management — Directors." Mr. Zhang Shaobo is a Non-executive Director our Company. See "Directors, Supervisors and Senior Management — Directors."

(3) Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo, by acting in concert and through their respectively controlled entities, Xinchang Huaqing Investment, Xinchang Huaxin Industrial, Zhejiang Huateng Industrial, as of the Latest Practicable Date, altogether controlled 71.98% of the voting rights in Sanhua Holding.

As of the Latest Practicable Date, (i) the remaining interests of Xinchang Huaxin Industrial were held as to 14.61% by Mo Yang, a Supervisor, 11.10% by Chen Jinyu, a director of Sanhua Automotive Components thus a connected person of the Company, 3.33% by Zhao Yajun, a Supervisor, and 32.12% by five Independent Third Parties, none of whom held 30% or more interest in Xinchang Huaxin Industrial. One of the five Independent Third Parties is Xinchang Huayi Investment Co., Ltd. (新昌縣華益投資有限公司, "**Xinchang Huayi**") which held 11.10% interest in Xinchang Huaxin Industrial, was wholly owned by Xinchang Daocai Charity Foundation (新昌縣道才公益基金會, "**Daocai Charity**") as of the Latest Practicable Date. Daocai Charity was established in January 2013 with donations from Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo (the "**Donators**") as a charity organization focusing on aiding the needy, supporting education, and promoting public welfare in rural areas and has no shareholders. Daocai Charity, which is not controlled by the Donators, should not be seen as an associate of the Donators and thus is not a connected person but an Independent Third Party; (ii) the remaining interests in Zhejiang Huateng Industrial were held as to 20.44% by Yuan Ze, 15.29% by Pan Yong, 12.11% by Yu Yingkui, each a connected person at subsidiary level of our Company, and 6.71% by two Independent Third Parties; (iii) the remaining interests in Sanhua Holding were held as to 2.60% by Wang Dayong, an Executive Director, 2.19% by Ren Jintu, a Non-executive Director, 2.05% by Ni Xiaoming, an Executive Director, 1.92% by Chen Yuzhong, an Executive Director, 2.47%, 0.96%, 0.90%, 0.89%, and 0.63% by Shi Chuliang, Huang Xuedong, Cai Rongsheng, Yin Bin and Dong Shifu, each a connected person at subsidiary level of our Company, respectively, 0.26% by Yu Jiandian, a deemed connected person at subsidiary level of our Company, and 13.15% by 27 Independent Third Parties; (iv) the remaining interests in Sanhua Green Energy were held as to 13.10% by Xinchang Huazhuo Enterprise Management Co., Ltd. (新昌華卓企業管理有限公司), which was held as to 49% by Zhou Sipeng (who is a supervisor of Major Subsidiary) and therefore a connected person at subsidiary level of our Company, and 12.48% by an Independent Third Party Xinchang Huayong Enterprise Management Co., Ltd. (新昌華甬企業管理有限公司).

(4) Other subsidiaries include, in aggregate, 53 subsidiaries established in various jurisdictions.

(5) As of the Latest Practicable Date, the remaining 0.002% interest in Sanhua Thailand was held by Zhejiang Sanhua Heat Exchanger Co., Ltd. (浙江三花換熱器有限公司), one of our wholly-owned subsidiaries.

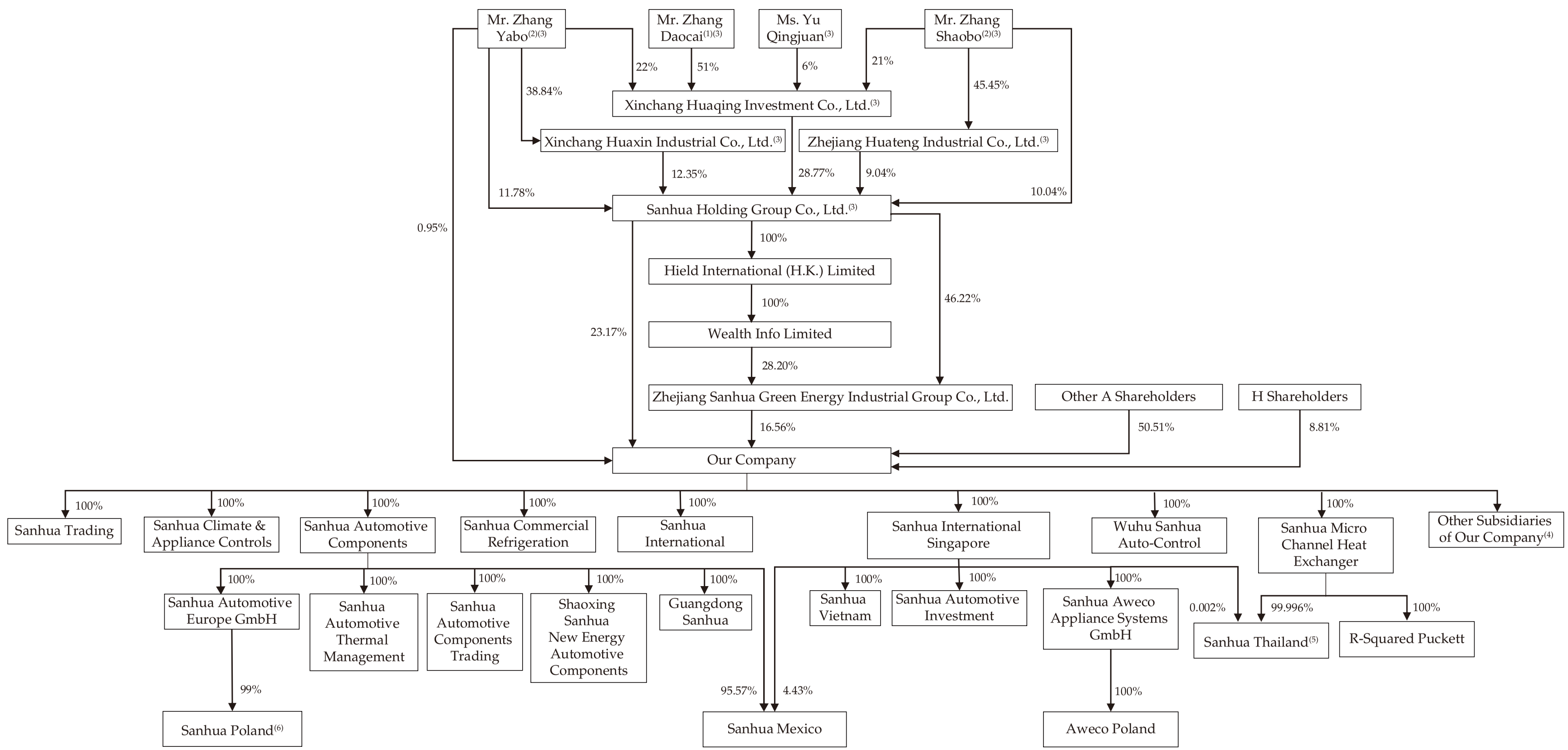
(6) As of the Latest Practicable Date, the remaining 1% interest in Sanhua Poland was held by Sanhua Aweco Appliance Systems GmbH, wholly owned by Sanhua International Singapore, one of our wholly-owned subsidiaries.

(7) As of the Latest Practicable Date, the Board has approved a repurchase mandate to repurchase A Shares of the Company. See "Appendix IV — Statutory and General Information — 1. Further Information about Our Group — B. Changes in Share Capital of our Company" for more details.

(8) See "— Exchangeable Bonds Issued by Sanhua Green Energy."

Shareholding and Corporate Structure Immediately following the Global Offering

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment and the Over-allotment Option are not exercised and that no changes are made to the issued share capital of the Company between the Latest Practicable Date and Listing:



Notes (1) to (6): Please refer to the details contained in the preceding page.

OVERVIEW

We are the world's largest manufacturer of refrigeration and air-conditioning control components and a global leader in automotive thermal management system components in terms of revenue in 2024, according to Frost & Sullivan. Our market share in the global refrigeration and air-conditioning control component market was approximately 45.5% in terms of revenue in 2024, according to Frost & Sullivan. In the global automotive thermal management system component market, we held a market share of approximately 4.1% in terms of revenue in 2024, ranking fifth globally, according to Frost & Sullivan. In line with our mission to develop an intelligent, low-carbon economy and create a sustainable, quality living environment, we have been dedicated to the R&D, promotion and adoption of thermal management technology, providing customers across the globe with energy-efficient solutions through our industry-leading products of high quality. With a global perspective, we have established a business that spans two major sectors: refrigeration and air-conditioning product components and automotive components. Leveraging our extensive technological expertise and innovation in R&D, we are actively broadening our business boundaries into emerging fields, such as bionic robot electromechanical actuators.

Following our development strategy of "focusing on excellence and innovating for success," we are committed to refining our existing product offerings while actively cultivating new drivers for sustained growth. From the early days, we placed great importance on establishing a global network. Our extensive global R&D layout, combined with our localized production and sales network, allows us to respond swiftly to customer needs while gaining stronger insights into diverse markets. This facilitates our development of tailored products and delivery high-quality services. Our emphasis on advanced management techniques, technology and talent is evident in our daily operations and strategic planning. These principles have become integral to our corporate management philosophy and encapsulated in our "SANHUA" brand, symbolizing the blossoming of management, technology and talent.

We have made a number of significant achievements in various areas:

World's Largest refrigeration and air-conditioning control component manufacturer(1) **Global Leading** automotive thermal management system component manufacturer(1)	**RMB27.9 bn** 2024 Revenue	2005-2024 Revenue CAGR **23.3%**(2) Net Profit CAGR **25.0%**(2)
World's Largest market share for **9** major products categories(3)	**100%** coverage of the **world's top 10** refrigeration and air-conditioning manufacturers & automobile manufacturers(4)	Over **4,000** Patents(5) Around **8,000** Patent Applications(6)
2024 Overseas Revenue **44.7%** Global Presence **5 Continents**(7)	**48** Factories Worldwide(8)	**6** R&D Bases Worldwide(9)

Notes:

(1) In terms of revenue in 2024, according to Frost & Sullivan. According to Frost & Sullivan, in terms of revenue in 2024, we are the world's largest manufacturer of refrigeration and air-conditioning control components and the world's fifth largest automotive thermal management system component manufacturer. Our market share in the global refrigeration and air-conditioning control component market was approximately 45.5% in terms of revenue in 2024, according to Frost & Sullivan. In the global automotive thermal management system component market, we held a market share of approximately 4.1% in terms of revenue in 2024, ranking fifth globally, according to Frost & Sullivan.

(2) Based on data from the annual reports published by the Company on the Shenzhen Stock Exchange, our revenue increased from 2005 to 2024 at a CAGR of 23.3%, and our net profit increased from 2005 to 2024 at a CAGR of 25.0%. Such figures have not been audited or reviewed by the Reporting Accountant.

(3) According to Frost & Sullivan, in 2024, under our refrigeration and air-conditioning product component business, our four-way reversing valves, electronic expansion valves, micro-channel heat exchangers, service valves, solenoid valves, Omega pumps and ball valves ranked first in their respective global markets in terms of revenue, with market shares of 55.4%, 51.4%, 43.4%, 39.1%, 47.7%, 53.6% and 32.8%, respectively. In the same year, under our automotive component business, our automotive electronic expansion valves and integrated modules ranked first in their respective global markets by revenue in terms of revenue, with market shares of 48.3% and 65.6%, respectively.

(4) As of December 31, 2024, we established business relationships with all the world's top ten largest refrigeration and air-conditioning manufacturers and automotive manufacturers in terms of revenue in 2023, according to Frost & Sullivan.

(5) As of December 31, 2024, we had over 3,300 patents in China and over 800 patents in overseas jurisdictions.

(6) As of December 31, 2024, we had filed over 6,600 patent applications in China and over 1,300 patent applications in overseas jurisdictions. In addition, we had over 100 valid applications under the PCT.

(7) As of December 31, 2024, our products had reached America, Europe, Asia, Oceania and Africa, spanning over 80 countries and regions.

(8) As of December 31, 2024, we had a total of 48 factories worldwide, including 13 overseas factories in the United States, Poland, Mexico, Turkey, Austria, Vietnam, Thailand and India.

(9) As of December 31, 2024, we had six R&D bases, including three in China, two in the United States and one in Germany, that lead the innovation of applied R&D.

Our Journey

Our journey traces back to Xinchang Refrigeration Components Factory established in 1984. In 1994, our predecessor, Sanhua-Fujikoki Co., Ltd., a Sino-Japanese joint venture, was established. Following the conversion of Sanhua-Fujikoki Co., Ltd. into a joint stock company in 2001, we became a public company listed on the Shenzhen Stock Exchange in 2005 (stock code: 002050.SZ).

Insisting on the idea of "small products, vast market, advanced technology and specialized expertise" at the beginning stage of our business, we established our market presence through production of valves used in refrigeration and air-conditioning systems. Over the years, we have expanded our product offerings from singular valve products to a broader array of refrigeration and air-conditioning product components and automotive components. We recognize the importance of environmental sustainability, and are committed to providing solutions that help our customers create environmentally-friendly products. Such awareness has led us to recognize the transformative impact and substantial market potential of New Energy Vehicles ("**NEVs**") for a sustainable future from the early stages of the NEV development. Our in-depth understanding of air-conditioning thermal management and heat pump technologies promoted our decisive move in pursuing strategic opportunities arising from the increasing demands for NEV thermal management systems, allowing us to replicate the profound expertise and technology advantages in this fast-growing sector. Capitalizing on the market insight and industry resources accumulated from the mass production of a variety of parts and components, we have recently entered into the bionic robot sector with a focus on electromechanical actuator, paving our route to become a global industrial group encompassing multiple industries and product categories.

Our journey since our establishment can be divided into three main phases:

Phase I **From being a leader in service valves to becoming a leader across multiple product categories within the refrigeration and air-conditioning control component industry** (1994-2004)	At the beginning of our establishment, we focused on service valves as the main product to expand market presence. While expanding our product portfolio under our refrigeration and air-conditioning product components business, we dedicated efforts to enhancing our reputation and elevating the technical sophistication and quality of our offerings. • We remain committed to promoting the development of electronic expansion valves, solenoid valves and other refrigeration and air-conditioning control components within our refrigeration and air-conditioning product lines, while deepening our involvement in the refrigeration and air-conditioning industry • In 2002, we emerged as a leading PRC company in terms of global market share of service valves in terms of sale volume • In 2004, our annual revenue exceeded RMB300 million for the first time

Phase II

Driving strategic global expansion and accelerating the growth of our automotive component business by leveraging opportunities in the capital markets

(2005-2017)

During this period of rapid growth, we emerged as the global leader in refrigeration and air-conditioning control components. We also expanded our business portfolio to incorporate the automotive components. Capitalizing on the rapid growth of China's capital market by seeking listing on the Shenzhen Stock Exchange, engaging in mergers and acquisitions, and pursuing organic growth, we were able to expand our automotive component business and secure a leading market position in refrigeration and air-conditioning control components and automotive thermal management system components.

- In 2005, we completed the listing on the Shenzhen Stock Exchange. With funds raised through such IPO, we initiated technical renovation projects for 2 million air-conditioning solenoid valves and 1.5 million air-conditioning ball valves. Additionally, we invested in a project for the expansion of production capacity to achieve annual production capacity of five million sets of air-conditioning electronic expansion valves

- In 2008, we acquired a variety of assets from our parent company, thereby achieving comprehensive coverage in the refrigeration and air-conditioning product components sector. Among these assets acquired was Ranco's global four-way reversing valve business. After the acquisition, we became the world's largest manufacturer of four-way reversing valves

- In 2012, we acquired Aweco's worldwide operations, strengthening our localization efforts and strategic presence in Europe

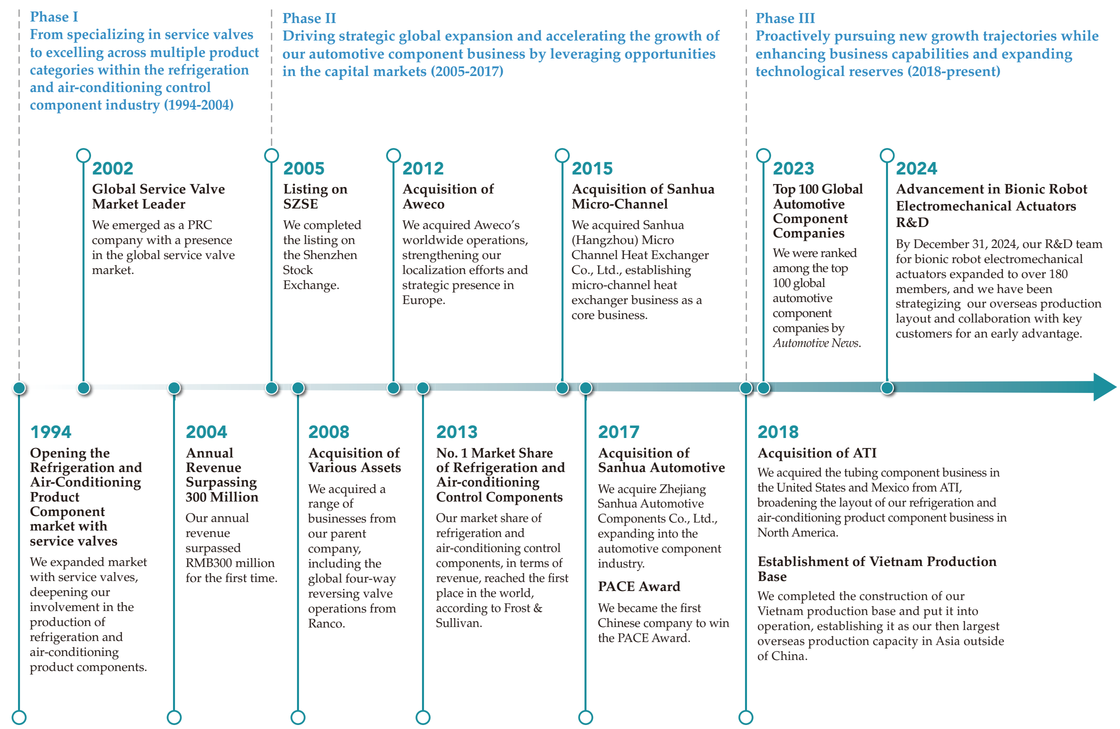
- In 2013, our market share of refrigeration and air-conditioning control components, in terms of revenue, reached the first in the world

- In 2015, we acquired the entire equity of Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd. (the "**Sanhua Micro Channel Heat Exchanger**"), whose micro-channel heat exchanger business subsequently became one of our core businesses. The acquisition aimed to enhance our core competitiveness in the refrigeration and air-conditioning product component sector, expand our product portfolio, achieve synergies within the supply chain and expedite our entry into global markets by leveraging the international production capabilities of Sanhua Micro Channel Heat Exchanger. Micro-channel heat exchangers were alternatives to the traditional copper tube & fin heat exchangers and had already shown substantial market growth potential. At the time of the acquisition, Sanhua Micro Channel Heat Exchanger was already a leading market player, distinguished by its research and development capabilities, customer base and overseas presence. We acquired Sanhua Micro Channel Heat Exchanger from a related party, a wholly-owned subsidiary of Sanhua Holding. This transaction was conducted in strict adherence to affiliated transaction review procedures and relevant information disclosure obligations, and we employed independent valuation to ensure fair transaction pricing

- In 2017, we acquired the entire equity of Zhejiang Sanhua Automotive Components Co., Ltd., thereby expanding our range of products to include automotive components, such as automotive electronic expansion valves, temperature control valves and automotive thermostatic expansion valves. Our automotive electronic expansion valves earned us the distinction of being the first Chinese company to win the PACE Award

Phase III **Proactively pursuing new growth trajectories while enhancing business capabilities and expanding technological reserves** (2018-present)	In the third stage, while continuing to expand our presence in the refrigeration and air-conditioning product component and automotive component sectors, we ventured into the R&D and production of bionic robot electromechanical actuators. Building on our established expertise and technological capabilities, and leveraging our technological innovation and capabilities large-scale manufacturing strengths, we are charting a new path for growth. • Our revenue from refrigeration and air-conditioning product component business continued to grow steadily, and our market share in the global refrigeration and air-conditioning control component market reached 45.5% in 2024. As of December 31, 2024, we had been the world's largest manufacturer of refrigeration and air-conditioning control components for twelve consecutive years. In 2024, we have achieved comprehensive coverage of automotive valves, automotive pumps, automotive heat exchangers and integrated modules under our automotive thermal management system component business, and our global market share of automotive electronic expansion valves and integrated modules ranked first in terms of global revenue, sales volume and production volume. Such achievements further reinforced our standing as a significant player in the global component market • In 2018, we completed the construction of our Vietnam production base and put it into operation, establishing it as our then largest overseas production capacity in Asia outside of China • In 2018, we acquired the tubing component business in the United States and Mexico from ATI, broadening the layout of our refrigeration and air-conditioning product component business in North America • In 2023, we were ranked among the top 100 global automotive component manufacturers by *Automotive News* • As of December 31, 2024, the R&D team for our bionic robot electromechanical actuator had grown to over 180 members. We have been proactively planning our overseas production layout and collaborating with our key customers to develop products, aiming to gain an early advantage in the industry

The following diagram illustrates our key milestones since the establishment:



Our Business and Products

We primarily engage in the R&D, manufacturing and sales of refrigeration and air-conditioning product components and automotive components. Focusing on the R&D and application of heat pump technology and thermal management systems, we prioritize creating environmental thermal management solutions that enable efficient heat exchange and intelligent temperature control. In addition, we have devoted ourselves to the R&D of bionic robot electromechanical actuator products to pursue growth potential in this promising area.

Refrigeration and Air-conditioning Product Components

The following chart illustrates our representative products under the refrigeration and air-conditioning product component business along with their various application scenarios:

Air-conditioning and Refrigeration

Four-way Reversing Valve | Electronic Expansion Valve | Solenoid Valve | Service Valve | Micro-channel Heat Exchanger

Refrigerator/Freezer

Motorized Damper | Superconductive Plate | Micro-channel Condenser | Electric Valve | Bistable Solenoid Valve

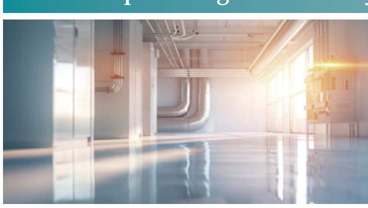
Industrial Refrigeration/Data Center Cooling

Electronic Expansion Valve | Controller | Service Valve | Gigaforce Four-way Reversing Valve | Pressure Sensor

Cold-chain Transport

Electronic Expansion Valve | Thermostatic Expansion Valve | Solenoid Valve | Brazed Plate Heat Exchanger | Filter Drier

Heat Pump Heating/Hot Water System



Shielded Pump for Water | Electric Switching Water Valve | Water Ball Valve | Inverter Controller | Brazed Plate Heat Exchanger

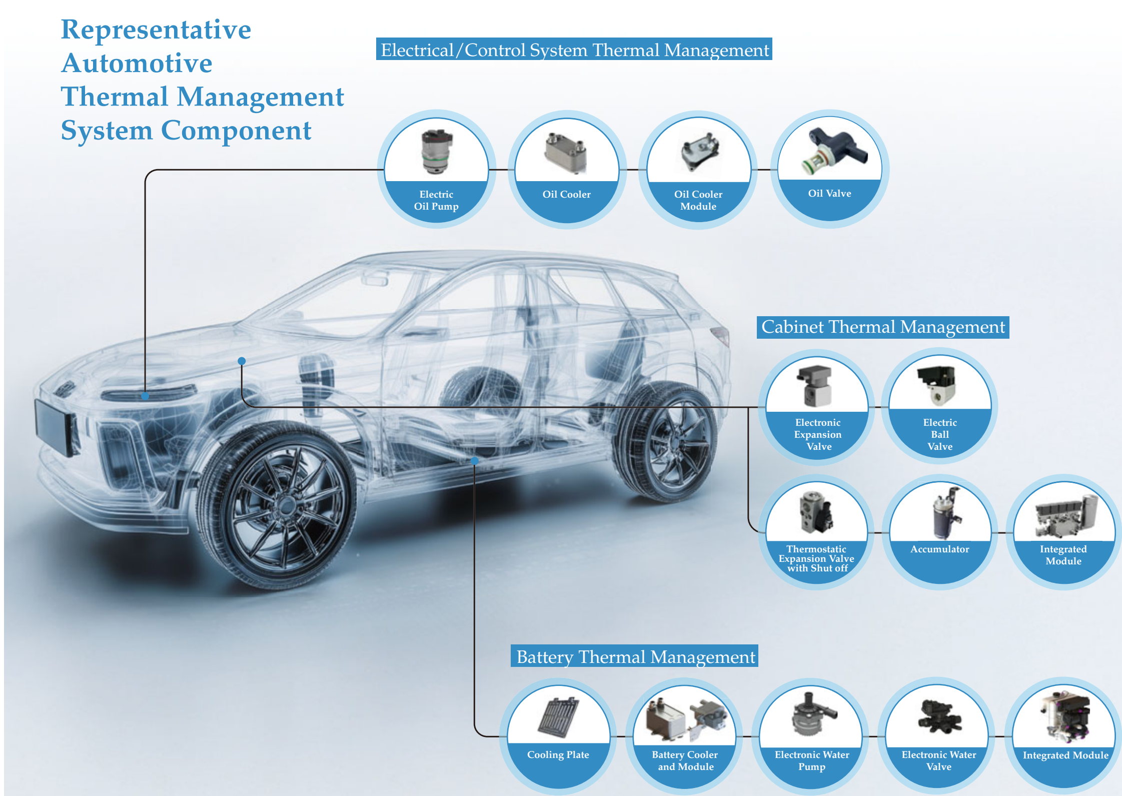
Washing Machine/Dishwasher/Coffee Maker/Wall-Hung Stove

Omega BLDC Pump | Water Inlet Valve for Washing Machines | Gas Valve | Coffee Machine Solenoid Valve | Micro-channel Condenser

Under the refrigeration and air-conditioning product component business, we mainly engage in the development and application of control components, subsystems and technology solutions which empower energy-efficient buildings, heating, ventilation and air-conditioning ("**HVAC**") systems and household appliances thermal management systems. We are a key supplier of refrigeration and air-conditioning control components, which span valves, heat exchangers, pumps and controllers, among others, serving the global market for residential and commercial air-conditioning, commercial and industrial refrigeration and small household appliances, among others. Our 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. We also offer heat exchanger products, specifically micro-channel heat exchangers, pump products such as Omega pumps, and controller products, including inverter controllers and pressure sensors. Such products are widely utilized in fields including air conditioners, refrigerators, industrial refrigeration, cold-chain transport, heat pump heating and washing machines. With strong product integration capabilities and a commitment to long-term R&D investment, we harness economies of scale and lean management to enhance product performance and reduce costs, thereby delivering added value to our customers.

Automotive Components

The following diagram illustrates the application of our automotive components:



As an early entrant with strategic deployment in the NEV thermal management market, we were among the first to set the stage for the creation of novel application scenarios and industry development trends, which establishes us as a key supplier of automotive thermal management system components in the global market. We are committed to offering essential and comprehensive thermal management and control solutions for NEVs and providing high-performance products that enhance energy efficiency and reduce emissions for ICEVs. We are actively involved in the R&D of automotive valves, automotive pumps, automotive heat exchangers and integrated modules, especially under cabinet thermal management, battery thermal management and electrical/control system thermal management, designed to achieve effective thermal management in automotive operations. Our efforts have successfully integrated a substantial range of critical products into the supply chains of leading NEV manufacturers, including automotive valve products, such as automotive electronic expansion valves, automotive pump products, such as automotive electronic water pumps, automotive heat exchanger products, such as battery coolers, and various types of integrated modules, among others. Our manufacturing and innovation technology stand at a leading place of the industry. In recent years, we have been dedicating more resources to iterating our refrigeration and air-conditioning product components and automotive components.

Strategic Emerging Business

As an early entrant that leads the development of thermal management technologies, we have accumulated abundant experiences and expertise in developing and manufacturing a considerable number of electric motors. By leveraging our motor manufacturing expertise, scalability and cost-control capabilities, we have successfully ventured into the production of bionic robot electromechanical actuators. We strive to provide lighter, smaller and more precise electromechanical actuators through independent R&D. As of the Latest Practicable Date, we were in the R&D phase, refining prototypes before scalable commercialization, and we are actively deploying overseas factories for their production, aiming to gain an early advantage in the emerging bionic robot electromechanical actuators market.

Our Management and Corporate Culture

Guided by the business philosophy of “focusing on excellence and innovating for success,” we place customer needs at a leading place of our operations, ensuring swift and efficient market responsiveness, outstanding customer service and continuous technological innovation. We have established a standardized management system with an emphasis on talent development and team engagement. We are dedicated to sharing our growth and achievements with our employees. We encourage employees’ initiative and creativity through regular incentive programs. Our incentive mechanism is closely linked to employees performance appraisal, taking into account both the long-term and short-term interests of our employees. In 2015, we launched our first employee stock ownership plan, followed by equity incentive plans in 2018, 2020, 2022 and 2024, respectively, aiming to motivate and retain key talents. We continually enhance our long-term employee incentive mechanisms to benefit a broader range of individuals, from senior management to key talents, both domestically and internationally. As of December 31, 2024, we had nearly 2,000 employees who had worked with us for over twenty years.

We also attach great importance to rewarding our Shareholders and investors for their ongoing support. Since our listing on the Shenzhen Stock Exchange, we have maintained a generous dividend payout, totaling RMB7.3 billion. Our dividend payout ratios for 2022, 2023 and 2024, calculated by dividing the declared cash dividends by the net profit during the respective periods were 34.3%, 30.8% and 41.8%. Meanwhile, we introduce share repurchase programs based on market conditions to maximize our Shareholders' benefits. For 2022, 2023 and 2024, we repurchased treasury shares amounting RMB104.6 million, RMB190.1 million and RMB300.0 million, respectively.

Our Performance

During the Track Record Period, we achieved a solid revenue growth with stable and industry-leading margins, according to Frost & Sullivan. Our revenue increased by 15.0% from RMB21,347.6 million in 2022 to RMB24,557.8 million in 2023, and further increased by 13.8% from RMB24,557.8 million in 2023 to RMB27,947.2 million in 2024. Our gross profit margin increased from 25.6% in 2022 to 27.4% in 2023, and further decreased from 27.4% in 2023 to 27.3% in 2024. In 2022, 2023 and 2024, our net profit amounted to RMB2,608.1 million, RMB2,933.7 million and RMB3,111.7 million, respectively, and during the same period, our net profit margin remained at a level of above 11.0%. During the same periods, our net cash generated from operating activities amounted to RMB2,366.1 million, RMB3,560.4 million and RMB4,026.2 million, respectively.

OUR STRENGTHS

The World's Largest Manufacturer of Refrigeration and Air-conditioning Control Components and a Global Leader in Automotive Thermal Management System Components

We are the world's largest manufacturer of refrigeration and air-conditioning control components and a global leader in automotive thermal management system components in terms of revenue in 2024, according to Frost & Sullivan. Our market share in the global refrigeration and air-conditioning control component market was approximately 45.5% in terms of revenue in 2024, according to Frost & Sullivan. In the global automotive thermal management system component market, we held a market share of approximately 4.1% in terms of revenue in 2024, ranking fifth globally, according to Frost & Sullivan. Since our listing on the Shenzhen Stock Exchange, we have achieved sustained and steady growth. According to the annual reports disclosed by the Company on the Shenzhen Stock Exchange, our revenue increased from 2005 to 2024 at a CAGR of 23.3% and our net profit increased from 2005 to 2024 at a CAGR of 25.0%. Such figure has not been audited or reviewed by the Reporting Accountant.

According to Frost & Sullivan, we are the world's largest manufacturer of refrigeration and air-conditioning control components in terms of revenue in 2024. In 2024, our global market share of refrigeration and air-conditioning control components, measured by revenue, reached approximately 45.5%, surpassing the combined market share of the second and third largest manufacturers. In the same year, our four-way reversing valves, electronic expansion valves, micro-channel heat exchangers, service valves, solenoid valves, Omega pumps and ball valves ranked first in their respective global markets in terms of revenue, with market shares of 55.4%, 51.4%, 43.4%, 39.1%, 47.7%, 53.6% and 32.8%, respectively. In the same year, our pressure sensors ranked second in the global sensors market in terms of revenue, with a market share of 15.9%. We are also a leader in the global automotive thermal management system component market. According to Frost & Sullivan, in 2024, in terms of revenue, we ranked first in the global markets of automotive valves and integrated modules. In the same year, our battery coolers and automotive electronic water pumps ranked third and fourth in their respective global markets in terms of revenue, with market shares of 5.9% and 5.5% respectively.

According to Frost & Sullivan, the global market size of refrigeration and air-conditioning control components in terms of total revenue is expected to increase from RMB36.4 billion in 2024 to RMB51.6 billion in 2029, at a CAGR of 7.2%. Meanwhile, the total revenue generated by thermal management system components for NEVs is expected to increase from RMB116.2 billion in 2024 to RMB377.1 billion in 2029, at a CAGR of 26.6%.

As of December 31, 2024, in terms of revenue, we had maintained our position as the world's largest manufacturer of refrigeration and air-conditioning control components for twelve consecutive years and had been the manufacturer with the largest revenue from automotive electronic expansion valves and integrated modules for four consecutive years. We believe that our leading position and early entrant in the refrigeration and air-conditioning control component and the NEV thermal management system component industries, combined with our close partnerships with world-renowned customers, will enable us to seize the market opportunities in the rapidly developing market and sustain our rapid growth.

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

We focus on investing in technologies that enable us to stay ahead of industry trends and establish a foundation for long-term growth. We develop forward-looking technologies through significant investment in the Technology Development Process ("**TDP**"), which is a structured approach to creating and refining new technologies, covering R&D stages from the initial concept to research, development and commercialization. While these investments may not necessarily yield immediate returns, they are beneficial to our future growth and enhances our responsiveness to potential new customer requests that involve novel technological demands. To support these efforts, we have established a professional product performance laboratory and a reliability laboratory, both certified by CNAS and equipped with numerous sets of specialized testing equipment. In 2022, 2023 and 2024, our investments in R&D amounted to RMB989.0 million, RMB1,096.8 million and RMB1,351.8 million, accounting for 4.6%, 4.5% and 4.8% of our total revenue for the same periods, respectively. As of December 31, 2024, we had over 3,500 R&D personnels around the world, representing over 18% of our total number of employees. There were over 700 with master's degree or above, accounting for approximately 20% of our total R&D personnels.

We have accumulated strong R&D capabilities and the ability for rapid product iteration and advancement. While consolidating our existing product advantages, we are also swiftly expanding into new industries, leveraging the synergies among various business segments. We are dedicated to establishing a globally competitive R&D system that encompasses all stages from initial concept to production. See "— Research and

Development — Our R&D System." This comprehensive R&D framework allows us to identify emerging industry needs and proactively engage in product R&D, thereby positioning us at a leading place of breakthrough innovations. For instance, we recognized the potential in the thermal management of NEVs and adapted electronic expansion valves, originally used in the air-conditioning sector, for automotive applications, to enable precise control of the refrigerant flow and optimize the cooling and heating functions within the thermal management systems of NEVs. This innovation was recognized with the 2017 PACE Award, making us the first Chinese enterprise to receive this award since its establishment in 1995. Today, our automotive electronic expansion valves are widely utilized in mainstream NEVs. We also value ongoing fundamental research, especially in material development, to discover alternative materials that are more eco-friendly, cost-effective, or simplify processing. Such efforts reinforce our dedication to sustainability, reduce operational costs, and enhance overall efficiency.

We possess a robust technological foundation in valve and pump components related to thermal management, enabling us to swiftly adapt and apply technologies across various applications. We have rapidly entered the electronic expansion valve and inverter controller markets by leveraging our expertise in refrigeration and air-conditioning control components. Through ongoing technological innovation, we are actively involved in heat pump upgrades and thermal management integration. We consistently invest in developing foundational components to create products that offer increased energy efficiency, reduced pipeline complexity and enhanced mileage for NEV models. Since 2009, we have independently developed automotive electronic expansion valve products with Local Interconnect Network communication mode, making us the first company globally to apply electronic expansion valves to the thermal management of electric vehicles.

Furthermore, we have ventured into the bionic robot electromechanical actuator market by capitalizing on our research and development and large-scale production capabilities. This allows us to offer competitive R&D solutions to our long-term strategic partners and core customers in emerging industries, thereby establishing a new growth trajectory. We believe that this R&D strategy not only enhances the attractiveness of our products but also bolsters customer loyalty by fostering a deeper understanding of our customers and their future strategic directions.

Our product development is centered on delivering exceptional services to our customers. To address the safety risks associated with refrigerant leakage in air-conditioning systems and to comply with international safety regulations, we have strategically collaborated with our customers to introduce the electric ball valve. This product swiftly and effectively shuts off the refrigerant circuit within the system, preventing safety hazards caused by significant leaks in enclosed spaces. Furthermore, it features adjustable refrigerant flow, ensuring compliance with safety standards across various countries while accommodating diverse customer usage scenarios, thereby providing added value to customers. In the evolution of our electronic expansion valve, we have incorporated features such as two-stage flow regulation, low-noise operation and high-capacity full-open flow to enhance the comfort of household indoor air-conditioning units. These advancements facilitate dehumidification, quiet operation and energy savings.

As of December 31, 2024, we had obtained over 3,300 patents in China, including over 1,400 invention patents. We had also obtained over 800 patents in overseas jurisdictions. This marks significant progress compared to June 2005, when we were listed on the Shenzhen Stock Exchange with only 47 domestic utility model patents.

Our long-standing commitment to innovation has not only earned us recognition as a market leader but also established us as a notable figure in industry standard-setting and collaborative research. We have been invited to lead the drafting of more than twenty Chinese national or industry standards. Moreover, we have established critical national R&D platforms such as the National Enterprise Technology Center and the National Postdoctoral Research Workstation. Throughout the years, our innovative efforts have been recognized through numerous prestigious awards. As early as in 1987, our predecessor's RF-H thermostatic expansion valve was recognized as Zhejiang Province High-Quality Product. We have received awards including but not limited to the National Quality Award, the Management Science Award from the China Management Science Society and the Manufacturing Single Product Champion Award. In addition, we were selected as a 'green factory' in the fifth batch of green manufacturing and have been recognized as national key high-tech enterprise. Furthermore, we are committed to "industry-university-research collaboration," and have established long-term partnerships with renowned universities such as Shanghai Jiaotong University, Zhejiang University, Xi'an Jiaotong University and South China University of Technology. In collaboration with these prestigious institutions, we explore the development of vehicles and the advanced technology in NEV thermal management systems and address key challenges in the industry.

Commitment to Lean Production and Efficient Resource Allocation

Our global manufacturing network, which uniformly employs lean production methodology, constitutes the core advantage of our production capabilities, distinguishing us from our peers. We benefit from economies of scale, with our network of 48 factories worldwide, out of which we have established 8 production bases. Our production bases offer cost advantages through large-scale production line setups, while our individual factories located around the world provide the flexibility to swiftly respond to and meet the diverse needs of local customers. Moreover, our global production layout, which facilitates localized production or assembly, allows us to navigate the rapid global trade developments with greater ease and resilience.

Our production management pivots around optimizing resource allocation and implementing process automation. Specifically, we reduce production cycles and enhance production efficiency. For example, initially, we depended on external suppliers for the provision of winding equipments. Recognizing maintenance challenges and limited efficiency improvements, we proactively developed proprietary high-precision, high-speed winding machines and optimized their synchronization mechanisms. By introducing advanced winding and transmission methods alongside advanced electrical programming, our equipment's efficiency has been enhanced by approximately 40% compared to imported winding equipment. Moreover, the optimization of component structures has led to over 50% reduction in manufacturing costs compared to imported winding equipment. Apart from that, we strive to achieve a combination of informatization and automation, demonstrated by our efforts to use Internet of Things ("**IoT**") technologies to realize real-time equipment performance monitoring and optimal production resources allocation. This approach not only helps us achieve stable output and consistent product quality, but also elevates production efficiency, enabling us to meet customer demands for product quality and timely delivery. Over the years, we have self-developed and manufactured automatic assembly equipment tailored to the specific needs of each production line, such as automated assembly lines equipped with assembly, imaging inspection, laser welding and automated testing. For production processes that require a higher level of precision, we have purchased equipment and specialized machines to support automated component production. These automation facilities are deployed extensively across our factories worldwide. Through the implementation and continuous refinement of our automation initiatives, we have substantially reduced repetitive manual labor while maintaining stringent control over each step of the process, and are thus able to minimize the risk of defects and enhance both precision and speed. Furthermore, the synergies among our different product categories enable us to conduct scale production in a cost-effective manner. Consequently, we maintain our competitiveness within the industry and enhance our profitability.

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

We are dedicated to developing advanced manufacturing technologies and implementing a standardized quality management system to deliver superior products. Quality is a pivotal factor in our success. Our close collaboration with leading industry companies necessitates that our products adhere to the highest quality standards. Maintaining high yields in mass production poses a challenge to our quality control capabilities, impacting our reputation and financial performance.

To address this, we have established comprehensive quality standards that encompass all production processes and product categories. Our robust quality control system and procedures cover supplier management, new product development, process control and after-sales service. These efforts have earned us international certifications for quality, environmental health and safety ("**EHS**") and hazardous substance control systems, including ISO 9001, IATF 16949 and QC 080000. We analyze customer requirements for quality, warranty and after-sales service, integrating these into our quality assurance system.

We greatly enhance product consistency and precision through rigorous research and development, stringent quality control during production, standardization of components and the implementation of automation technology. This approach allows us to boost production efficiency and reduce costs while maintaining high product quality. Concurrently, we advocate for the use of intelligent management systems to strengthen production and operational management. By employing data-driven management systems, such as IoT platforms and Enterprise Asset Management ("**EAM**") systems, we can accurately trace products, identify defective items, swiftly determine root causes and continuously improve process stability.

We are equipped with advanced quality inspection equipment and have a dedicated quality inspection team, which help us achieve a low defect rate in our products. For example, the Ex-factory Defect Rate of our electronic expansion valve product category under our refrigeration and air-conditioning product component business decreased from 3.09 PPM in 2022 to 3.05 PPM in 2023, and further reduced to 2.99 PPM in 2024. Additionally, we have a robust after-sales service team dedicated to addressing quality issues. Such setup enables us to swiftly respond to customer needs, address any issues that may arise and make improvements to our products. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material customer complaints or product recalls, customer return, liability claim, complaint, or quality issue.

Our outstanding product quality has earned us a number of prestigious awards, including the National Quality Award issued by China Association for Quality, the Quality Management Innovation Award issued by the People's Government of Qiantang District, Hangzhou City, the National Machinery Industry Quality Award issued by China Machine Building Quality Management Association and the Zhejiang Provincial Government Quality Award issued by the Zhejiang Provincial People's Government.

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

Our global presence enables us to adeptly manage the cyclical fluctuations across various business segments and market demands. Being an early entrant started overseas sales efforts in the 1990s, we have established early advantage through strategic deployment in overseas markets. Over the years, we have successfully made many of our products household names enjoying global recognition. As of December 31, 2024, our products had reached America, Europe, Asia, Oceania and Africa, spanning over 80 countries and regions worldwide. This network allows us to provide a comprehensive array of products across numerous countries and regions, facilitating collaboration with many internationally renowned enterprises, including Daikin, Panasonic, Ford, BSH, Siemens, Volkswagen, Mercedes-Benz, BYD and Geely.

To further enhance our global market presence, we acquired Ranco's global four-way reversing valve business in 2008 and Aweco's global operations in 2012. As of December 31, 2024, we operated 13 overseas factories which are located in the United States, Mexico, Poland, Turkey, Austria, Vietnam, Thailand and India, out of which we had established 4 production bases in Mexico, Poland, Vietnam and Thailand. We have also set up three overseas R&D bases in the United States and Germany. Our global R&D network and localized production and sales network enable us to quickly meet local customer needs and gain deeper insight into different markets. As a result, we are able to provide products and service better tailored to the needs of local customers, and become more resilient to supply chain challenges brought by international market volatilities. Through the management of our internal supply chain, we continuously optimize resource allocation, expand our market reach and diversify our profit streams. As of December 31, 2024, we had over 5,300 overseas employees spreading across over 25 countries and regions outside China, accounting for approximately 27% of the total number of employees.

During the Track Record Period, we achieved stable growth in revenue from overseas markets. Our revenue from overseas markets in 2022, 2023 and 2024 was RMB9,931.7 million, RMB11,154.4 million and RMB12,500.7 million, respectively, accounting for 46.5%, 45.4% and 44.7% of our total revenue for the same periods, respectively. With our visionary global expansion strategies, we believe that we will continue to benefit from the rapid growth of the overseas markets and maintain our global market leadership.

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

Aiming to anticipate our customers' needs and foster mutual growth, we are dedicated to delivering products and services of the highest quality to maximize the value we create for them. Building a robust industry ecosystem and nurturing strong customer relationships are among our top priorities. Since our establishment, we have established deep trusted partnerships with customers by consistently exceeding their expectations for product quality, cost, delivery efficiency and technological innovation and advancement, among others. Our comprehensive product matrix offers customers a one-stop supply solution, which we believe further enhances consumer loyalty. Throughout the Track Record Period, as our customer base expanded and the value delivered to each customer increased, we successfully transitioned numerous customers from purchasing a single product type to acquiring multiple product categories under our comprehensive product matrix. Therefore, our collaboration with customers has deepened continuously, which has further contributed to the growth of our market share.

While we expand the application and enhance the value of our products in collaboration with our customers, we are frequently inspired by them. Their pursuit of higher performance and durability in products motivates us to continually iterate and upgrade our existing offerings. Additionally, their enthusiasm for innovation and new technologies drives our commitment to R&D investment, enabling us to consistently achieve technological breakthroughs across various areas and strengthen the foundation for our future development.

Under the refrigeration and air-conditioning product component business, we focus on the R&D and application of heat pump technology and thermal management system control products. We have cooperated with the major customers, such as Carrier, BSH, Daikin, Gree, Haier, Hitachi, JCI, LG, Midea, Mitsubishi, Panasonic, Samsung, Siemens, Toshiba and Trane, for an average of more than 25 years. Our efforts have earned us extensive recognition from our customers, which includes Rumei Building Technology Strategic Partner, LG Excellent Supplier in South Korea, Daikin GEC Global Outstanding Supplier Challenge Award, Haier 2024 Annual Excellent Partner Award, JCI Global Growth Award and 2024 Carrier Supplier of the Year. As of December 31, 2024, we established business relationships with all top ten largest refrigeration and air-conditioning manufacturers in terms of revenue in 2023, whose global market share totaled 75.6%, according to Frost & Sullivan.

Under the automotive component business, we have extensive technical expertise that allows us to evolve from a single-part supplier to an industry leader who can provide comprehensive solutions for automotive thermal management. We cooperate with renowned automotive companies such as Mercedes-Benz, BMW, BYD, Ford, Geely, General Motors, GAC, Honda, Hyundai, Leapmotor, Li Motor, NIO, Stellantis, SAIC, Toyota, Volkswagen, Volvo and Xpeng, and also serve automotive thermal management integrators such as Denso, Hanon, MAHLE and Valeo. Furthermore, we have become the exclusive supplier of thermal management products for multiple Automotive Platforms. Our market presence enables us to drive changes in the automotive thermal management industry and reshape the global industry landscape. Our partnerships with the above customers last for an average of over eight years, during which we have received benchmark supplier awards including, among others, SAIC-GM Technology Innovation Award, BYD Best Partner Award, Geely Quality Contribution Award and Best Partner Award, NIO Quality Excellence Partner Award, Volvo Best Cost Optimization Award, GAC Toyota Quality Cooperation Award, Leapmotor Quality Award and Value Award, Xpeng Business Partner Award and General Motors Supplier Quality Excellence Award 2023. As of December 31, 2024, we had established business relationships with all top ten largest automotive manufacturers in terms of revenue in 2023, whose global market share totaled 55.0%, according to Frost & Sullivan.

We are deeply involved in the new product development process of our customers. Typically, when NEV manufacturer customers devise a new product plan, they provide us with specifications for various components. We work closely with them to refine and enhance these products, delivering reliable and professional technical solutions. This collaboration fosters strong customer loyalty, enabling us to become a long-term certified parts supplier for many automotive companies — a significant advantage given the lengthy certification cycles often required by car manufacturers. Throughout this process, we assist customers in scrutinizing and perfecting the products they need, earning their recognition with our professional technical solutions.

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

Our management team is highly experienced in the thermal management industry, possessing extensive industry expertise, clear market insights and strong management capabilities. Our founder, Mr. Zhang Daocai, and our chairman, Mr. Zhang Yabo, have extensive experience in the thermal management industry. Mr. Zhang Daocai holds prestigious positions in the industry such as vice president of China Enterprise Confederation and China Entrepreneurs Association. Over the years, he has been awarded the National "May Day" Labor Medal, the National Outstanding Entrepreneur, the China's Master in Operations Award and the Most Creative Chinese Business Leader in the Asia-Pacific Region. Our Chairman and Chief Executive Officer, Mr. Zhang Yabo, graduated from Shanghai Jiaotong University, serves as a delegate to the 14th National People's Congress, an executive member of the 13th Executive Committee of the All-China Federation of Industry and Commerce and the vice president of the China Refrigeration and Air-Conditioning Industry Association. He was also awarded the Outstanding Young Private Entrepreneur of Zhejiang Province, the Master of Management of Zhejiang Province, China, the Top Ten Outstanding Young Entrepreneurs of the Yangtze River Delta and the Excellent Entrepreneur of Zhejiang Province. Our visionary management team has led us in creating a diverse range of products and expanding our global market reach through product enhancements and applications across multiple industries. Under their leadership, we have strengthened our competitive edge through professional products, bespoke services and refined management. Throughout the years, we have evolved from a single-sector supplier providing alternatives to imported goods domestically to a global leader in the refrigeration and air-conditioning control component market and automotive thermal management system component market. We are the fifth largest automotive thermal management system component manufacturer with a market share of approximately 4.1% in terms of revenue in 2024, according to Frost & Sullivan.

A significant majority of the core members of our management team comprise individuals with technical backgrounds and extensive expertise. They possess a keen awareness of technology and product iterations. Beyond their management responsibilities, they actively lead different business segments, optimizing execution efficiency and exploring new possibilities for business growth. With their expertise in refrigeration and air-conditioning product components, automotive components and bionic robot electromechanical actuators, our management team have established a solid groundwork for our evolution into a global industrial group spanning multiple industries and product categories. Our management team have worked together for over ten years, demonstrating a high degree of stability.

Our management team embraces the value of staying current and adheres to a talent-focused philosophy. They recruit and promote talent, empowering individuals by granting them sufficient authority and autonomy, space for execution. We regularly implement equity incentive plans to boost employees' enthusiasm and initiative, allowing them to share in our growth and achievements.

We believe that the expertise, vision and loyalty of our management team are crucial to our success and will continue to drive our future growth. With their leadership, combined with our early advantage, robust R&D capabilities and diversified industrial applications and customer base, we are confident in our ability to not only maintain our current market position while actively exploring new growth opportunities and seizing market prospects.

OUR STRATEGIES

We are committed to providing competitive intelligent temperature control solutions for high-quality customers around the world. We are transitioning from a cost leadership model to technology leadership and advancing from developing mechanical parts to providing integrated electronic control system solutions. We aim to establish ourselves as a global leader in the thermal management field and drive the global industrial trends through advanced technologies.

Consolidating Our Existing Strength and Achieving Consistent Growth

We aim to consolidate our existing business while exploring opportunities for further growth. In the refrigeration and air-conditioning product component sector, the global demand for energy efficiency will drive the continuous technological advancement and expand the applications of core components such as electronic expansion valves. We plan to continuously develop our products in line with customer needs and market trends through iterating and upgrading existing products and by effectively leveraging synergies across different business segments. Meanwhile, considering the substantial growth potential of products like micro-channel heat exchangers, the associated components typically used in the same thermal systems, such as heat pumps, water heaters and water tanks, are poised to generate new market opportunities, allowing us to further utilize our technical reserves. We also plan to strengthen our position in the cold storage and cold chain market through our inverter controllers. The container refrigeration systems used in the cold storage and cold chain market poise challenge to electronic control systems due to harsh working conditions, the need for energy efficiency, space constraints, exposure to vibration and movement and the requirement for remote monitoring and control. We plan to address these challenges through customized research and development and targeted product implementation.

In the automotive component sector, the substantial growth in the global market for NEVs has driven the demand for thermal management systems, as the core components of the cabinet thermal management systems, the battery thermal management systems and the electrical/control system thermal management systems require optimal operating temperatures. With enhanced connectivity among thermal management subsystems and increasing complexity in their integration, the demand for efficient and stable thermal management systems is escalating driving the demand for our automotive thermal management systems and the related components. We plan to further iterate and upgrade our current competitive products and reduce the production costs by leveraging economies of scale. Additionally, we will actively collaborate with more global automotive companies to develop automotive thermal management systems, providing customers with tailored solutions. We believe that this strategy will enhance our customer loyalty, increase our market share and deepen our collaboration with downstream automotive companies.

Advancing the Business Growth of Thermal Management and Bionic Robot Electromechanical Actuators through Continuous Research, Development and Innovation

Our core initiatives throughout our development journey are the continuous iteration of existing technologies and the ongoing development of new ones. We remain steadfast in focusing on the independent development and innovation of technology pathways, consistently increasing our investment in technological research and development. We are committed to maintaining our leadership in R&D through vigorously developing core technologies with proprietary intellectual property rights, attracting leading R&D talent, and building substantial scale advantages and technological barriers.

We plan to further optimize the technology of our existing products and continuously iterate them across the eight key dimensions: design cost, performance, customer delivery, carbon index, innovation competitiveness, process equipment, supply chain and quality (“**Eight Key Dimensions**”). We position our technology departments that focus on the improvement on product performance and production efficiency as the frontline that closely observe and understand customer needs. With their insights, we are able to conduct specialized and customized R&D with enhanced responsiveness, further enabling us to maintain our industry leadership, expand our market share, and discover new opportunities for profit growth.

Meanwhile, we prioritize the ongoing development of foundational technology to establish a solid basis for rapid and robust production, cost reduction, efficiency enhancement and sustainable development. As materials dictate the upper limits of cost, process complexity and product performance, we are consistently exploring material utilization, innovate key component structures and production techniques to substantially reduce the costs from the design stage, thus maintaining our competitiveness. Building on traditional material research, we plan to further strengthen our collaboration with universities and suppliers to advance the R&D of new materials, enhance product performance and reduce costs.

Furthermore, amidst the current wave of scientific and technological revolution and industrial transformation, we believe that artificial intelligence, particularly the concept of using machine to replace certain human tasks, will be the driving force and objective of future development. With years of deep engagement in the field of intelligent control and a profound understanding of motor technology and applications, we are well-positioned to capitalize on this trend and continue our investment in integrated solutions for bionic robot electromechanical actuators. By continuously expanding our R&D team, we are set to achieve substantial advancements in the field of electromechanical actuators.

Continuously Improving Production and Manufacturing Management to Optimize Costs while Ensuring Quality, thereby Consistently Creating Value for Customers

We recognize that effective cost control and a higher level of automation are crucial to our success. To achieve these goals, we plan to further enhance lean production management across our production lines and upgrade our automated production equipment. By integrating this advanced equipment into more production lines, we aim to improve both product quality and output. Additionally, we intend to offer further training to our staff to enhance their skills in operating automated production equipment.

We plan to optimize our production layout and actively embrace the advancements brought by artificial intelligence in industrialization, informatization and digitalization. We will refine our management strategies in planning, equipment, quality and personnel to achieve comprehensive data analysis across the entire production line, thereby improving production efficiency and rigorously controlling product quality.

We are dedicated to maintaining stringent product quality that surpasses industry standards. We intend to enhance our production and inspection processes by refining process design, inspection procedures and utilizing automated imaging. This approach will enable us to reduce costs while further improving product quality, thereby maintaining our leadership in the industry.

Deepening Global Layout

Expanding our product coverage and brand presence in global markets is at the core of our strategy. In 2022 and 2023 and 2024, our revenue from overseas markets amounted to RMB9,931.7 million, RMB11,154.4 million and RMB12,500.7 million, respectively, accounting for 46.5%, 45.4% and 44.7% of our total revenue in the same periods, respectively. Nonetheless, there remains potential for further penetration and substitution of certain products in international markets. We are committed to enhancing our globalization efforts by implementing a global localization strategy that integrates R&D, manufacturing and sales. Furthermore, we aim to respond promptly and accurately to the needs of our local customers, adapting our operations and market development strategies to align with globalization trends.

From a product perspective, we intend to deepen our understanding of local markets and tailor our offerings to meet the specific needs of customers in different regions. On the production front, we will adhere to our localization strategy while continuing to develop production bases and factories outside China. Our primary focus will be on production capacity planning for refrigeration and air-conditioning product components in Mexico, Poland, Vietnam and Thailand, as well as advancing the construction of our automotive components facilities in Mexico and Poland. This approach will enable us to strengthen our supply chain localization strategy, reach customers more promptly, reduce waiting times and assist customers in optimizing their production planning and efficiency. From a human resources perspective, we aim to build a global team and cultivate local employees with a deep understanding of their respective markets. We will also provide ample growth opportunities and incentives for our overseas employees, ensuring their development and engagement.

Moreover, we intend to pursue global mergers and acquisitions closely related to our existing businesses. Given the substantial benefits our previous acquisitions have brought to our operations, we believe further acquisitions will enhance our overseas production and R&D capabilities, thereby strengthening our position in international markets.

Leading the Global Transformation of Energy-saving and Eco-friendly Products, Establishing a Clean and Low-carbon Energy System and Advancing Carbon Neutrality Goals

We place great importance on our ESG investments. The global focus on environmental protection has raised expectations for energy-efficient, intelligent and comfortable products such as air conditioners and refrigerators. As a leader in creating a sustainable and quality living environment, we are committed to prioritizing environmental protection and energy efficiency alongside economic benefits. Our goal is to become a resource-saving and environmentally friendly enterprise. We are dedicated to creating products that embody energy saving, environmental protection and intelligent control. To achieve this, we are continually developing new products and technologies with proprietary intellectual property rights, concentrating on energy saving, environmental protection, material conservation and consumption reduction. We consider it our responsibility to improve the energy efficiency of the end products. With a strong emphasis on researching and applying heat pump technology and thermal management systems, our efforts are focused on developing thermal management solutions for cold and heat exchange and intelligent temperature control.

We will continue to advance the application of the smart energy IoT platform by leveraging real-time digital information display, traceability, technological transformation and energy-saving and consumption reduction analysis. We will accelerate the deployment of photovoltaic systems in our production bases to enhance clean energy usage, and we will implement waste heat recovery technology to reduce energy consumption and improve resource utilization efficiency. To further enhance energy efficiency, we plan to optimize production and manufacturing processes, streamline technological workflows and adjust the operation modes of existing energy-using equipment appropriately. Concurrently, we will focus on reducing energy consumption and carbon emissions through initiatives such as investigating compressed air pipeline leakage points, upgrading air compressors, reducing emissions through trigeneration, and recovering and utilizing nitrogen.

We have actively participated in the government-encouraged smart microgrid project and have established a microgrid system integrating natural gas distributed energy, energy storage and photovoltaic power generation in Xinchang Sanhua Industrial Park. This project supports energy conservation, emission reduction and green development, realizes multi-energy complementarity for energy utilization efficiency, aligns with national policy guidance, and has been included in the "Zhejiang Province 2023 New Power System Pilot Project Plan". We are committed to proactively fulfilling our social responsibilities and achieving our sustainability goals in accordance with the ESG principles we uphold. In 2024, we released our ESG report, where we reiterate our commitment to sustainable development. In the ESG report, we outlined sustainable development strategies and objectives, identified ESG-related concerns and performed a detailed analysis of key ESG issues. We adhere to a people-oriented approach to safeguard the rights and interests of our employees. We have established a balanced human resource management system and a scientific and comprehensive performance appraisal system to promote gender equality and equal pay for equal work. We strive for the common development of both employees and the enterprise.

Our ambition is underpinned by our confidence in our technological innovations and solutions, propelling us towards a future where sustainability and business development are seamlessly integrated. We believe that our sustainable development strategy will position us as one of the substantial players in the industry globally and a pivotal contributor to creating a green and high-quality living environment for humanity.

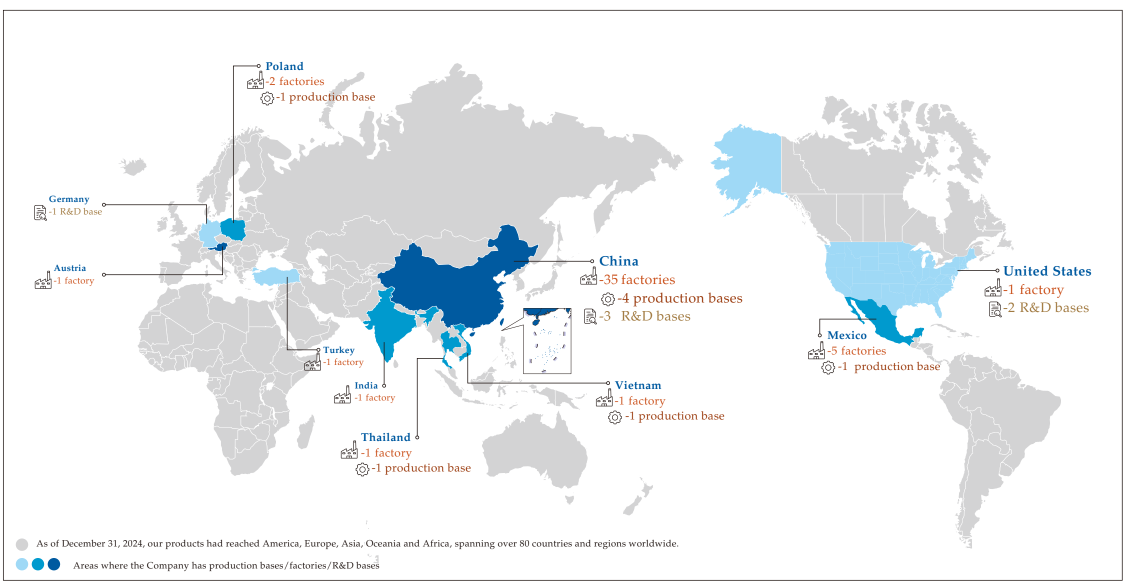
OUR BUSINESS

We are the world's largest manufacturer of refrigeration and air-conditioning control components and a global leader in automotive thermal management system components in terms of revenue in 2024, according to Frost & Sullivan. Our market share in the global refrigeration and air-conditioning control component market was approximately 45.5% in terms of revenue in 2024, according to Frost & Sullivan. In the global automotive thermal management system component market, we held a market share of approximately 4.1% in terms of revenue in 2024, ranking fifth globally, according to Frost & Sullivan. Since our inception, we had been dedicated to the R&D and application of heat pump technology and thermal management systems. We focus on providing our customers with industry-leading environmental thermal management solutions that enable intelligent temperature control and heat exchange. We primarily provide refrigeration and air-conditioning product components and automotive components for various end market applications, helping our customers to achieve better energy efficiency for their products.

- According to Frost & Sullivan, we are the world's largest manufacturer of refrigeration and air-conditioning control components in terms of revenue in 2024. In 2024, our global market share of refrigeration and air-conditioning control components, measured by revenue, reached approximately 45.5%, surpassing the combined market share of the second and third largest manufacturers. In terms of major product types, in 2024, we ranked first by revenue in the global market of refrigeration and air-conditioning valves, heat exchangers and pumps, respectively, and ranked second by revenue in the market of refrigeration and air-conditioning controllers. On the key component level, in 2024, our four-way reversing valves, electronic expansion valves, micro-channel heat exchangers, service valves, solenoid valves, Omega pumps and ball valves ranked first in their respective global markets, with market shares of 55.4%, 51.4%, 43.4%, 39.1%, 47.7%, 53.6% and 32.8%, respectively. In the same year, our pressure sensors ranked second in the global pressure sensor market, with a market share of 15.9%.

- We are also a leader in the global automotive thermal management system component market. In terms of major product types, in 2024, we ranked first by revenue in the global market of automotive valves and integrated modules, respectively, and ranked fourth by revenue in the global market of automotive pumps, according to Frost & Sullivan. On the key component level, in 2024, our automotive electronic expansion valves and integrated modules ranked first in their respective global markets in terms of revenue, with market shares of 48.3% and 65.6%, respectively; in the same year, our battery coolers and automotive electronic water pumps ranked third and fourth in their respective global markets in terms of revenue, with market shares of 5.9% and 5.5% respectively, according to Frost & Sullivan.

Possessing a global outlook, we started our strategic deployment in overseas markets since the 1990s. Over the years, we have strategically expanded our R&D, production and sales to create a robust network that supports our dynamic global presence. Specifically, we have developed a comprehensive global sales and marketing network across America, Europe, Asia, Oceania and Africa. We have established R&D bases in China, the United States and Germany. As of December 31, 2024, we operated 48 factories around the world, including 13 overseas factories in the United States, Poland, Mexico, Turkey, Austria, Vietnam, Thailand and India. Out of the 48 factories, we have established 8 production bases. These bases serve as production centers comprising factory clusters, warehouses and logistics hubs, designed to support key nearby markets. Today, we have become the strategic partner of many renowned manufacturers of air-conditioning and refrigeration appliances and automotive companies worldwide. We prioritize localized services, which we believe not only expedite response time and optimize logistical processes, but also enhance precision in manufacturing, ensuring that we meet customers' requirements. Notably, our global production layout supports production and assembly localization, allowing us to navigate the rapid global trade developments while swiftly responding to customer demands in a cost-efficient manner.



During the Track Record Period, we primarily engaged in the R&D, manufacturing and sales of (i) refrigeration and air-conditioning product components, including electronic expansion valves, four-way reversing valves, solenoid valves, micro-channel heat exchangers, service valves, pressure sensors and Omega pumps, which are widely utilized in fields including air conditioners, refrigerators, industrial refrigeration, cold-chain transport, heat pump heating and washing machines, and (ii) automotive components, including automotive valves, automotive pumps, automotive heat exchangers and integrated modules, for both NEVs and ICEVs.

The following table sets forth a breakdown of our revenue by major product types under our two product categories for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Refrigeration and air-conditioning product components						
Valves	8,812,275	41.3	9,834,606	40.0	10,702,920	38.3
Heat exchangers	2,057,745	9.6	2,121,123	8.6	2,693,826	9.6
Controllers	566,126	2.7	704,243	2.9	875,632	3.1
Pumps	580,250	2.7	514,399	2.1	554,762	2.0
Others(1)	1,817,390	8.5	1,469,764	6.0	1,733,465	6.2
Sub-total	13,833,786	64.8	14,644,135	59.6	16,560,605	59.3
Automotive components						
Integrated modules	2,362,963	11.1	3,361,041	13.7	4,262,920	15.3
Automotive valves	2,031,171	9.5	2,913,949	11.9	2,635,135	9.4
Automotive heat exchangers	1,187,226	5.6	1,554,219	6.3	1,670,952	6.0
Automotive pumps	1,128,587	5.3	1,413,572	5.8	1,622,634	5.8
Others(2)	803,817	3.8	670,886	2.7	1,194,919	4.3
Sub-total	7,513,764	35.2	9,913,667	40.4	11,386,560	40.7
Total	**21,347,550**	**100.0**	**24,557,802**	**100.0**	**27,947,165**	**100.0**

Notes:

(1) Others primarily include containers, filters, plastic components, heater components, motorized dampers, sight glasses, copper connectors, level switches, superconductive plates and pressure switches, among others.

(2) Others primarily include blocks, liquid receivers, resolvers and energy storage products, among others.

Leveraging our established capabilities, scalability and cost efficiency in the mass production of electric motors and related products, we are strategically expanding into the bionic robot market by developing electromechanical actuators, which are essential components that translate commands from a robot's control system into its physical movements. As of the Latest Practicable Date, we were in the R&D phase, refining prototypes before scalable commercialization. We aim to create actuators that are lighter, smaller and functions more precisely than the existing options. We are also planning an overseas production layout to enhance our global presence and manufacturing capabilities, aiming for an early advantage and positioning ourselves as a leading player in the bionic robot electromechanical actuator market.

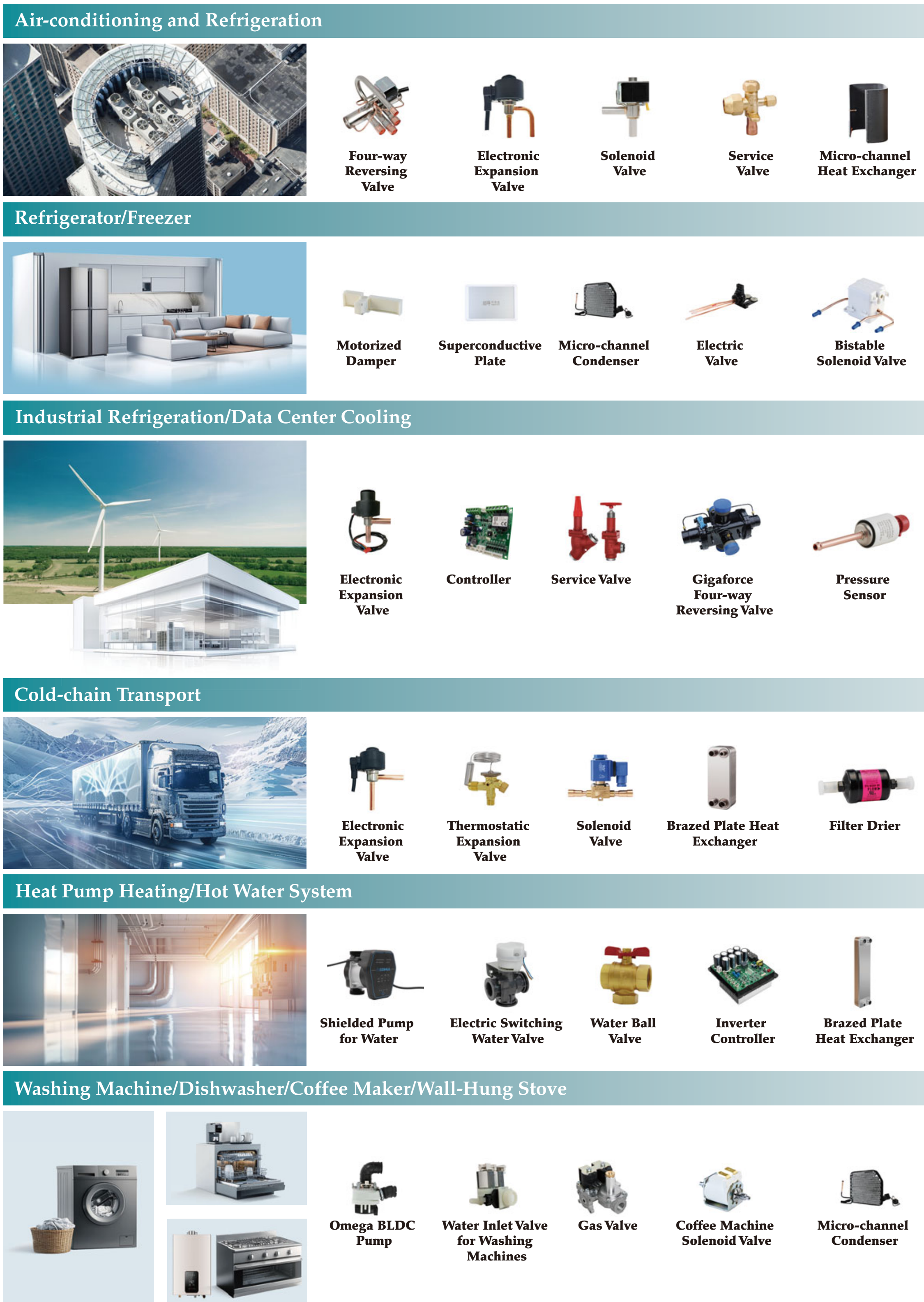
OUR PRODUCTS

Refrigeration and Air-conditioning Product Components

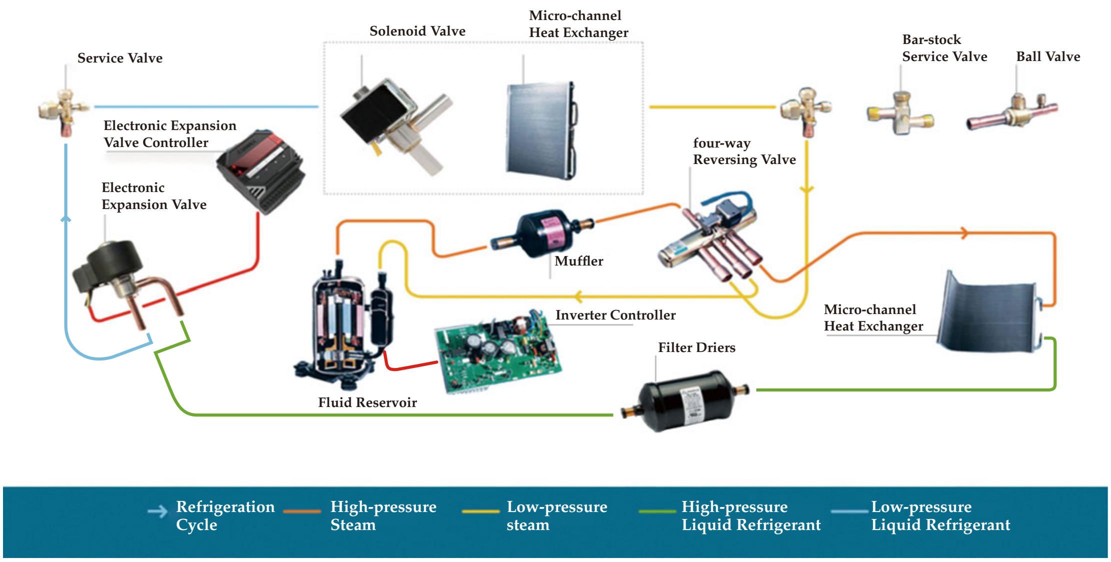
Under the refrigeration and air-conditioning product component business, we primarily engage in the R&D, manufacturing and sales of components, sub-system and technology solutions for residential and commercial refrigeration, as well as home appliances such as dishwasher, washing machine and coffeemaker. Our 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. We also offer heat exchanger products, specifically micro-channel heat exchangers, pump products such as Omega pumps, and controller products, including inverter controllers and pressure sensors. According to Frost & Sullivan, in 2024, we ranked first in the refrigeration and air-conditioning control component market in terms of revenue. According to the same source, in 2024, in terms of revenue, we ranked first in the global market of refrigeration and air-conditioning valves, heat exchangers and pumps, and ranked second in the market of refrigeration and air-conditioning controllers. In the same year, our four-way reversing valves, electronic expansion valves, micro-channel heat exchangers, service valves, solenoid valves, Omega pumps and ball valves ranked first in their respective global markets in terms of revenue, with market shares of 55.4%, 51.4%, 43.4%, 39.1%, 47.7%, 53.6% and 32.8%, respectively. In the same year, our pressure sensors ranked second in the global sensors market in terms of revenue, with a market share of 15.9%.

The development of our refrigeration and air-conditioning product component business is driven by consistent innovation and refinement. While our products have been well-established and widely recognized in the market for decades, we persistently innovate and refine them to address evolving customer needs. We work closely with our customers from early R&D to scale production, dedicated to providing them with up-to-date energy-saving systematic solutions. We also collaborate with customers on development projects, where our customers present us with challenges and objectives, and we devise solutions through R&D efforts. Our close relationship with the customers enhances our understanding of customer requirements and foster innovation, allowing us to deliver more effective and customized outcomes, which leads to increased customer satisfaction and loyalty. Additionally, this process can drive our own growth and expertise by exposing us to diverse challenges and encouraging continuous improvement, so that we can identify opportunities to reduce costs, stay ahead of the market trends and be among the first to come up with the solutions and products to capture potential business opportunities. Today, we have established long-term business relationships with a number of world-leading companies providing refrigeration and air-conditioning products, including Carrier, BSH, Daikin, Gree, Haier, Hitachi, JCI, LG, Midea, Mitsubishi, Panasonic, Samsung, Siemens, Toshiba and Trane. As of December 31, 2024, we established business relationships with all top ten largest refrigeration and air-conditioning manufacturers in terms of revenue in 2023, whose global market share totaled 75.6%, according to Frost & Sullivan.

The following chart illustrates our representative products under our refrigeration and air-conditioning product component business along with their various application scenarios:



The following diagram illustrates the application of our major products in the mainstream air-conditioning system solutions:

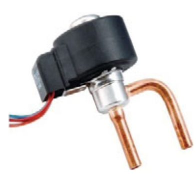


Our Product Portfolio

We offer a wide range of quality refrigeration and air-conditioning product components featuring a variety of specifications. We also tailor our products to meet specific customer requirements. Our product portfolio primarily includes valves, heat exchangers, pumps and controllers, among others. During the Track Record Period, the unit selling price of our valve products ranged from approximately RMB2 to approximately RMB16,722; the unit selling price of our heat exchanger products ranged from approximately RMB23 to approximately RMB7,632; the unit selling price of our controller products ranged from approximately RMB4 to approximately RMB9,500; and the unit selling price of our pump products ranged from approximately RMB25 to approximately RMB169. Our key valve products include electronic expansion valves, four-way reversing valves, service valves, solenoid valves and ball valves. We also offer key heat exchanger products, specifically micro-channel heat exchangers, pump products such as Omega pumps, and controller products, including inverter controllers andpressure sensors. The features of our key products are elaborated as follows:

Electronic Expansion Valve

Electronic expansion valves are components used in refrigeration and air-conditioning systems to regulate the amount of flow of refrigerant into the evaporator. They play a crucial role in controlling the cooling process by precisely adjusting the refrigerant flow based on the system's cooling demand. By precisely managing the flow, the system can operate more efficiently, using only the necessary amount of energy to achieve the desired cooling effect. Our electronic expansion valve can also quickly respond to changes in operating conditions, ensuring consistent and reliable cooling performance of the system. We have iterated the design of our electronic expansion valves over the years and optimized the flow channel design to make sure that, while the valves maintain instant and precise control over the refrigerant flow, the refrigerant flows quietly in the system.



Sanhua Electronic Expansion Valve

Furthermore, our electronic expansion valves can operate effectively in diverse operating environment, as they are capable of efficiently managing refrigerant flow in systems with varying pressure conditions. We have fine-tuned the design to minimize the leakage of refrigerant, which is essential for maintaining system efficiency, preventing refrigerant loss and ensuring precise control over the cooling process. Our electronic expansion valves can be used in a broad range of applications from the residential refrigeration air-conditioning systems to industrial refrigeration units. In 2019, it was awarded "Single Champion Product in Manufacturing" by the Ministry of Industry and Information Technology in China.

Four-way Reversing Valve

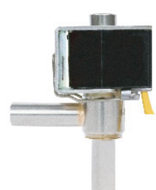
Four-way reversing valves are primarily used in refrigeration and heating cycle systems to enable the transition between cooling and heating modes by switching the flow path of the refrigerant. They effectively change the direction of the refrigerant flow, enabling the heat pump to extract heat from the outside and transfer it inside during the heating cycle, or remove heat from the inside and expel it outside during the cooling cycle. They can also be applied in scenarios involving flow path control, such as compressor management, to achieve specific system functions. Our four-way reversing valves utilize advanced flow paths and electronic control technology to achieve low energy consumption and high energy efficiency.

Sanhua Four-way Reversing Valve

We have launched brand new stainless steel four-way reversing valves. We redesigned and developed our stainless steel four-way reversing valves based on our original copper four-way reversing valves and have made them more compact and space-efficient for installation. The new design is also compatible with our calibrated production line, which ensures high yield rate. Upon their launch, such products were integrated in high-end air-conditioning products in Japan. The use of stainless steel enhances product durability and, due to stainless steel's lower thermal conductivity, reduces energy loss, thereby enhancing energy efficiency of the end products. Furthermore, the production process is more environmentally friendly, as it reduces wastewater and waste material emissions compared to the processing of copper four-way reversing valves. By leveraging the cost-effectiveness of stainless steel as the raw material, we help customers achieve optimal performance while maintaining reasonable material costs. During the development process, we have also overcome production challenges by identifying and customizing optimal soldering materials, welding techniques and surface treatments.

In 2020, our four-way reversing valves was awarded "Single Champion Product in Manufacturing" by the Ministry of Industry and Information Technology in China.

Solenoid Valve



Sanhua Solenoid Valve

Solenoid valves are electromechanically operated valves used to control the flow of refrigerant in various systems, including refrigeration units, freezers, air conditioners and heat pumps. A solenoid valve primarily consists of a coil of wire, known as a solenoid and a movable plunger. When an electric current passes through the solenoid, it creates a magnetic field that moves the plunger, opening or closing the valve to regulate the flow of refrigerant. These valves are crucial for maintaining the desired temperature and efficiency in cooling and heating systems.

Our solenoid valves offer several key features that enhance their functionality. The double-sealed coils are designed to be waterproof, ensuring that the valve can operate safely in moist environments. This design also contributes to low energy consumption, making the valves more efficient and cost-effective to operate. Additionally, our solenoid valves are built for safety and reliability, providing consistent performance over time. Our design allows our solenoid valves to quickly and effectively manage the flow of refrigerant. They can also handle high maximum operating pressure differentials, making them suitable for a wide range of applications and conditions. Furthermore, our solenoid valves are engineered for quick and easy installation, reducing the time and effort required to integrate them into existing systems. With these features, our solenoid valves stand out as a versatile and essential component in modern refrigeration and air-conditioning systems.

Service Valve

Service valves play a crucial role as a connection point between indoor and outdoor units. By turning the valve stem, a mechanist can easily open or close the internal passage, which helps regulate how refrigerant circulates through the system. These valves are especially important during maintenance, as they make it possible to perform tasks like vacuuming the system, adding refrigerant and carrying out other essential servicing activities. Our service valves have been enhanced with a new design that offers better sealing performance, ensuring a more secure and leak-proof operation. The segmented structure has been optimized for greater durability and we've applied a special surface treatment to boost resistance against corrosion, extending the valve's lifespan even in challenging environments.

Sanhua Service Valve

Micro-channel Heat Exchanger

Micro-channel heat exchangers are a sophisticated type of heat exchangers distinguished by their small channel size, with a hydraulic diameter of less than 3mm. Micro-channel heat exchangers are designed for enhanced heat exchange efficiency due to their unique structure, comprising fins, flattened tubes and manifold tubes. The fins are extremely thin and feature numerous small openings, increasing the surface area for heat exchange. The flattened tubes, while appearing ordinary, contain many micropores that are less than a millimeter in size, further augmenting the heat exchange surface. This design significantly enlarges the heat exchange area on the refrigerant side compared to traditional tube-and-fin heat exchangers, thereby achieving improved heat exchange efficiency. The manifold tube streamlines fluid management within the heat exchanger, resulting in a more compact and space-efficient design. We have also upgraded the traditional copper tube & fin heat exchangers to micro-channel heat exchangers made entirely of aluminum, which is fully recyclable, making it a more environmentally friendly choice than the traditional copper tube & fin heat exchangers. Our micro-channel heat exchanger allows for a reduction of up to 20% in refrigerant charging compared to traditional heat exchanger solutions, thereby reducing refrigerant usage and fundamentally achieving energy saving and emission reduction.

Sanhua Micro-channel Heat Exchanger

We have enhanced the design, so that our micro-channel heat exchangers are suitable for a variety of applications, including household and commercial refrigeration and air-conditioning systems. Compared to the traditional copper tube & fin heat exchangers, our micro-channel heat exchangers provide at least 30% more heat exchange efficiency and are 30% smaller in size, allowing for more compact designs and easier integration into various applications. Additionally, they are over 50% lighter in weight compared to the traditional copper tube & fin heat exchangers, which can reduce the overall weight of the end equipment, leading to potential savings in transportation and installation costs. Furthermore, aluminum micro-channel heat exchangers can achieve up to a 20% reduction in refrigerant charge, which not only lowers the environmental impact but also reduces operating costs. In addition, we have developed a dual-system micro-channel heat exchanger called OPTIFLOW. In systems that previously required two sets of heat exchangers, only one set of OPTIFLOW heat exchangers is needed to meet their heat exchange requirements.

Our aluminum micro-channel heat exchanger has been recognized for its innovation and efficiency and was awarded "Single Champion Product in Manufacturing" by the Ministry of Industry and Information Technology in China in 2018.

Omega Pump

Omega pumps are a component used in dishwashers, designed to streamline and enhance the products' functionality. These pumps feature housings that incorporate either direct or indirect heating of the rinse water. As water flows through the pump, it absorbs heat, removing the necessity for a separate heating element. Such capability not only saves space but also simplifies the design and installation process of the dishwasher.

Sanhua Omega Pump

The pumps can be part of a larger system that includes inlet and outlet hoses, as well as built-in thermal safety elements. These safety features ensure that the water and electricity are kept separate, reducing the risk of electrical hazards. Additionally, Omega pumps can incorporate various functional loops within the dishwasher, contributing to a more efficient and compact design. Our Omega pumps feature a triple-side flushing function that enhances the efficiency of the dishwasher, resulting in a more effective dish cleaning process. This design not only saves energy, but also makes the dishwasher more environmentally friendly and cost-effective to operate.

Inverter Controller

Inverter controllers play a crucial role in modern electrical systems by regulating output voltage and frequency through the management of internal power switching elements. Such functions allow for speed control and precise energy savings, making these controllers indispensable in applications such as inverter compressors, Brushless Direct Current ("**BLDC**") fans and water pumps.

Sanhua Inverter Controller

Key features of inverter controllers include the use of 180° sine wave full DC vector control and full-range active Power Factor Correction ("**PFC**") technology. These technologies are complemented by torque compensation functions and advanced algorithms for field weakening control, stator heating and high-frequency injection. These features collectively enhance the performance and efficiency of the systems they are integrated into.

Additionally, inverter controllers are equipped with an electronic expansion valve controller circuit and a direct current frequency conversion fan circuit. These components ensure that the system's overall functionality is maximized, allowing for optimal performance across various applications. The inclusion of a Bootloader function supports online program upgrades, ensuring that the system can be easily updated and maintained.

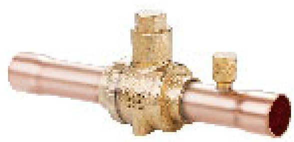
Furthermore, inverter controllers have passed relevant Electromagnetic Compatibility ("**EMC**") and reliability tests and have obtained UL, TUV and CQC certifications, attesting to their safety and reliability. With high energy efficiency, versatility and reliability, inverter controllers are a vital component in achieving efficient and effective drive control in various applications.

Pressure Sensor

Pressure sensors are integral components in air-conditioning, refrigeration and heat pump systems. They function by detecting pressure through sensitive and conversion elements, which then transform this pressure into a usable output signal, typically in the form of voltage or current. This signal is crucial as it is transmitted to the overall control system, facilitating the automatic regulation of these systems.

Sanhua Pressure Sensor

Key features of our pressure sensors include the use of high-performance digital circuits, which ensure qualities such as excellent linearity, minimal temperature variation and high accuracy across a broad operating range. Their compact size and straightforward installation make them versatile, with multiple models available to suit different needs. Additionally, these sensors utilize superior pressure cores, providing excellent stability under stringent process controls. They are designed to accommodate various pressure ranges and levels of accuracy, making them suitable for a wide array of applications.



Sanhua Ball Valve

Ball Valve

Ball valves are a crucial component in refrigeration systems, designed to efficiently control the flow of refrigerant. They operate by opening and closing an internal passage through the movement of the valve stem, allowing for quick and effective shut-off. This capability is particularly important during servicing, as it enables the isolation of refrigerant, ensuring that maintenance tasks can be performed safely and effectively.

Key features of our ball valves include their compatibility with all common Hydrofluorocarbon, Hydrofluoroolefin and Hydrocarbon refrigerants, making them versatile for various application scenarios. They boast a reliable welded design, which enhances their durability and performance. Additionally, ball valves have a high working pressure rating of 700 PSIG, ensuring they can withstand demanding conditions within refrigeration systems.

Automotive Components

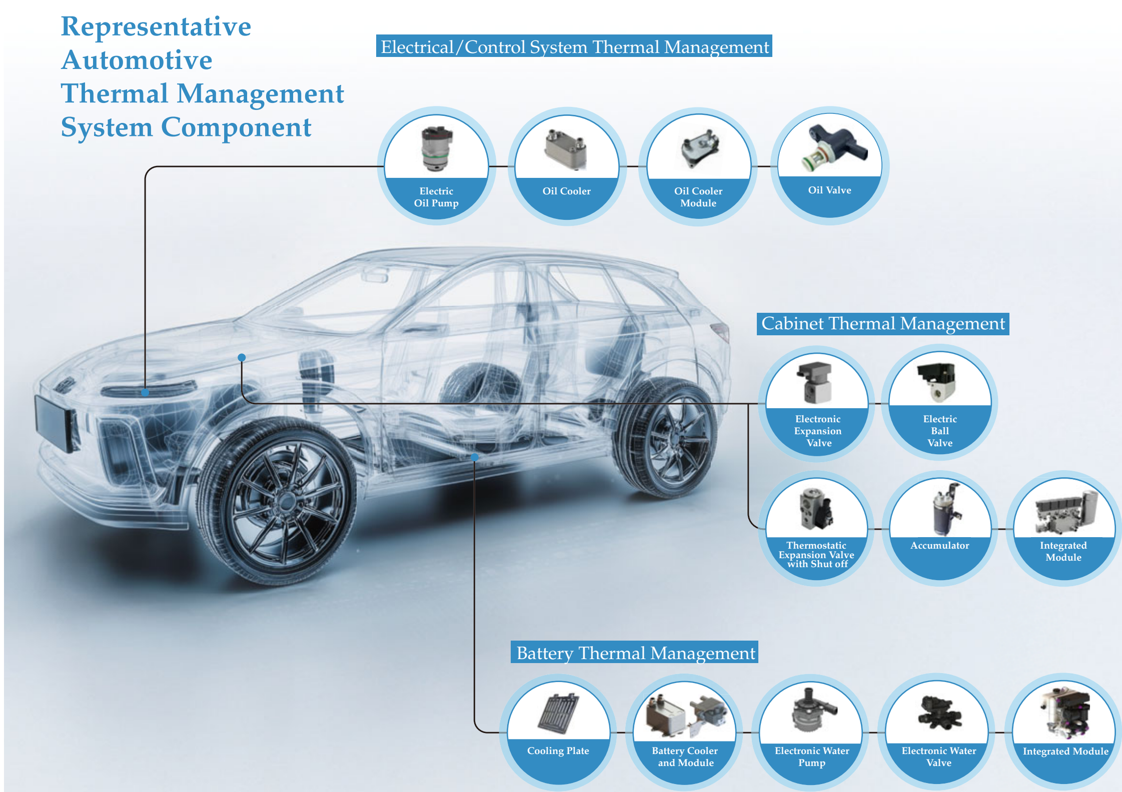
We provide automotive components that are crucial for automotive thermal management. In recent years, the societal shift towards green, low-carbon, energy-efficient and emission-reducing practices has led to the increasing popularity of NEVs. Unlike ICEVs that typically rely on air-conditioning systems for cooling and engine-derived heat for warming, NEVs require air-conditioning systems to function in both directions. In this context, thermal management systems play a vital role in keeping the cabin comfortable and maintaining the optimal temperature for the cabinet thermal management systems, the battery thermal management systems and the electrical/control system thermal management systems, thereby sustaining the performance and safety of NEVs. Nowadays, the rapid development of NEVs, along with the advancements in battery and charging technologies, is driving the market demand for reliable automotive thermal management systems, according to Frost & Sullivan. Capitalizing on such trend, we leveraged our established advantages and expertise in refrigeration and air-conditioning product components to develop integrated automotive thermal management system components. Today, we have become a world-leading automotive thermal management system component manufacturer for both ICEVs and NEVs. In 2022, 2023 and 2024, revenue from automotive components to be incorporated in NEVs amounted to RMB6,685.9 million, RMB9,027.5 million and RMB10,452.3 million, respectively, accounting for 89.0%, 91.1% and 91.8% of the total revenue from automotive components business, respectively. Our Revenue from automotive components to be incorporated in ICEVs amounted to RMB827.8 million, RMB886.2 million and RMB934.3 million, respectively, accounting for 11.0%, 8.9% and 8.2% of the total revenue from automotive components business, respectively. Our products cover a wide range of automotive components for cabinet thermal management, battery thermal management and electrical/control system thermal management, mainly including automotive valves, automotive pumps, automotive heat exchangers and integrated modules, among others.

Our key automotive valve products primarily include automotive electronic expansion valves. Our key automotive pump product primarily include automotive electronic water pumps, and our key automotive heat exchanger products primarily include battery coolers. We also offer various types of integrated modules. During the Track Record Period, the unit selling price of our automotive valve products ranged from approximately RMB7 to approximately RMB345; the unit selling price of our automotive pumps ranged from approximately RMB65 to approximately RMB361; the unit selling price of our automotive heat exchanger products ranged from approximately RMB44 to approximately RMB1,400; and the unit selling price of our integrated modules ranged from approximately RMB670 to approximately RMB2,800. As of December 31, 2024, we established business relationships with all top ten largest automotive manufacturers in terms of revenue in 2023, whose global market share totaled 55.0%, according to Frost & Sullivan. According to the same source, in terms of revenue, in 2024, we ranked first in the global market of automotive valves and integrated modules, respectively, and ranked fourth in the global market of automotive pumps. We are also the top player, in terms of revenue, for a number of products in the automotive component business sector, including automotive electronic expansion valves and integrated modules, holding the largest market shares of 51.1% and 59.9% in 2022, 48.9% and 64.6% in 2023 and 48.3% and 65.6% in 2024. In addition, in 2024, our battery coolers and automotive electronic water pumps ranked third and fourth in their respective global markets in terms of revenue, with market shares of 5.9% and 5.5% respectively.

We specialize in the R&D of automotive thermal management system components and solutions. Our exceptional technical expertise in component manufacturing, particularly in valve components, positions us uniquely to design and produce intricate thermal management integrated modules that meet the high performance standards. Our outstanding capability in developing and manufacturing components enables us to understand devices comprehensively and deliver complex, integrated solutions to our customers. Through years of focused research and development in automotive thermal management systems, we have amassed profound expertise that enables us to expand our existing capabilities into new areas. Notably, we recognized the potential in the thermal management of NEVs and adapted electronic expansion valves, originally used in the air-conditioning sector, for automotive applications, to enable precise control of the refrigerant flow and optimize the cooling and heating functions within the thermal management systems of NEVs. Today, our automotive electronic expansion valves are widely utilized in mainstream NEVs. This innovation was recognized with the 2017 PACE Awards, making us the first Chinese company to receive this award since its establishment in 1995. Furthermore, our proficiency in standardizing components throughout the production stages ensure product uniformity, enhance quality control and improve efficiency. With standardized components, we are able to deliver intricate and integrated solutions in a more cost-effective manner.

In our operations, we stress engaging with automobile manufacturers during the initial phases of their R&D processes, which allows us to gain a significant competitive edge by becoming integral to their system development from the outset. This early involvement enables us to align our designs closely with the manufacturers' evolving needs and specifications, fostering a collaborative relationship that often progresses from supplying individual components to developing comprehensive, complex modules tailored to their requirements. Through continuous product and technology iterations, we refine and enhance our offerings, ensuring that they not only meet but also exceed industry standards in terms of cost-effectiveness and quality. As such products provide tangible benefits to our customers, our position as a trusted partner in their development journey is constantly reinforced. Our strategic approach to product development also involves planning for successive iterations of a product even before the initial launch. This forward-thinking strategy ensures that we are always a step ahead in the innovation cycle, ready to introduce improved products that incorporate the latest technological advancements and customer feedback. Over the years, we have become a trustworthy partner for renowned automobile manufacturers including Mercedes-Benz, BMW, BYD, Ford, Geely, General Motors, GAC New Energy, Honda, Hyundai, Li Motor, NIO, Stellantis, SAIC, Toyota, Volkswagen, Volvo and Xpeng and other well-known domestic and foreign automobile companies. Our commitment to technological innovation, combined with our scale production capabilities and rigorous quality control, has created value to our customers and earned us customer loyalty, which has, in turn, generated higher returns and solidified our market leadership.

The following diagram illustrates the application of our automotive components.



Our Product Portfolio

We offer a wide range of automotive components featuring a variety of specifications. We also tailor our products to meet specific customer requirements. Our key products primarily include automotive electronic expansion valves, automotive electronic water pumps, battery coolers and integrated modules, which are elaborated as follows:

Automotive Electronic Expansion Valve

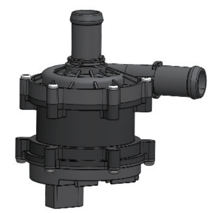
Sanhua Automotive Electronic Expansion Valve

Automotive electronic expansion valves effectively facilitate the cooling and heating functions within the thermal management systems of NEVs. Specifically, they regulate the temperature of the cabin, battery and powertrain components of NEVs. We are the creator of the automotive electronic expansion valve, which has been recognized with the 2017 PACE Award and is now essential for the thermal management of NEVs.

Our automotive electronic expansion valves play a crucial role in controlling the cooling process by precisely adjusting the refrigerant flow based on the system's cooling demand. Our automotive electronic expansion valves can also quickly respond to changes in operating conditions, ensuring consistent and reliable cooling performance of the system. With superior control accuracy, they reduce the energy consumption of the thermal management system and ensure enhanced passenger comfort and stable battery temperature control, which significantly extends the lifespan of NEV batteries. Consequently, it helps enhance the overall NEV system performance. We believe that, compared to the last generation of automotive thermal management system components, our electronic expansion valves enhance the thermal management efficiency by over 20%.

Automotive Electronic Water Pump

Automotive electronic water pumps are indispensable components in modern automotive thermal management systems. They are designed to circulate coolant within cars to cool down the battery, motor and other key components of a car while also ensuring that the car's heating system functions properly. Our world-class automotive water pumps are well-known for their excellent performance and reliability, which help our customers' products to function effectively and efficiently.



Sanhua Automotive Electronic Water Pump

The main features of our automotive electronic water pumps are shaped by our commitment to innovation and high standards. We have utilized advanced digital communication technology in our automotive electronic water pumps so that they can precisely control the flow of coolant in the circuit. Besides the adoption of advanced technology, our automotive water pumps are able to operate stably under various conditions for extended periods, which benefit our customers by enhanced vehicle reliability and reduced maintenance needs. Additionally, through an optimized design, our automotive electronic water pumps have lower losses when transferring coolant, which helps improve the overall energy utilization of the car. Finally, our automotive water pumps operate with remarkably low noise levels which can provide the users with quiet and comfortable in-car experience.

Battery Cooler

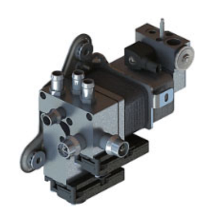
Battery coolers are critical components of the thermal management system in NEVs. They are designed to cool both the battery and power system while simultaneously recovering waste heat. By enhancing energy utilization efficiency, our battery cooler significantly improves battery performance, ensuring our customers' vehicles operate at their best status.

Sanhua Battery Cooler

Customer-orientation lies at the heart of our product design, especially for our battery coolers. Our battery coolers are compact, light and efficient, which enable the users to have more comfortable and reliable driving experience. With small size and powerful functions, our battery coolers can be integrated into various NEVs. This space-saving design not only optimizes space utilization but also enhances the vehicle's overall aesthetics. Additionally, our battery coolers employ advanced heat exchange technology to swiftly transferring heat generated by battery and power system to the cooling media, which helps battery to maintain within its optimal operating temperature range, thereby extending battery life. Other than being durable and powerful, our battery coolers are designed to be lightweighted. This reduces the overall vehicle weight, which in turn contributes to improved performance in NEVs and reduced vehicles' energy consumption.

Integrated Module

Integrated modules are a vital part of the thermal management systems in NEVs. They help manage air-conditioning, battery thermal management and power drive cooling. As an award-wining manufacturer in the industry, our integrated modules are innovative both in terms of design and function.



Sanhua Integrated Module

Our integrated modules are technological-driven, advanced, accurate and efficient. With the adoption of advanced digital control technology to precisely adjust refrigerant and coolant flow, our integrated modules facilitate efficient temperature control within a vehicle. Like our battery coolers, our integrated modules are designed to be lightweighted and compact. The lightweight construction not only improves energy efficiency and dynamic performance of vehicles but also lowers production costs by minimizing material use and simplifying manufacturing processes. With these advanced features, our integrated modules address the challenges of space, weight and cost in traditional thermal management systems and provides an efficient, economical and compact solution for NEVs.

RESEARCH AND DEVELOPMENT

We are dedicated to technological innovation, which is crucial in advancing our capabilities and delivering value to our customers, while also driving our sales and profitability. With over 30 years of operations, we have amassed significant manufacturing expertise and continue to diligently track market trends to effectively reduce costs while enhancing product performance. We have made, and will continue to make, substantial investments in R&D activities. In 2022, 2023 and 2024, our R&D expenses amounted to RMB989.0 million, RMB1,096.8 million and RMB1,351.8 million, respectively, accounting for 4.6%, 4.5% and 4.8% of our revenue for the same periods, respectively. As of December 31, 2024, we employed over 3,500 R&D personnel, including global leading industry experts, and among which over 700 individuals held master's degrees or above.

We place great importance on the collaboration with leading universities and research institutes. We actively collaborate with universities to conduct researches on the design and optimization of products to further improve the efficiency of our products. We also have close cooperation with national key laboratories, collaboratively delving into the novel issues of refrigeration and air-conditioning control components, automotive thermal management and bionic robots. Such joint efforts offer us unique opportunities to investigate advanced technologies for industrial application and overcome critical and common challenges in the relevant fields.

Our R&D System

Our R&D system consists of (i) one Research Center that focuses on strategic R&D, (ii) six R&D bases, including three in China, two in the United States and one in Germany, that lead the innovation of applied R&D; and (iii) technology departments that focus on the improvement on product performance and production efficiency. Meanwhile, we deploy R&D resources at our factories across the globe. The functions of these three are progressively layered from the initial concept, to applied science and engineering challenges, and further to mass production. This structured approach has stood the test of time and forms the foundation of our efficient and effective R&D efforts.

Our Research Center

Our Research Center plays a crucial role in driving innovation and technological advancement, with a strong emphasis on exploring new frontiers poised to revolutionize industries. By focusing on cutting-edge fields such as robotics, autonomous machines, and advanced sensor technologies, the Research Center is not merely responding to current market demands but is actively shaping the future landscape of technology and business. Its forward-thinking approach involves anticipating technological trends and preparing for products and solutions that may emerge over the next three to five years.

Furthermore, our Research Center is instrumental in advancing core technologies that have broad applications across a range of industries. For example, it has been working on software development, bionic simulation technology and alternative material development to improve product functionality and enhance production efficiency.

In addition, our Research Center provides systematic technology and R&D support to our R&D bases and technology departments, as it accumulated profound foundational knowledge and has world-class experts. For instance, when fulfilling a customer's request for a customized product, our Research Center may analyze the entire system, searching for the fundamental issues and offering solutions from a holistic perspective. This approach not only resolves the issue at hand, but also makes full use of each chance to improve the performance and structure of our products.

Our R&D Bases

Our R&D bases focus on practical applications and innovations that can be expected to be implemented in products or production processes in the near future. We have established a comprehensive global R&D network, strategically positioned in regions with distinct industry perspectives to foster innovation and effectively address the diverse needs of our customers. This network is integral to our mission of maintaining a leading edge in the refrigeration and air-conditioning control components and automotive thermal management system component industries. We have six R&D bases, each of which is tasked with specific roles that contribute to our overall technological advancement, ensuring that we deliver solutions and remain responsive to market demands. By leveraging the unique strengths and expertise of each location, we are able to drive forward our commitment to excellence and innovation.

Our R&D base in Hangzhou serves as the cornerstone of our innovation efforts, focusing on early customer engagement and market trend analysis. It is dedicated to the development of new products and technologies, ensuring that we remain at a leading place of core technology research and innovation for our global customers. This R&D base plays a crucial role in translating market insights into actionable development strategies, thereby driving our product pipeline forward. Our R&D base in Stuttgart is located in the heart of Germany's automotive industry, specializing in the development and testing of core component products of valves, chillers, accumulators or integrated heat exchangers. It acts as a vital partner for our European customers, forming early-stage R&D partnership. This base is equipped with state-of-the-art testing facilities for comprehensive system testing and performance analysis, which are essential in the European market. Our R&D base in Detroit, the automotive hub of the North America, excels in delivering system-level technical solutions and strategic support for new product development. It facilitates effective communications with North American customers and automotive industry associations, ensuring that we continue to stay ahead of technological trends. Its capabilities in system rigging and testing allow for rapid adaptation to project and customer needs, supporting our commitment to innovation and customer satisfaction.

Our Technology Departments

Our technology departments are tasked with iterating on existing products, customizing them to meet specific customer requirements and upgrading production equipment. Positioned under business units and close to the factories, they play a crucial role in implementing and scaling the advanced technologies and products developed by the Research Center and R&D bases, ensuring these innovations are effectively translated into scale production. Their close ties with business units give them a deep understanding of customer requirements, allowing them to skillfully create customized products and adjust production lines as needed. Our technology department ensures that our R&D results are successfully brought to market and continue to meet market demands.

Our Technologies

Through years of dedicated R&D activities, we have successfully transformed our R&D results into a series of proprietary technologies, which enabled us to compete effectively in the market. Our core technologies include:

Chain Structure Motor Technology

The chain structure motor technology, designed for dishwashers and steam ovens, utilizes a straight-bar unwinding process. This involves welding after coiling and replacing copper enameled wire with aluminum enameled wire, significantly reducing the cost of BLDC motors while maintaining hydraulic performance. Applied in the circulation washing and heating pumps of dishwashers and steam ovens, this technology optimizes motor lamination design, achieving a comprehensive hydraulic efficiency of over 39%, a leading level in the industry. The new chain structure unwinding process increases the utilization rate of enameled wire by 24%, further reducing motor costs by substituting aluminum for copper enameled wire.

Integrated module technology

The development of integrated module technology leverages the latest advancements in new materials and innovative processes, which has led to the successful engineering of lightweight, compact and cost-effective integrated modules adaptable to various refrigerants. These modules are pivotal in the efficient thermal management systems of NEVs, seamlessly delivering both cooling and heating functions. They are crucial for maintaining optimal temperature control within the passenger cabin, battery, electronic control and drive systems of NEVs, ensuring enhanced performance and reliability.

Full-stroke coaxiality technology

The full-stroke coaxiality technology ensures that a moving part remains perfectly aligned along its central axis throughout its entire range of motion. This alignment is crucial for the efficient and smooth operation of machinery, as it reduces wear and tear and enhances the precision of the product. Our full-stroke coaxiality technology for electronic expansion valves employs a sleeve-guided assembly method, effectively addressing the issue of eccentric wear on the product's sealing surface by ensuring that the moving components remain perfectly aligned along their central axis throughout their entire range of motion. This precise alignment reduces the likelihood of uneven pressure or contact on the sealing surfaces, which can lead to eccentric wear. These electronic expansion valves are integral to the cooling systems of air-conditioning. Our technology utilizes a nut, valve needle component and valve seat core in a sleeve structure design, enhancing the assembly coaxiality and reliability of the product. This structural innovation has been recognized with the Zhejiang Province Patent Gold Award and the China Patent Excellence Award.

Heat exchanger unit technology

Our heat exchanger unit technology, designed for plate heat exchangers, focuses on the ultimate design of heat exchange units. This design significantly reduces pressure drop, enhances heat exchange efficiency, and improves structural strength. These heat exchangers play a crucial role in intelligently regulating the coolant temperature within the thermal management systems of new energy vehicles. They are essential for the cooling and waste heat recovery of the battery and power systems, ensuring optimal performance and energy efficiency in NEVs.

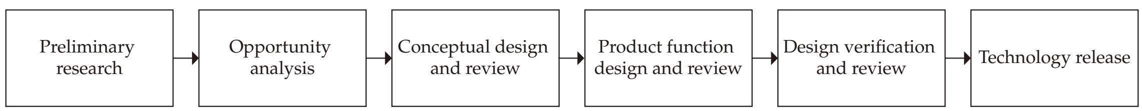
Intelligent integrated control technology

The intelligent integrated control technology for thermal management in water pumps combines electronic control hardware and software, addressing issues such as low efficiency, delayed response and difficulties with Over-the-Air ("**OTA**") upgrades, thereby enhancing system intelligence. Automotive electronic water pumps, utilizing digital communication to control the coolant circuit flow, serve as critical driving components in the vehicle's thermal management system. This integration ensures optimal performance and responsiveness, making the system more efficient and adaptable to the dynamic needs of modern vehicles.

R&D Process

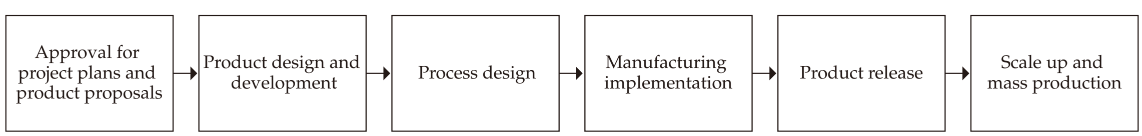
We identify potential R&D projects based on our business development strategy and industry trends, as well as the needs of our customers. Specifically, our R&D projects can be divided into (i) strategic innovation initiatives and the continuous optimization of our product portfolio; (ii) new product development plans proposed by our marketing department based on their comprehensive analysis of market trends; and (iii) bespoke product orders tailored to specific customer requirements.

Our R&D process is primarily structured into the Technology Development Process ("**TDP**") and the Product Development Process ("**PDP**"). TDP is dedicated to advancing technical innovation and creating a strong technical reserve to address future needs and support our proactive iteration of existing products. Our TDP is forward-looking, dedicated to continuously improving and optimizing the performance of existing products while also designing new functionalities for the existing products. In addition to our R&D capabilities, this process relies heavily on our industry expertise and market insights. Our Research Center plays a crucial role in this R&D process, exploring market trends and technological advancements to ensure we stay at a leading place of the industry and are prepared for future demands. The following diagram illustrates the major TDP processes for our products:



PDP is centered around the needs and preferences of customers to design products immediately usable in customers' application scenarios. Our PDP is directly initiated by customer requirements, and the R&D outcome is typically tailored to customers' specific requirements. At the beginning of the process, our customers define the scope and objectives of the projects, and remain involved throughout the PDP to ensure that the R&D outcomes are tailored to their specific needs and are scalable upon their acceptance. Accordingly, a PDP project typically requires the cooperation across multiple departments, including sales, procurement and quality management departments.

The following diagram illustrates the major PDP processes for our products:



TDP and PDP are intricately interlinked and often occur simultaneously. The TDP focuses on developing new technologies and innovations, which are then integrated into the PDP to create new products. As PDP progresses, feedback from product development can inform and refine the TDP, leading to further technological advancements. This dynamic interaction ensures that technological innovations are effectively translated into practical applications, allowing for continuous improvement and adaptation throughout the R&D process. Such synergy ensures a seamless transition from technological development to product realization, enhancing overall efficiency and effectiveness in bringing new products to market.

R&D Initiatives

Our R&D efforts in refrigeration and air-conditioning product components primarily focus on advancing low-carbon and energy-efficient solutions, with an emphasis on variable flow control technologies. Our initiatives aim to cement our position as a global leader in the thermal management field. We are addressing specific technical challenges related to valves that manage variable flow rates, which are crucial for the effective operation of thermal management systems. Additionally, we are developing smart valves that precisely adjust fluid flow rates, enhancing both precision and efficiency. We aim to further improve the uniformity of two-phase flows, ensuring the consistent flow of liquid refrigerant alongside vapour in cooling systems for optimal performance. Furthermore, our R&D projects target reducing noise caused by fluid flow through valves.

In the field of automotive components, our strategic focus is on leading innovation in key areas such as smart driving thermal management, solid-state battery thermal management and energy storage systems. We aim to create advanced thermal management solutions that seamlessly integrate efficiency, safety and intelligence across a wide range of applications. Our R&D efforts are dedicated to developing advanced components for new energy vehicles, with a primary emphasis on optimizing component design, ensuring seamless vertical supply chain integration and accelerating the advancement of new materials and processes. We aim to produce components that are smaller, lighter and more efficient, making them compatible with various vehicle models. We are also working on enhancing standardization to achieve higher levels of production standardization and automation. Our R&D projects include the development of novel refrigerant valves, lightweight heat exchangers, high-capacity water pump platform-based technologies, high-precision multi-path water valves, and heat pump modules. Additionally, we are investigating new electric motor and electronic control platform-based technologies, alongside innovations in new materials. Further, we are advancing multiple R&D initiatives related to flow plate processes, injection moulding techniques, equipment technology and flexible production lines.

PRODUCTION

As of December 31, 2024, we had a total of 48 factories worldwide, including 13 overseas factories in the United States, Poland, Mexico, Turkey, Austria, Vietnam, Thailand and India. For 2022, 2023 and 2024, our total production capacity reached approximately 539.0 million, 533.5 million and 575.7 million pieces of refrigeration and air-conditioning product components, respectively, and 202.6 million, 255.1 million and 281.7 million pieces of automotive components, respectively. Our total production volume reached approximately 451.5 million, 494.5 million and 537.3 million pieces of refrigeration and air-conditioning product components, respectively, and 170.3 million, 232.4 million and 244.6 million pieces of automotive components, respectively. Our total production capacity utilization rate was 83.8%, 92.2% and 91.2%, respectively, for 2022, 2023 and 2024. Out of the 48 factories, we have established 8 production bases. These bases serve as production centers comprising factory clusters, warehouses and logistics hubs, designed to support key nearby markets. For 2022, 2023 and 2024, the aggregate production capacity of our 8 production bases accounted for approximately 67.1%, 67.3% and 71.7%, respectively, of our total production capacity during the same respective years. The aggregate production volume of our 8 production bases represented approximately 67.2%, 67.8% and 71.2%, respectively, of our total production volume during the same respective years.

As of December 31, 2024, we had a production team of over 12,000 personnel, supporting the operation of our global production network. We prioritize hiring locally for our production team, which allows us to tap into the local talent pool and contribute to the economic development of the communities where we operate. Employing local personnel not only helps in fostering community relations but also ensures that our workforce is familiar with regional practices and cultural nuances, which can enhance productivity and workplace harmony.

The following table sets forth certain information relating to our principal production bases as of December 31, 2024:

Facility	Year of Commencement of Operation	Aggregate GFA *(square meter)*	Product Category
Hangzhou Production Base	2006	306,111	Refrigeration and air-conditioning product components & Automotive components
Wuhu Production Base	2011	211,779	Refrigeration and air-conditioning product components
Poland Production Base	2013	56,285	Refrigeration and air-conditioning product components & Automotive components
Xinchang Production Base	2014	795,995	Refrigeration and air-conditioning product components
Mexico Production Base	2016	300,850	Refrigeration and air-conditioning product components & Automotive components
Vietnam Production Base	2018	131,272	Refrigeration and air-conditioning product components
Shaoxing Binhai Production Base	2019	788,313	Automotive components
Thailand Production Base	2023	46,849	Refrigeration and air-conditioning product components

The following table sets forth the production capacity and production volume by business segment for the periods indicated:

	Year ended December 31,								
	2022			2023			2024		
	Production capacity	Production volume	Utilization rate	Production capacity	Production volume	Utilization rate	Production capacity	Production volume	Utilization rate
	(in thousand pieces, except for percentages)								
Refrigeration and air-conditioning product components	539,044	451,511	83.8%	533,504	494,502	92.7%	575,724	537,271	93.3%
Automotive components	202,595	170,309	84.1%	255,107	232,351	91.1%	281,736	244,589	86.8%

Notes:

(1) Our production capacity for each period is calculated based on working days, working hours per day and pace of production, after taking into account time required for maintenance and replacement of machinery and equipment.

(2) Our production capacity utilization rate for each period is calculated based by dividing the production volume by the production capacity. The decrease in production capacity utilization rate of automotive components from 2023 to 2024 was primarily due to the expansion in production capacity outpacing the growth in production volume.

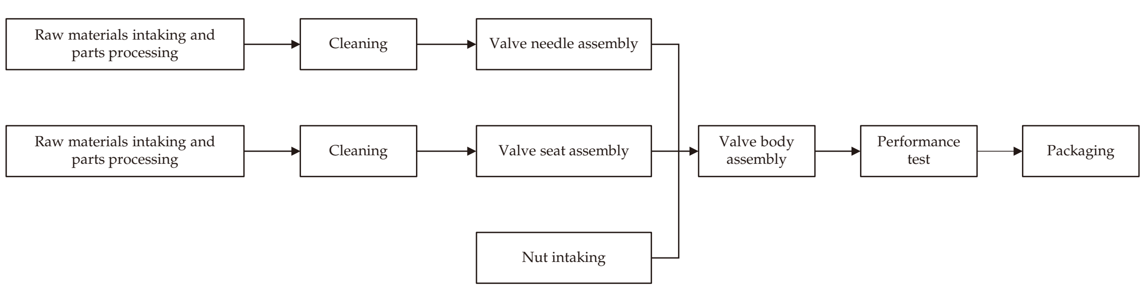
During the Track Record Period and up to the Latest Practicable Date, we were upgrading our existing production facilities in response to the increasing demand, as well as evolving specifications and requirements for refrigeration and air-conditioning product components and automotive components. Additionally, we were establishing new production facilities in locations strategically critical to our key markets, with a goal to meet the increasing demand for the aforementioned products. In order to grow our business, meet the increasing demand from our customers and capture the potential growth opportunities in the refrigeration and air-conditioning product components, automotive components and the electromechanical actuators for bionic robot in China and globally, we plan to use the net proceeds of the Global Offering and our internal funds to expand our production capacity and upgrade our factories in China and overseas. See "Future Plans and Use of Proceeds."

Production Process

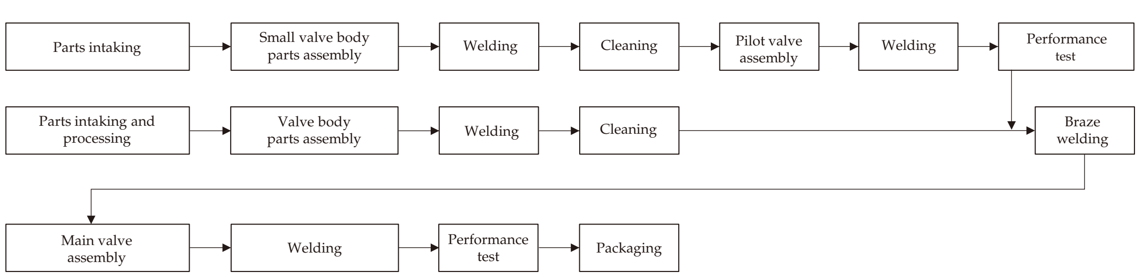
Our production process involves the coordination of raw materials and components, manufacturing, assembly, testing, packaging and warehousing. We adhere to established manufacturing practices and processes across our factories, which ensure consistency, quality and efficiency in our operations. By standardizing these practices, we can optimize the use of our production facilities and resources. As a result, we may introduce new products without the need for significant reconfiguration or investment in additional infrastructure. Standardization allows us to swiftly adapt to market demands and expand our product portfolio, thereby enhancing our competitive edge and meeting diverse customer needs while maintaining operational efficiency.

The following diagram illustrates the major manufacturing and assembly processes for the representative products of ours:

Production Process of Refrigeration and Air-conditioning Electronic Expansion Valve

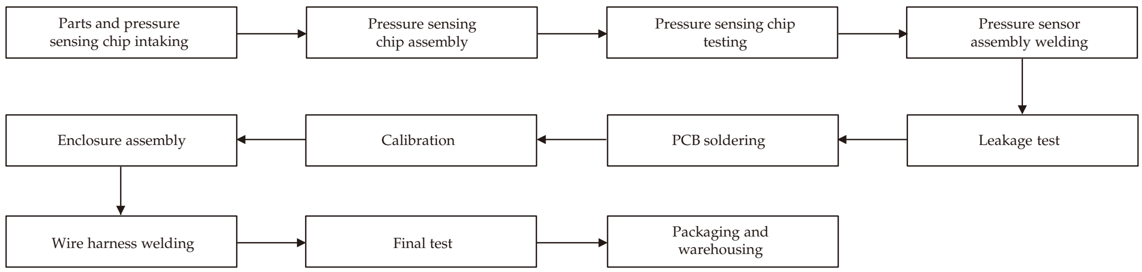


Production Process of Four-Way Reversing Valve

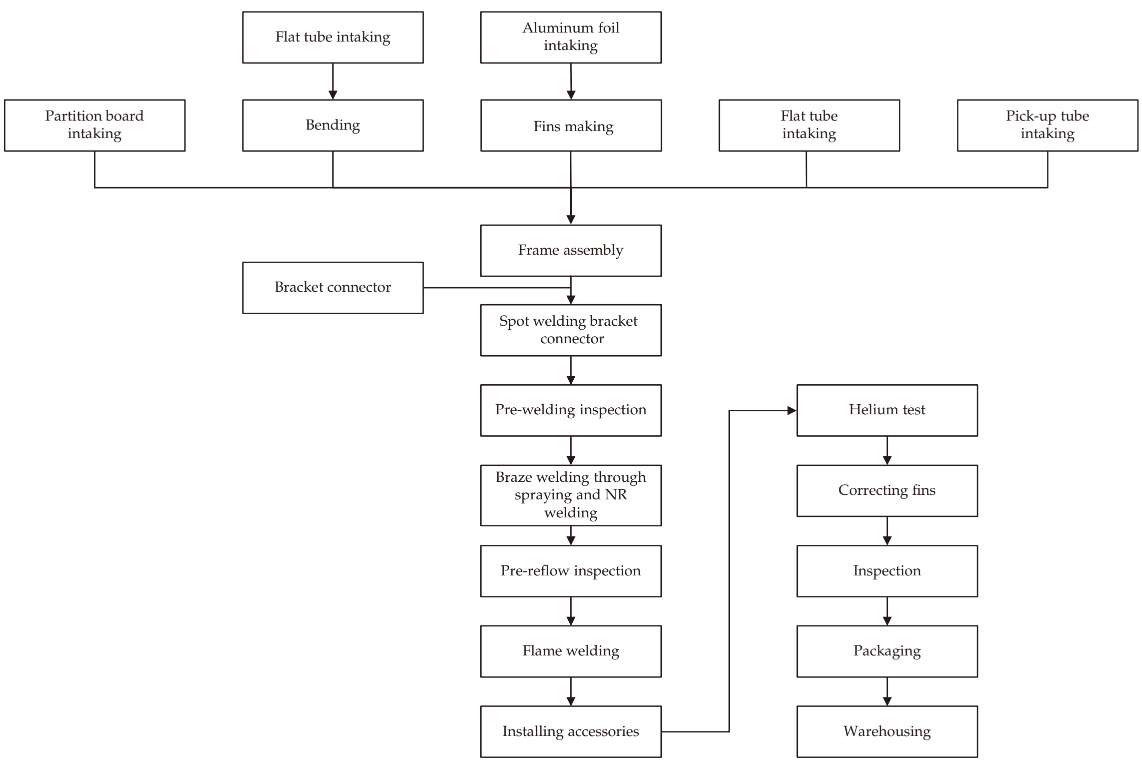


Production Process of Service Valve

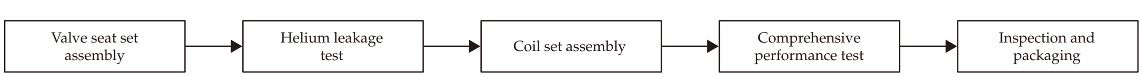
Production Process of Pressure Sensor



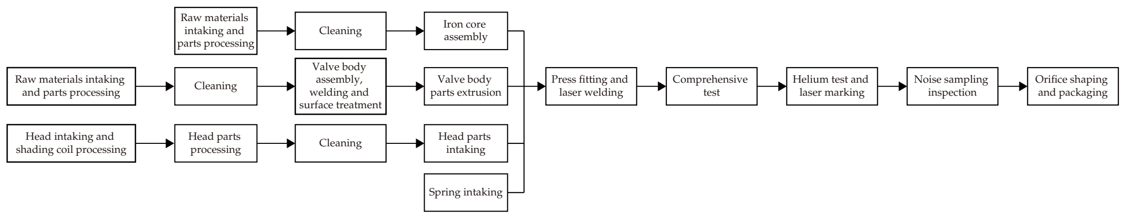
Production Process of Micro-channel Heat Exchanger



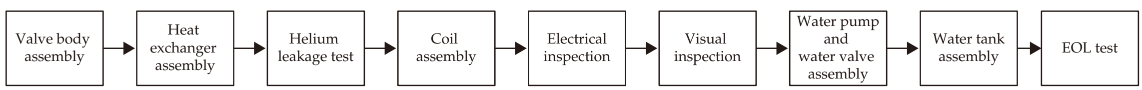
Production Process of Automotive Electronic Expansion Valve



Production Process of Solenoid Valve



Production Process of Heat Pump Integrated Modules



Production Standardization

We exert efforts to apply standardization throughout the stages from product designing to manufacturing to ensure uniformity, enhance quality and improve efficiency. Product standardization notably enhances research and development efficiency while accommodating customers' tailoring needs. By adopting this approach, we can address specific customer demands with minimal alterations to the core structure of a standardized component, or, where a substantial part of a component is standardized, we can use the standardized base as a consistent platform where upper-level modules can be added on to meet diverse requirements. In addition, as our customers' products evolve and become more complex, their need for integrated modules also increases in complexity and scale. By assembling standardized components of the desired functions, we can rapidly create customized modules. On the flip side, once a particular function in an integrated module is no longer required, we can easily remove the relevant standard component from the integrated module without the need to redesign the entire module.

Furthermore, product standardization is essential for the production automation, which greatly enhances production efficiency, ensures quality consistency and reduces costs. Additionally, because the components are uniform, the production lines can easily adapt to create different products with customized features, requiring only minor changes to the production setup, making it easier and quicker to switch between manufacturing various customized products. This is especially meaningful when certain products reach the end of their lifecycle, as it allows us to efficiently transition to producing new or updated products without extensive downtime or costly reconfigurations. Such flexibility optimizes the utilization of production lines and mitigates risks associated with market changes. Moreover, product standardization facilitates production automation by providing uniform specifications that allow automated systems to operate efficiently and consistently, reducing the need for frequent adjustments and human intervention. To achieve automated production, we design products with structures most suitable for automated production from the outset and continuously refine production line designs and equipment to meet the technical demands of production automation.

Production Automation

We have commenced to enhance production and operational efficiency through automation and digitalization. By integrating advanced technologies such as IoT, machine vision and digital systems, we streamline processes and improve our product quality.

Production

We incorporated automated production lines and industrial robots into our production processes to handle highly repetitive and complex tasks, which reduces human error and enhances the quality and consistency of our products. Our production standardization also helps to streamline the quality control process. Specifically, we plan thoroughly from the start and maintain strict oversight during production, utilizing automation and digital tools. We utilize technologies such as machine vision, sensors and control systems to achieve precise detection and management monitoring, thereby improving the efficiency and accuracy of our production process. For instance, we have implemented an IoT platform that collects and manages critical data, including equipment status, process parameters, quality inspection data and production cycles, to generate real-time analysis and correlation of data related to quality, processes and efficiency. Such platform makes production issues more transparent and easier to interpret, reducing the response time for our quality control personnel to address any faults or alerts. Additionally, our Enterprise Asset Management ("**EAM**") system provides a structured approach to managing equipment assets throughout their lifecycle. We also plan to further advance our production capabilities by implementing a data-focused strategy and utilizing advanced AI technologies such as predictive maintenance to improve production efficiency and ensure consistently high product quality. We have employed information technology systems such as Manufacturing Execution System ("**MES**") and Enterprise Resource Planning ("**ERP**") to conduct research and applications across multiple areas, including production control, equipment management, safety and environmental protection, energy management, quality control and decision support. Together, such systems optimize production processes and ensure efficient resource utilization and continuous production. Furthermore, we have implemented aerial unmanned delivery and storage systems in our machining and injection molding processes to further streamline operations. We also use Advanced Planning and Scheduling ("**APS**") systems to optimize our production planning and resource allocation.

Warehousing

We have implemented automated storage systems in our domestic warehouse. By utilizing Automated Guided Vehicle ("**AGV**"), we can retrieve and store our goods automatically with efficiency and accuracy, reducing manual intervention as well as enhancing space utilization and logistics efficiency. Notably, AGV assists us in inventory management, as it ensures that our goods are managed according to the "first-in, first-out" principle and are delivered precisely to the production line as specified by the MES. We use manufacturing dashboards to monitor inventory. By presenting real-time data on order fulfillment rates, excessive inventory and stagnant inventory, we can make informed procurement and production decisions, thereby optimizing our inventory management and demand forecasting.

Production Equipment and Machinery

In recent years, we have independently developed our production lines with a focus on enhancing product functionality. Our operations are supported by a diverse range of equipment and machinery tailored to accommodate our various product types. We own the principal equipment and machinery involved in our production process. Beyond acquiring equipment and machinery from third-party suppliers, we are capable of independently developing equipment, and are able to procure components and conduct in-house processing and assembly of our equipment. The details of our equipment and machinery involved in the production process are set out below:

Equipment and machinery	Functions	Our major products manufactured using such equipment and machinery
Welding Equipment	Joining metals or thermoplastic materials through heating and pressure processes	Four-way reversing valves and expansion valves
Metalworking Equipment	Cutting, shaping, milling and drilling metal materials	Micro-channel heat exchanger fins, four-way reversing valves and expansion valves
Injection Molding Equipment	Heating and melting plastic materials, which are then injected into molds to form specific shapes	Coil casings and water pump housings
Surface Mount Technology) ("SMT") Equipment	Mounting electronic components directly onto the surface of printed circuit boards ("**PCBs**")	Sensors and controller
Industrial Robots	Performing automated tasks such as welding, handling, assembly, painting and inspection	Water-cooled automotive assemblies
Automated Assembly Equipment	Automatically assembling parts into complete products	Integrated modules, four-way reversing valves, expansion valves, ball valves and micro-channel heat exchangers

We conduct careful and timely maintenance of our production facilities. Each piece of our major production equipment or machinery undergoes regular servicing and maintenance, adhering to predefined schedules. We have established and will continually update internal procedures tailored to the unique characteristics and requirements of each piece of production equipment or machinery. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any prolonged suspension of the production process or significant interruption in our business operations due to failures or breakdown of our machineries and equipment.

RAW MATERIALS AND SUPPLIERS

Raw Materials and Procurement

Our raw materials primarily include copper and aluminum. For the years ended December 31, 2022 and 2023 and 2024, our costs of raw materials and consumables were RMB11,758.4 million, RMB13,115.1 million and RMB14,979.8 million, respectively, accounting for 74.0%, 73.6% and 73.7% of our total cost of revenue during the respective periods. Given the close correlation between the prices of copper and aluminum we procure from our suppliers and the often volatile bulk commodity copper and aluminum prices, we implement a comprehensive risk management strategy to mitigate the impact of such fluctuations, which primarily involves two independent approaches: (i) incorporating a raw material price linkage mechanism in our contracts with both customers and suppliers, and (ii) employing futures hedging. The one-time pricing model sets a fixed price during the term of a contract, providing certainty for both parties. The price linkage mechanism, on the other hand, adjusts prices based on market fluctuations, ensuring that both our customers and suppliers and us share the risks and benefits of price changes. During the Track Record Period, we adopted the raw material price linkage mechanism for the majority of our contracts with the customers and suppliers.

We develop procurement plans primarily based on production schedules, inventory levels, supply lead time and product lifetime. We carefully select the most suitable raw materials suppliers according to the procurement plans. For the procurement of raw materials, we utilize the Material Requirements Planning ("**MRP**") system to analyze the timing and scheduling of raw material deliveries, taking into account factors such as the Master Production Schedule ("**MPS**"), production scheduling, inventory safety, supplier lead times and minimum order quantities. These procurement plans are synchronized with the Supplier Relationship Management ("**SRM**") system through which these plans can be communicated to our suppliers, who will then execute deliveries according to our plans. For the procurement of others, after the procurement plans are approved, our supply chain management department will conduct a price inquiry, evaluating potential suppliers on criteria including price, quality and delivery timelines. We typically establish a reasonable price with our suppliers through a process of inquiry or competitive bidding, based on thorough market research. During the Track Record Period, we did not enter into any long-term supply agreements with our suppliers that included fixed-price arrangements. In response to the potential raw material price increases, we primarily mitigate the impact by building long-term relationships with our suppliers, signing linkage pricing agreements with the suppliers and maintaining close communication and conducting secondary source evaluations. Meanwhile, we conduct R&D on new materials and develop new suppliers to maintain the flexibility to switch to alternative materials or suppliers in the event of severe shortages or price volatility of certain raw materials. We have implemented periodic reviews and internal mechanisms to monitor the price of our raw materials by considering current stock levels, future sales and market trends. We timely adjust our stock levels to maintain optimal inventory levels considering anticipated price fluctuations.

In addition, we mitigate raw material price risks by utilizing futures hedging to lock in prices for raw materials, thereby offsetting any increases in the bulk commodity costs of copper and aluminium. We have established a futures management process to address the raw material price volatility. Our procurement department is tasked with monitoring raw material price trends and fluctuations and provide insights into market conditions. We adopt futures hedging, which involves using financial contracts to lock in prices for future purchases, to protect us against adverse price movements. We have a strategic partnership with Shanghai Metals Market to monitor bulk commodity raw material price movements both domestically and internationally. Based on the market information, we take actions following our internal futures and foreign exchange management mechanisms.

Our Suppliers

We have established rigorous processes for supplier selection, evaluation and management to ensure all suppliers meet our quality and performance standards. We evaluate supplier's financial condition, business performance, industry reputation, ESG commitment and certifications. We also regularly evaluate the performance of our suppliers, focusing on criteria that include raw material quality, delivery, cost and, where applicable, the technical specifications of the products supplied by them.

Agreements with Suppliers

We generally procure raw materials from suppliers through non-exclusive supply contracts. Due to the widespread use of copper and aluminum as standard materials and products, we can procure most of our materials and components at competitive prices. We proactively adopt supplier management policies including maintaining two or more suppliers, securing stock in advance and having alternative suppliers to ensure the stable supply of raw materials. We have established long-term relationships with our suppliers with sufficient supply of raw materials and reliable supply channels.

We typically enter into framework supply agreements with suppliers, the salient terms of which are set out below:

- ***Duration.*** Generally with an indefinite term.

- ***Product specification.*** We specify the product name, manufacturer or brand, specification, price, quantity, delivery timeline and other detailed items in each purchase order we send to our suppliers.

- ***Payment and credit term.*** Payment and credit terms are typically separately included in each order that we place with the supplier.

- ***Logistics.*** We are responsible for making timely payments to our suppliers, who are responsible for delivering qualifying products to our designated warehouses.

- ***Quality guarantee.*** Products are typically accepted in accordance with our specifications, as well as national, local and industry standards. Should any quality issues arise during the warranty period, the supplier shall be responsible for replacement.

- ***Termination.*** The agreements can generally be terminated by notice by both parties, or when one party breaches the agreement.

Major Suppliers

During the Track Record Period, our major suppliers primarily include raw material and component suppliers. In each year during the Track Record Period, the aggregate purchases from our five largest suppliers in each of such year accounted for approximately 13.0%, 13.8% and 15.5%, respectively, of our total purchases, and the purchases from our largest supplier in each of such year accounted for approximately 4.8%, 3.7% and 4.0%, respectively, of our total purchases. To avoid supplier concentration, we diversify our supplier base by engaging multiple suppliers for the same goods or services and implementing strategic sourcing practices. Additionally, we conduct regular market analysis, develop supplier relationships and maintain contingency plans to ensure supply chain resilience. All of our five largest suppliers in each year during the Track Record Period were our customers. We primarily sell metal scrap, refrigeration and air-conditioning product components and automotive components to our five largest suppliers in each year during the Track Record Period. In each year during the Track Record Period, the aggregate revenue generated from our five largest suppliers in each of such year were less than 0.1%.

As of the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each year during the Track Record Period.

The Directors confirm that we did not experience any material shortage of supply, raw material quality issue, disruptions, disputes or delays in relation to the supply of suppliers, or any material breach or early termination of our contractual arrangements with suppliers during the Track Record Period and up to the Latest Practicable Date.

SALES AND MARKETING

We primarily conduct direct sales to our customers which we believe is critical to predict and address customers' needs. We are passionate about delivering the best experience possible to our customers. During the Track Record Period, we derived substantially all our revenue from direct sales to customers. We have established an extensive global sales and marketing network covering countries and regions across America, Europe, Asia, Oceania and Africa to maintain close contact with major refrigeration and air-conditioning product manufacturers and car manufacturers, as well as to explore business opportunities with potential customers in emerging industries. Our extensive sales and marketing network typically consist of employees with expertise and experience in the relevant industry, whose industry insights enable efficient communications with the customers. We also sell our products to regional business partners with local customer resources to achieve effective customer outreach and market penetration in certain geographical areas, revenue contribution of which was less than 1.5% of our total revenue in each of the years ended December 31, 2022, 2023 and 2024, respectively.

We have adopted a comprehensive customer strategy that covers the entire process from customer acquisition to product delivery. We maintain close contact with customers to gain a deep understanding of their needs and the current landscape of competing products, and we attach great importance to helping customers use our products properly. Leveraging our thorough understanding of international market dynamics and customer needs, we are able to better position our products, engage in strategic collaborations with our customers to co-develop new products, promptly address any technical issues during production and provide satisfactory after-sales services. In addition, we collect feedback directly from customers to garner insights that help drive our business and operations forward. Our dedication to quality end-to-end service to our global customer base further strengthens our industry influence and reputation.

Our International Footprint

Our overseas markets are critical to our business development. We have had export orders since the 1990s. In 2001, we established our first overseas sales subsidiary in Osaka, Japan, marking the start of our rapid international expansion. From these early steps of setting up overseas marketing companies, we have evolved through strategic cross-border acquisitions and the establishment of overseas factories and warehouses and R&D bases to become a global leader in manufacturing refrigeration and air-conditioning control components and automotive thermal management system components. We are the fifth largest automotive thermal management system component manufacturer with a market share of approximately 4.1% in terms of revenue in 2024, according to Frost & Sullivan. Nowadays, we boast a comprehensive global network featuring R&D, manufacturing and sales, while continuing to actively expand our global layout to pursue new business opportunities.

We are committed to enhancing our globalization efforts by implementing a global localization strategy that integrates R&D, manufacturing and sales. Over the years, we have established a global R&D, manufacturing and sales network, laying a strong foundation for further expansion worldwide. Our R&D activities are supported by six R&D bases, including three that are located in the United States and Germany, where we harness the talents and resources of the global community. Our manufacturing is primarily carried out in 48 major factories worldwide, 13 of which are in 8 foreign countries, enabling us to produce and deliver globally and enjoy the growth opportunities of such overseas markets. We also have sales and marketing forces scattered across the globe, dedicated to providing quality end-to-end service to our global customer base. As of December 31, 2024, our products had reached America, Europe, Asia, Oceania and Africa, spanning over 80 countries and regions worldwide. As of December 31, 2024, we employed approximately 19,000 employees globally, including over 5,300 overseas employees.

In addition to organic growth, we expand overseas business through pursuing mergers and acquisitions, which allow us to leverage the market insights and network of the targets to accelerate market entry. We have acquired Ranco's global four-way reversing valve business, Aweco's global operations and ATI's tubing component business in the United States and Mexico, among others, and continue to pursue a proactive and prudent strategy for future overseas acquisitions. We seek to strengthen cooperation with our overseas partners and increase our overseas sales through our overseas subsidiaries and factories. We value business partners whose strategic goals align with ours, with a wealth of market and industry experience and are committed to investing the necessary resources to support our shared vision. We respect and embrace cultural differences and share our commitment to compliance, integrity and sustainability in our cooperation.

As of December 31, 2024, our overseas sales have extended to America, Europe, Asia, Oceania and Africa. Our offerings in these regions are primarily refrigeration and air-conditioning product components and automotive components, including electronic expansion valves, four-way reversing valves, service valves, micro-channel heat exchangers, integrated modules and electronic water pumps. We intend to accelerate the international expansion through promotion and sales efforts, continued establishment of overseas subsidiaries and increased investments in local factories. We plan to build more overseas factories and production lines. In addition, we are committed to forging stronger partnerships with esteemed international business allies to explore internationalization strategies, advocate for global standards and develop a PCT international patent framework. Through such initiatives, we aim to strengthen our product competitiveness in overseas markets, elevate our reputation, and drive the growth of our international business.

The following table sets forth our revenue by geographic location for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in thousands, except for percentage)					
China	11,415,857	53.5	13,403,443	54.6	15,446,506	55.3
North America	5,703,859	26.7	6,301,569	25.7	7,094,512	25.4
Europe	1,985,305	9.3	2,442,768	9.9	2,623,526	9.4
Asia (excluding China)	2,153,219	10.1	2,331,241	9.5	2,653,978	9.5
Others(1)	89,310	0.4	78,781	0.3	128,643	0.5
Total	**21,347,550**	**100.0**	**24,557,802**	**100.0**	**27,947,165**	**100.0**

Note:

(1) Others comprise South America, Oceania and Africa.

Our Customers

The major customers of our refrigeration and air-conditioning product component business are domestic and foreign refrigeration and air-conditioning manufacturers. For our automotive component business, the major customers include major domestic and foreign automotive companies.

Key Terms of Sales Contracts

We generally enter into framework agreements with major customers, who place orders based on actual demand under the framework agreements. Although the contract terms vary, they usually include the following key terms:

- ***Duration.*** Typically ranging from six months to indefinite term, terminating automatically when one party breaches the agreement. Depending on the nature of our customers' business, certain contracts may be subject to automatic renewal.

- ***Quality control.*** The quality of the products shall be in compliance with the specific standards designated by our customers, or in compliance with applicable national, local or industry standards.

- ***Price.*** The prices of the product are generally specified in each purchase order in the case where the main sales agreement is a framework agreement.

- ***Payment terms.*** We generally grant our customers a credit period of 60 to 120 days.

- ***Confidentiality.*** We usually set confidentiality clauses with our customers and such obligation shall continue to exist for a certain period of time after the termination of the agreement.

- ***Delivery and transportation.*** Our delivery options include customer pick up and home delivery. For home delivery, we appoint third-party logistics companies to accommodate the delivery and purchase relevant insurances. The logistics companies are responsible for any product damage during the transportation.

- ***Warranty.*** We usually set out warranty periods depending on the products and the sales agreement. During the warranty period, our customers may request that we replace or repair defective parts and components free of charge. Following the expiration of the warranty period, we provide repair and maintenance service and supply parts and components to our customers for a fee based on the services required.

- ***Termination.*** Our customers are typically entitled to terminate the agreement without cause with prior written notice. The agreements may also be terminated under certain conditions as specified in the agreements, including termination by default due to a material breach that is not remedied timely, false representations, or bankruptcy. In such cases, the non-defaulting party may terminate the agreement with written notice.

Major Customers

Our customers primarily consist of automotive companies and refrigeration and air-conditioning companies. In each year during the Track Record Period, our five largest customers accounted for approximately 35.9%, 35.9%, 32.9% of our total revenue, respectively, and sales to the largest customer accounted for approximately 13.1%, 14.6% and 12.6% of our total revenue, respectively. Our primary means of settlement includes bank acceptance notes and bank remittance. The tables below set forth the basic information of our top five customers in each year during the Track Record Period:

For the year ended December 31, 2022

Customer	Transaction amount	Percentage to total revenue	Approximate years of business relationship[(1)]	Background and principal business activity	Major products purchased	Location	Credit term
	(RMB in thousands)	*(%)*					
Customer A	2,799,824	13.1	9 years	an international company listed on NASDAQ that primarily engages in the automotive business, with operations on a global scale	automotive components	the United States	90 days
Customer B	1,899,779	8.9	over 20 years	an international company listed on Shenzhen Stock Exchange and Hong Kong Stock Exchange that primarily engages in the refrigeration and air-conditioning business, with operations on a global scale	refrigeration and air-conditioning product components	China	60-240 days
Customer C	1,335,774	6.3	over 20 years	an international company listed on New York Stock Exchange that primarily engages in the refrigeration and air-conditioning business, with operations on a global scale	refrigeration and air-conditioning product components	the United States	75 days
Customer D	936,315	4.4	over 20 years	an international company listed on Tokyo Stock Exchange that primarily engages in the refrigeration and air-conditioning business, with operations on a global scale	refrigeration and air-conditioning product components	Japan	35 days
Customer E	699,094	3.3	over 20 years	an international company listed on Shenzhen Stock Exchange that primarily engages in the refrigeration and air-conditioning business, with operations on a global scale	refrigeration and air-conditioning product components	China	60-240 days
Total	**7,670,786**	**35.9**					

Note:

(1) As of December 31, 2024

For the year ended December 31, 2023

Customer	Transaction amount *(RMB in thousands)*	Percentage to total revenue *(%)*	Approximate years of business relationship[1]	Background and principal business activity	Major products purchased	Location	Credit term
Customer A	3,582,715	14.6	9 years	an international company listed on NASDAQ that primarily engages in the automotive business, with operations on a global scale	automotive components	the United States	90 days
Customer B	2,143,121	8.7	over 20 years	an international company listed on Shenzhen Stock Exchange and Hong Kong Stock Exchange that primarily engages in the refrigeration and air-conditioning business, with operations on a global scale	refrigeration and air-conditioning product components	China	60-270 days
Customer C	1,128,597	4.6	over 20 years	an international company listed on New York Stock Exchange that primarily engages in the refrigeration and air-conditioning business, with operations on a global scale	refrigeration and air-conditioning product components	the United States	75 days
Customer F	1,071,372	4.4	16 years	an international company listed on Shenzhen Stock Exchange that primarily engages in the automotive business, with operations on a global scale	automotive components	China	120-240 days
Customer G	895,109	3.6	8 years	an international company listed on Hong Kong Stock Exchange that primarily engages in the automotive business, with operations on a global scale	automotive components	China	60-75 days
Total	**8,820,915**	**35.9**					

Note:

(1) As of December 31, 2024

For the year ended December 31, 2024

Customer	Transaction amount	Percentage to total revenue	Approximate years of business relationship[1]	Background and principal business activity	Major products purchased	Location	Credit term
	(RMB in thousands)	*(%)*					
Customer A	3,527,626	12.6	9 years	an international company listed on NASDAQ that primarily engages in the automotive business, with operations on a global scale	automotive components	the United States	60-90 days
Customer B	2,429,873	8.7	over 20 years	an international company listed on Shenzhen Stock Exchange and Hong Kong Stock Exchange that primarily engages in the refrigeration and air-conditioning business, with operations on a global scale	refrigeration and air-conditioning product components	China	285 days
Customer C	1,315,669	4.7	over 20 years	an international company listed on New York Stock Exchange that primarily engages in the refrigeration and air-conditioning business, with operations on a global scale	refrigeration and air-conditioning product components	the United States	90-106 days
Customer D	1,039,137	3.7	over 20 years	an international company listed on Tokyo Stock Exchange that primarily engages in the refrigeration and air-conditioning business, with operations on a global scale	refrigeration and air-conditioning product components	Japan	35 days
Customer F	881,391	3.2	16 years	an international company listed on Shenzhen Stock Exchange that primarily engages in the automotive business, with operations on a global scale	automotive components	China	240 days
Total	**9,193,696**	**32.9**					

Note:

(1) As of December 31, 2024

As of the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest customers in each year during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, none of our customers requested to terminate their agreements with us.

During the Track Record Period, Customer B, Customer C, Customer E and Customer F were also our suppliers. We primarily procured raw materials from Customers B, C, E and F for the production of products under refrigeration and air-conditioning product components and automotive component businesses. In 2022, 2023 and 2024, our procurement from each of Customers B, C, E and F accounted for less than 1% of our total purchases for the same year, respectively. All of our agreements with Customers B, C, E and F are negotiated on an arm's length basis. Our Directors confirmed that all of our sales to our major customers were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

After-sale Services

We believe that the accessibility of high-quality after-sales services is an important consideration behind a consumer's purchase decision. Our global sales network serves as the primary contact point for customers to receive after-sales services, which cover delivery, return and exchange of defective products, as well as trainings to ensure proper installation of our products and the verification of the application conditions of our products. We believe that the provision of satisfactory after-sales services is a crucial determinant of our success. It enhances the value chain of our products and fosters satisfaction among customers and end-users.

When a complaint arises, our committed team will typically visit the customer's site to thoroughly understand the context and determine the cause of the problem. Our objective is to address the complaints by making the necessary adjustments to the customer's application to ensure the smooth operations of our products in the first place. Subsequently, we analyze the issues internally to prevent the recurrence of similar problems in design.

We provide product return and exchange services that are tailored to address the requirements and concerns of the customer. We developed a standard product return procedure. When a customer raises a quality issue with our products, our technical team will promptly verify the concern. Following an internal analysis and review that confirms a product deficiency, our quality control department will inform the sales team to initiate a return request to complete the return and exchange procedure. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material customer return or complaint, or product recall that adversely impacted our reputation, business operations or financial condition, nor were we subject to any material product liability claim. We believe such arrangement would foster trusted, stable relationships with customers and sustain our long-term growth. Our sales team are required to attend regular training sessions to improve their knowledge and skills. To ensure the quality of our after-sales services, we conduct regular appraisals on our sales persons with regards to their performance.

Moreover, our sales team conduct customer satisfaction evaluation on a regular basis by collecting and analyzing information from our customers in respective of their satisfaction towards our products and services. By doing so, we gain valuable insights into areas where we excel and identify opportunities for improvement. Moreover, these evaluations serve as a platform for us to follow up on their evolving needs. By understanding our customers' future requirements and preferences, we can explore further collaboration opportunities and generate ideas for product iteration and innovation.

Pricing

We take into account various factors when determining the price of our products, including production costs, technological differentiation, customer demand, supply chain dynamics, procurement strategies and expected gross profit margins of each product, as well as the competitive landscape where the sales take place. We also evaluate the competitive landscape, including the overall market conditions as well as prices for similar products offered by our peers. Due to the extensive variety and specifications of our products, there is a significant disparity in their pricing.

Marketing

We take a customer-centric marketing approach to build and expand our business relationships. We formulate targeted marketing strategies, participate online and offline marketing activities such as exhibitions, forums and online technical seminars to meet our business promotion needs and enhance our brand awareness. As we continue to expand domestically and globally, we optimize our sales and marketing network to ensure that we have sufficient geographic coverage across both existing and new markets. Our strong brand reputation and significant industry influence have been cultivated through extensive and deep partnerships with leading customers across various sectors. Moreover, we allocate considerable resources to expanding our presence in emerging application domains. We adopt tailored strategies for customers in different industries and devote significant resources to business development in emerging applications. We make full use of the opportunity to participate in exhibitions to showcase our latest products and technologies to domestic and foreign customers, enhance our brand awareness, and develop business relationships with potential customers. We participate in major global exhibitions and summits, as well as key industry exhibitions annually, including China Refrigeration Expo, Appliance & Electronics World Expo, Air-Conditioning, Heating, Refrigerating Expo ("**AHR Expo**") and Chillventa International Trade Fair for Refrigeration, Air-Conditioning, Ventilation and Heat Pumps ("**Chillventa**") for our refrigeration and air-conditioning product components as well as World Vehicle Thermal Management Systems Conference and Exhibition ("**WVTMS**"), New Energy Vehicle Low Temperature Heat Pump and Energy Storage Thermal Management Summit, International Motor Show ("**IAA MOBILITY**") and the International Suppliers Fair ("**IZB**") for our automotive component business. Additionally, we have set up showrooms, welcoming top executives and research and development heads from customer companies to experience our products in-person.

QUALITY CONTROL

We have comprehensive policies and detailed procedures in place to ensure product quality. We have obtained a series of certificates including ISO 9001 for our quality management system, QC 080000 for our hazardous substance process management system, ISO 10012:2003 for our measurement management systems, IATF 16949 for our international standard for automotive quality management system and other various certificates for our specific products issued by China Quality Certification Center.

In addition, we have established a quality manual (the "**Quality Manual**") including procedures and policies on the packaging management, disqualified products control, inventory managements and products delivery control. We are in strict compliance with the Quality Manual, based on which we publish the annual quality policy where each department formulates quality improvement strategies and objectives. The quality management department tracks the implementation of those quality objectives instantaneously, assesses the development and takes according to measures. At the same time, we review the significant quality problems, if any, during quality reflection meetings so as to prevent any re-occurrence of such quality problems. The effectiveness and adequacy of our quality manual are rigorously evaluated through annual internal audits. Our quality control measures can be described as follows:

- ***Selection and Management of Suppliers.*** We have established a comprehensive supplier management system to ensure the selection of high-quality raw material and service suppliers. Our process includes a rigorous supplier admission procedure and regular evaluations based on our Supplier Performance Evaluation Management Method. We also require adherence to our Raw Material Quality Assurance Certificate Management Process to ensure all materials meet our standards. Through these measures, we maintain a reliable and efficient supply chain.

- ***Inspection of Raw Materials.*** We adhere to stringent standards and technical requirements for raw materials and components, supported by detailed drawings and procurement plans. Our supply management department oversees the procurement and management of raw materials, ensuring compliance with our raw material storage management policies and inventory management methods. Each batch of raw materials undergoes thorough inspection upon arrival, with inspection records meticulously maintained. We monitor the non-conformance rates of incoming batches and initial usage to ensure only materials meeting our quality standards are accepted into inventory.

- ***Production Process.*** Our production processes are meticulously monitored through systematic inspection and reporting to maintain product quality. Each business unit within our Company is responsible for manufacturing a specific product category. Upon completion, the inspection staff within each unit reports to our quality assurance department for a final inspection, ensuring adherence to our quality standards.

- ***Finished Products.*** We have established comprehensive testing guidelines that detail the procedures and requirements for evaluating our finished products. These guidelines ensure that our products consistently meet our stringent quality standards and align with our customers' specifications prior to dispatch. To maintain their relevance and effectiveness, we regularly review and update these guidelines. Our quality assurance department closely monitors the testing processes to ensure consistency and high standards across all business units.

- ***Warehousing.*** All materials and goods are stored according to specified conditions, considering environmental factors, location, and stacking height requirements. Warehouse managers maintain detailed inventory records to ensure alignment between records, physical stock and inventory cards. Each item is labeled according to product identification and traceability standards. Special measures are implemented for hazardous and explosive materials to ensure their safe storage and handling.

- ***Delivery.*** We ensure that our products are packaged and delivered to customer-designated destinations with the utmost care. Our logistics processes are designed to maintain the integrity and quality of our products throughout transportation. Delivery times are tailored to meet customer requirements and vary depending on the destination.

Our quality policies are designed to ensure continuous improvement and adherence to both internal and customer standards. We have designated employees to dynamically track these objectives, investigate the causes of both improvements and deteriorations and implement necessary measures. We also hold regular meetings, such as quality review sessions and defect report meetings, to retrospectively analyze significant quality issues, with an aim to prevent the future occurrences and recurrences of such issues. Furthermore, we conduct in-depth analysis of customers' quality manuals and integrate their quality requirements into our policies. In alignment with relevant industry standards, we regularly review and optimize our processes to achieve agile and rapid quality management. We also conduct thorough analyses of defects and anomalies encountered during the warranty process and in the aftermarket services to prevent future issues and ensure continuous improvement in quality management. Our quality assurance measures are validated primarily through Ex-factory Defect Rate measured in PPM, which refers to the number of defective products that enter the market within a given year or period as a ratio of the total quantity of products dispatched from the factory, multiplied by 1,000,000. For instance, the Ex-factory Defect Rate of our electronic expansion valve product category under our refrigeration and air-conditioning product component business decreased from 3.09 PPM in 2022 to 3.05 PPM in 2023, and further reduced to 2.99 PPM in 2024. According to Frost & Sullivan, such Ex-factory Defect Rates are lower than the industry average, which ranged from 10 PPM to 15 PPM during the Track Record Period. These figures underscore our commitment to high quality.

WAREHOUSING AND LOGISTICS

We are dedicated to developing an efficient and transparent logistics supply chain to ensure customer satisfaction and enhance our inventory efficiency. We are consistently refining and standardizing the warehousing and distribution systems within our self-operated warehouses worldwide, while also effectively managing third-party logistics providers. As of the Latest Practicable Date, we owned 20 self-operated warehouses in China and 23 self-operated warehouses in other overseas jurisdiction including the United States, Mexico, Poland, Vietnam, Turkey, Austria and Thailand. In addition, we had 108 third-party warehouses in China and 12 third-party warehouses in other overseas countries or regions, including the United States, Mexico, Ireland, Spain, France and Czech Republic. Such warehouses are strategically located near our customers to enhance service delivery and better meet their needs. The salient terms of the agreements with third-party warehousing service providers are set forth below:

- ***Duration***. Typically one year.

- ***Principal rights and obligations***. Generally, third-party warehousing service providers are accountable for warehousing services, including sorting, warehousing, storage and dispatch of goods as per our instructions, among others. We are generally responsible for product packaging and appointing personnel for account reconciliation, payment and coordination with these providers, among others.

- ***Payment***. Typically monthly settlement.

- ***Quality***. Third-party warehousing service providers are required to ensure proficient warehouse management and comply with our specified warehouse management requirements and assessment criteria.

- ***Termination***. We may usually terminate the agreements unilaterally with one month's prior notice, based on business circumstances.

We have implemented the OTWB, which standardizes online operations from order placement to product delivery, facilitating seamless coordination from the factory to the customer. The OTWB helps us shorten the supply chain cycle, reduce finished goods inventory and improve inventory turnover, while enabling information sharing and transparency among our Company, carriers and customers.

We are also advancing the Warehouse Management System (the "**WMS**") system to standardize warehouse operations, enhancing the accuracy, traceability and responsiveness of warehouse material management. The integration of IoT and other intelligent technologies, such as automated storage and distribution, contributes to creating a smart campus that boosts logistics efficiency and service quality. By linking systems like OTWB and WMS, we are able to effectively manage domestic and international logistics operations.

We have also introduced a centralized bidding model to engage high-quality service providers for transport, supported by a comprehensive management and metrics system to ensure service quality. Through ongoing enhancements, we are consistently improving delivery timeliness, accuracy and customer satisfaction while achieving cost reductions. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant delay or inappropriate handling of goods that materially and adversely affected our business operations.

INVENTORY MANAGEMENT

Our supply chain management is coordinated to achieve synergy and desirable allocation of resources among order placement, procurement management, product manufacturing, shipping and other processes. We manage and maintain sufficient inventory levels to support production. We analyze and determine the procurement strategies according to the forecast supply, market analysis and the estimation of fluctuations of the volume in procurement period and procurement price. Based on such analysis, we set different reasonable and safe inventory levels for different kind of inventories in response to changes in customer demand and fluctuations of raw material prices.

Our management emphasizes the asset management and holds quarterly meetings to review the asset management problems we came across, to propose the improvement plans and the goals, and to re-assess those plans and goals in the next quarterly meeting. In addition, we have strict rules and standard on the inventory management workflows including (i) the arrangement and placement of the inventories, (ii) the environment and safety requirement, (iii) storage, (iv) outbound, (v) handling of disqualified products, (vi) storage and inspection, (vii) inventory management and (viii) the handover process. We also digitalize and standardize our inventory management through the ERP, MES and WMS systems, which enhance the efficiency and accuracy of our inventory management processes.

Our inventory turnover days in 2022 and 2023 and 2024 was 92 days, 92 days and 89 days, respectively.

INFORMATION TECHNOLOGY

Information technology systems are essential to competitiveness and efficient operations. We utilize and maintain IT systems that evolve in tandem with our business growth. We have instituted an information technology system covering all material aspects of our operations, including inventory management, production, quality control, external relationship management, internal relationship management and operation management. Our information technology team is responsible for developing and maintaining IT systems in line with our business expansion and customizing them to meet our business needs. Our key information technology systems are set forth below:

- ***ERP system.*** Our enterprise resource planning system ("**ERP**") helps us integrate the core business processes of various departments, including financial management, supply chain, production and inventory. It can provide real-time data analysis, reduce costs, enhance operational efficiency and support our decision-making process, thereby increasing our flexibility and competitiveness. It facilitates the management of core activities such as production planning, inventory management, procurement, supply chain operations and finance. It also supports compliance with industry regulations and standards, ensuring streamlined operations across our Group.

- ***MES system.*** Our Manufacturing Execution System ("**MES**") serves as a crucial bridge between the ERP and our production department. Its core functions include production scheduling, resource management, quality control, data collection and real-time monitoring of plant personnel, equipment and materials. It assists us in conducting timely checks, enhancing production efficiency, and minimizing downtime and production errors, thereby optimizing our production processes and improving our resource utilization. It provides us with greater visibility and control, supporting our decision-making process, facilitating smart manufacturing and lean production, and thereby enhancing our competitiveness and market responsiveness.

- ***OA system.*** Our office automation ("**OA**") system is primarily utilized for daily office management. It streamlines routine administrative tasks, enhances communication and improves overall organizational efficiency by providing a centralized platform for document management, scheduling and internal collaboration.

- ***CRM system***. Our Customer Relationship Management ("**CRM**") system manage and analyze customer interactions and data throughout the customer lifecycle. Its main functions include contact management, sales automation and customer service. It organizes customer information, automating marketing tasks, tracking customer interactions, and providing insights into customer behavior and preferences. It helps us tailor marketing efforts more effectively, personalize communications, optimize sales processes and ultimately enhance customer satisfaction.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any information technology system failure or downtime that had a material adverse effect on our business operations.

INTELLECTUAL PROPERTY

We depend on our proprietary technologies and production know-how to maintain our competitive position in the markets in which we operate, and we create intellectual property through our extensive R&D activities. Our general policy is to apply for patents on an ongoing basis, in China and other appropriate jurisdictions, on patentable developments that are considered to have commercial significance. Our portfolio of patents covers our proprietary technologies used in products as well as many aspects of our product design and manufacturing processes.

We seek to protect our intellectual property and proprietary rights primarily through intellectual property laws, relying on a combination of patent, trademark, trade secret and other intellectual property laws in China and other countries. As of December 31, 2024, we held a robust portfolio of intellectual property worldwide, comprising over 3,300 patents in China. Our patents span critical sectors, primarily including refrigeration and air-conditioning product component and automotive component. Within our patents in China, we had over 1,400 invention patents and over 1,500 utility model patents. Moreover, we had over 800 patents in overseas jurisdictions including the United States, Europe, Japan and South Korea, the majority of which were invention patents. As of the same date, we had filed over 6,600 patent applications in China and over 1,300 patent applications in overseas aforementioned jurisdictions. In addition, we had over 100 valid applications under the PCT.

As of December 31, 2024, we had led the drafting of 28 Chinese national or industry standards. Apart from that, we had also participated in the drafting of 29 Chinese national or industry standards. We also own 17 high-tech enterprises, one national enterprise technology center and one national postdoctoral research workstation.

As of December 31, 2024, we had 110 registered trademarks in China and 74 registered trademarks overseas, including the United States, Canada, Germany, the United Kingdom, Italy, South Korea and Japan with our brand “SANHUA” among these trademarks.

We have a range of internal control policies and measures in place to protect our intellectual property rights and trade secrets. We proactively pursue patent applications for our technological innovations and utilize our patent rights to safeguard our legitimate interests. Meanwhile, our intellectual property team is proactive in taking reasonable steps to detect possible infringement of our intellectual property rights. Upon identifying potential patent infringements by any competitors, we conduct thorough analyses and comparisons of the competing products. For products that are confirmed to infringe on our patents, we typically take legal actions timely by securing evidence and filing relevant lawsuits. This proactive approach underscores our commitment to protecting our intellectual property and maintaining our competitive edge in the market. We rely on non-disclosure agreements to protect our interests in non-patentable know-how and hard-to-patent manufacturing processes. All contracts we enter into with employees, suppliers and other strategic partners are reviewed and approved by our in-house legal team to ensure that they contain adequate safeguards to prevent unauthorized disclosure. To the best of our knowledge, knowledge and belief, our intellectual property rights have not been subject to any material intellectual property claims by third parties during the Track Record Period and as of the Latest Practicable Date.

COMPETITION

We mainly operate in the refrigeration and air-conditioning product component industry and automotive component industry, which are highly competitive and concentrated.

The global refrigeration and air-conditioning control component market is overall highly concentrated. With the increasingly prominent technical barriers and scale advantages in the refrigeration and air-conditioning control component market, the global market concentration is showing an upward trend. For key products in this industry, except for inverter controller market which is relatively fragmented, the top three players in the world accounted for 87.3%, 87.6%, 70.7%, 78.6%, 74.7%, 96.6%, 56.2% and 80.3% in terms of revenue in four-way reversing valves, electronic expansion valves, micro-channel heat exchangers, service valves, solenoid valves, Omega pumps, pressure sensors and ball valves, respectively, in 2024. Leading component manufacturers have continuously consolidated their dominant positions through technological improvement, product quality and cost efficiency advantages. In contrast, small component manufacturers may find it difficult to compete with leading manufacturers, due to insufficient technological reserves, limited production scale, and relatively weak supply chain integration capabilities. According to Frost & Sullivan, we ranked first in the refrigeration and air-conditioning control component market in terms of revenue in 2024. According to Frost & Sullivan, in terms of revenue in 2024, we ranked first in the global market of refrigeration and air-conditioning valves, heat exchangers and pumps, and ranked second in the market of refrigeration and air-conditioning controllers. In the same year, our four-way reversing valves, electronic expansion valves, micro-channel heat exchangers, service valves, solenoid valves, Omega pumps and ball valves ranked first in their respective global markets in terms of revenue, with market shares of 55.4%, 51.4%, 43.4%, 39.1%, 47.7%, 53.6% and 32.8%, respectively. In the same year, our pressure sensors ranked second in the global sensors market in terms of revenue, with a market share of 15.9%.

The global automotive thermal management system component market is highly concentrated. Leading companies leverage early advantages to accumulate expertise in core components and system development capabilities. They also possess technical advantages in system integration. According to Frost & Sullivan, in terms of revenue in 2024, we ranked first in the global market of automotive valves and integrated modules, respectively, and ranked fourth in the global market of automotive pumps. For automotive electronic expansion valves, integrated modules, battery coolers and automotive electronic pumps, the top three players in the world accounted for 89.7%, 89.6%, 62.7% and 60.5% of the market share in terms of revenue, respectively, in 2024. In the same year, our automotive electronic expansion valves and integrated modules ranked first in their respective global markets in terms of revenue, with market shares of 48.3% and 65.6%, respectively. In addition, in the same year, our battery coolers and automotive electronic water pumps ranked third and fourth in their respective global markets in terms of revenue, with market shares of 5.9% and 5.5% respectively.

See "Industry Overview — Refrigeration and Air-Conditioning Control Component Market — Competitive Landscape of Refrigeration and Air-conditioning Control Components" and "Industry Overview — Automotive Thermal Management System Component Market — Competitive Landscape of Global Automotive Thermal Management System Components."

Our competitive edge is attributable to factors such as extensive industry experience, leading market position and our ability to offer comprehensive solutions to our customers. Our market leadership has been further solidified by our international presence, diverse product portfolio, high-quality customer relations, robust R&D capabilities, technical expertise and our visionary management team. Therefore, we believe that we are well-positioned to maintain our leadership position and to capture future opportunities in the refrigeration and air-conditioning product component industry and automotive component industry.

EMPLOYEES

As of December 31, 2024, we had 19,787 full-time employees located in both China and overseas. The following table sets forth a breakdown of our employees by function as of the same date:

Business Function	Number of Employees	Percent (%)
Production	12,961	65.5
R&D	3,578	18.1
Finance & Administration	2,547	12.9
Sales	701	3.5
Total	**19,787**	**100.0**

Adhering to our employee-centered core values, we focus on improving the working environment for employees, realizing their personal value, improving their quality of life and promoting their career growth, which are also important parts of our development strategy. We treat our employees as our core assets and strive to enhance the morale and cohesion of our Company.

Pursuant to the relevant labor laws and regulations, we established various labor management policies regarding the timely signing of employee contracts, timely and full payment of wages, payments of social welfares, vacations and welfare benefits. Furthermore, we have a performance appraisal system in place which assesses the performance of the management personnel based on the overall business objectives. In addition, we established a training system, providing trainings for our employees and encouraging them to study proactively in their spare time.

In addition, we attach great importance to the cultivation of our corporate culture, aiming at creating a healthy, positive and cooperative working environment. We take care of our employees through "Sanhua Family" fund to help the employees facing financial difficulties. We also organize social events such as sports meetings, job skills competitions, festival parties and other recreational activities to effectively enhance the team cohesion. In 2015, we set up an employee stock ownership plan to motivate and retain key talents. In 2018, 2020, 2022 and 2024, we launched equity incentive plans to incentivize a wide range of employees from the Company's senior management to the core talents.

As required by the laws and regulations in the jurisdictions in which we operate, we participate in employee social security plans.

During the Track Record Period and up to the Latest Practicable Date, we did not have any strikes, protests or other material labor conflicts that may materially impair our business and image. As of the Latest Practicable Date, our employees were represented by a labor union.

PROPERTIES

As of December 31, 2024, our Company and Major Subsidiaries owned the land use rights of 30 parcels in China, each exceeding 1,000 square meters, with an aggregate site area of approximately 2,040.59 thousand square meters, among all the land parcels owned by our Company and Major Subsidiaries. All of these land parcels have been granted land use right certificates. As of December 31, 2024, our Company and Major Subsidiaries owned (i) 21 properties, each exceeding 1,000 square meters, with an aggregate site area of approximately 783.7 thousand square meters, that had obtained the relevant title certificates in China, and (ii) 14 properties, which were still in the process of obtaining the relevant title certificates in China, with an aggregate site area of approximately 1,200 thousand square meters. These land parcels and properties are primarily used for our productions and operations, as well as dormitories. For the fourteen properties in the process of obtaining the relevant title certificates, we have obtained the necessary planning permits for land use, construction planning permits and construction works commencement permits, and all of these properties have passed fire safety inspections or have completed fire safety filings. We have received written confirmation from the competent authorities stating that they have not imposed any administrative penalties for failing to obtain the relevant title certificates for such properties during the Track Record Period. During the Track Record Period and as of the Latest Practicable Date, we had not received any notice from the relevant authorities regarding any classification of these properties as illegal structures, and had not been subject to any penalties associated with these properties. Our PRC Legal Advisor is of the view that (i) the lack of title certificates does not affect the safe use of such properties; (ii) the absence of title certificates does not in itself result in fines; and (iii) there are no substantial legal impediments to obtaining title certificates for these properties. The fact that we have not obtained the relevant title certificates is primarily due to the ongoing necessary procedures. See "Risk Factors — We face risks related to title defects related to our properties." Our PRC legal advisor is of the view that these defects would not materially or adversely affect our use of the properties for our business.

As of December 31, 2024, our Company and Major Subsidiaries leased 11 properties for productions and operations, each exceeding 1,000 square meters, with an aggregate site area of approximately 50.99 thousand square meters, in China, among all the properties exceeding 1,000 square meters leased by our Company and Major Subsidiaries.

As of the Latest Practicable Date, we did not have any single property with a book value accounting for 15% or more of our total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

INSURANCE

We consider our insurance coverage to be adequate and in accordance with the commercial practices in the industries in which we operate. Our assets, employee safety and other applicable items/risks are covered by commercial insurances including product liability insurance, recall insurance, accident insurance, property insurance, transportation insurance and liability insurance for senior management personnel. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustment to our insurance plans to align with our needs and with industry practice. During the Track Record Period, we did not make any material insurance claims in relation to our business.

However, there can be no guarantee that we will not incur losses or suffer claims beyond the limits, or outside the relevant coverage, of our insurance policies. See "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to risks associated with our products and may lack sufficient insurance coverage for such claims. We may not be able to obtain adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed."

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We recognize environmental protection, integrity and transparency as important aspects of our business development process, and are committed to making a positive and sustainable impact on our stakeholders through environmentally and socially responsible operations.

Governance

We have established a multi-tiered Environmental, Social and Governance ("**ESG**") management structure. Our Board, as the highest governance body for our ESG management, is responsible for formulating, overseeing and reviewing our ESG strategy, including strategic direction, target setting and key policies, as well as identifying and evaluating ESG-related risks and opportunities to ensure that the impact of these factors on our long-term development is adequately considered. We have established a Strategy Management and ESG Committee to examine ESG-related issues and make recommendations on policies related thereto. It reviews the implementation of our ESG strategies and objectives from time to time and updates the Board on a regular basis. We have also set up a dedicated ESG Working Group, which is responsible for planning our overall strategies and action points on ESG issues and assisting various departments to break down their objectives and define their responsibilities, so as to ensure the effective implementation of relevant measures.

Strategy

We have dedicated personnel to identify and monitor ESG-related risks and opportunities and applicable regulatory and supervisory requirements to proactively address current and anticipated challenges. In the process of promoting green and smart development, we have implemented measures across various business areas, including the refrigeration and air-conditioning product component and the automotive component. For refrigeration and air-conditioning product component business, we focus on advancing eco-friendly refrigerant technology to lead global green development in this field, and for automotive component business, we optimize our customers' energy efficiency and reduce carbon emissions through our leading thermal management technology.

These measures not only drive green and smart development, but also help maintain our competitive advantages amidst increasingly stringent environmental regulations and evolving market demands. Moreover, with the implementation of comprehensive risk adaptation and mitigation plans, we have established scientific indicators and objectives to ensure the efficient implementation of our green and smart strategies. We are now focusing on carbon emission control, resource efficiency improvement and labor rights management, among others, and have established a clear management framework and milestones to drive continuous improvement in key ESG domains.

And up to the Latest Practicable Date, we strictly comply with applicable ESG-related laws and regulations. In 2022, 2023 and 2024, there was no material violation with regard to ESG-related laws and regulations. Over these years, we have annually invested a certain amount of resources in developing our ESG compliance management system, addressing key topics such as environmental protection, production safety and information security. These efforts include upgrades to pollutant treatment facilities, conducting emergency drills for production safety and performing special audits on information security. For example, we have invested RMB27.2 million, RMB33.7 million and RMB34.3 million in 2022, 2023 and 2024, respectively, in environmental protection initiatives, representing 0.1%, 0.1% and 0.1% of our revenue, respectively. Such investments did not have any material impact on our financial performance. During the Track Record Period, our ordinary business operations were not materially impacted by measures taken to achieve the reduction targets.

Risk Management

We proactively review our operations and industry characteristics and referencing domestic and global ESG standards, policies, industry trends and key focus areas of global ESG ratings. This allows us to identify ESG-related risks and opportunities we face. Simultaneously, we assess and rank risks across dimensions such as probability and impact through questionnaires, and the results of such analyses are reviewed and approved by our Strategy Management and ESG Committee.

Our ESG-related risk and opportunity management follows a four-step process:

(i) grasp the ESG-related policy landscape, industry trends, and global ESG rating standards, while identifying our stakeholders and communication methods; (ii) conduct preliminary identification and screening of ESG issues relevant to us followed by in-depth analysis to evaluate their impacts and relevance to our business; (iii) develop appropriate risk assessment methodologies and thresholds, and engage our Directors, executives, Shareholders, government and regulatory authorities, customers, employees, suppliers and community and other stakeholders to evaluate risks according to such methodologies, and rank the related issues by importance and urgency to form an issue matrix; and (iv) has our Strategy Management and ESG Committee reviewed and approved the results of the above analyses, determined the focus areas of risk management, and developed corresponding management and response strategies.

We identify four categories of ESG issues that have a material impact on our business.

Responding to Climate Change

The transition to green and low-carbon development, exemplified by new energy vehicles, represents both new quality productive forces and a strategic focus for the automotive industry's transformation. In addition, the growing regulation of greenhouse gas ("**GHG**") emissions globally has accelerated the phase-out of traditional refrigerant technologies.

To this end, we actively implement the corresponding measures, which mainly include: (i) prospectively exploring the upgrading of thermal management technologies for new energy vehicles, while establishing technology partnerships and collaborating with leading scientific research institutes to promote technological innovation; and (ii) investing heavily in the R&D of eco-friendly refrigerants, aiming to seize market opportunities and enhance the core competitiveness of our products. For instance, in compliance with *The Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer,* we are actively researching alternative refrigerants for the air-conditioning sector and developing clean refrigerant technologies in this regard, such as CO_2 and R134a refrigerants.

Energy Management

As a key player in the refrigeration and air-conditioning control components and automotive thermal management system component supply chains, we face increasing demands from clients to enhance our environmental performance by increasing the use of clean energy and providing carbon footprint reports for our products. Meanwhile, in the face of more stringent energy-saving policies and assessment targets issued by local governments than the national dual carbon strategy, we mainly rely on municipal power supply for our production operations, and we may be subject to carbon allowance trading and energy efficiency audits by regulatory authorities in the future. As a result, we need to further reduce our energy consumption levels.

To this end, we actively implement the corresponding measures, which mainly include: (i) adopting measures such as installation of distributed photovoltaic systems, energy storage facilities and purchase of green power certificates; and (ii) introducing an intelligent energy system to monitor the energy consumption across divisions, workplaces and high-energy-consuming equipments in real time, and to identify energy wastage in a timely manner by providing early warnings of energy consumption anomalies.

Employment and Labor Standards

If we fail to properly manage employment practices at our overseas factories and branches, resulting in issues such as forced labor or the use of child labor, we could face penalties from local authorities or be criticized by non-governmental organizations, which could jeopardize our external image and reputation. Furthermore, inadequate management of labor rights, such as discrimination or wage arrears, could lead to higher employee turnover, which would, in turn, affect our production and operational efficiency.

To this end, we actively implement the corresponding measures, which mainly include: (i) strictly prohibiting child labor and compulsory employment, firmly opposing discrimination, and ensuring legal compliance and equality of employment through random internal inspections; and (ii) continuously monitoring the economic conditions and changes in the cost of living of our employees in the jurisdictions in which we operate, and assessing and adjusting the remuneration levels of our employees timely.

Occupational Health and Safety

Our occupational health and safety protection facilities and equipment are widely distributed, and inadequate supervision may result in failures not being detected in a timely manner, thereby creating a risk of accidents. In addition, any deficiency in our safety facilities or failure of our employees to wear labor protection equipment may result in administrative penalties issued by governmental regulatory authorities, which could have negative impacts and result in fines.

To this end, we actively implement the corresponding measures, which mainly include: (i) establishment of a comprehensive mechanism for the identification and management of potential hazards, including monthly regular production safety hazard investigation and management and implementation of a safety inspection plan; and (ii) ad hoc inspections and weekly unscheduled random safety inspections of our workshops in conjunction with the relevant incentive and penalty mechanism to ensure the safety of the lives and properties of our employees.

Indicators and Targets

We collect and analyze quantitative data as part of our assessment of ESG-related risks. For instance, our GHG emissions intensity per unit of revenue for 2023 was 0.1 tons of CO_2 equivalent per RMB10,000. In comparison, we analyzed 12 companies in the refrigeration and air-conditioning control components industry or the automotive thermal management system components industry and found that their average emissions intensity was similarly approximately 0.10 tons of CO_2 equivalent per RMB10,000, demonstrating alignment with our performance level. Moving forward, we remain committed to implementing proactive climate change strategies to further reduce our GHG emissions intensity while closely monitoring our progress toward achieving our targets.

We plan to reduce our GHG emissions intensity per unit of revenue by over 30% compared to the level of 2020 by 2030. Additionally, we aim to achieve carbon neutrality by 2050 and strive to attain full lifecycle carbon neutrality for our products by 2060. We believe that achieving these targets will not only help mitigate potential financial pressures from future carbon tariffs and related policies but also enhance the market competitiveness of our green products, drive the transition of our supply chain toward a greener, low-carbon direction, attract more green investment, and create greater long-term value for our business.

We not only focus on reducing our own greenhouse gas emissions, energy consumption, wastewater, and waste gas discharges, but also place strong emphasis on reduction of emissions and resource usage throughout the supply chain. By embedding environmental performance into supplier admission and evaluation systems, promoting the adoption of low-energy-consumption equipment and clean energy, and encouraging resource conservation practices, we implement a comprehensive approach to reducing emissions and resource usage. This enables us to systematically lower pollutant discharges, energy use, and environmental risks across all stages of the supply chain.

Responding to Climate Change

Our refrigeration and air-conditioning product component business is vulnerable to climate risks, while our automotive component business is well-positioned to capitalize on climate-related opportunities. In line with our ESG strategy, we integrate low-carbon principles into our operations and product design, developing advanced products that meet the demands of a low-carbon economy. Leveraging on digital and intelligent management models, we aim to establish an industry-leading carbon emissions management system. We have formulated and implemented comprehensive emission reduction plans and practices, including but not limited to: (i) conducting product eco-design initiatives; (ii) undertaking product carbon footprint accounting; (iii) utilizing the Sanhua Smart Energy Management Platform; (iv) adopting renewable energy; and (v) establishing "green factories". Due to our expansion investments in factories across China and overseas, our total GHG emissions showed an upward trend for 2023 and 2024. In 2022, 2023 and 2024, our total GHG emissions (Scope 1 and 2) were approximately 209.6 thousand, 253.3 thousand and 356.3 thousand tons of CO_2 equivalent, respectively. These emissions comprised Scope 1 GHG emissions of approximately 26.6 thousand, 32.3 thousand and 64.9 thousand tons of CO_2 equivalent, respectively, and Scope 2 GHG emissions of approximately 183.0 thousand, 221.0 thousand and 291.4 thousand tons of CO_2 equivalent, respectively, and Scope 3 GHG emissions of approximately 36.8 thousand, 39.6 thousand and 77.0 thousand tons of CO_2 equivalent, respectively. In 2024, we began to include Scope 3 GHG emissions from upstream leased assets in our statistics, resulting in an increase in Scope 3 greenhouse gas emissions for 2024 compared to the previous two years.*

Energy Management

We have set a clear target to reduce energy consumption. We aim to reduce energy consumption per unit of revenue to 0.039 tce per RMB10,000 by 2030, representing a 10% decrease from the 2024 level of 0.043 tce per RMB10,000. In addition, we have set quantitative targets to increase the proportion of electricity sourced from renewable energy. The goal of our renewable energy management is to ensure that approximately 15% of our annual electricity consumption is from renewable sources. For 2022, 2023 and 2024, the proportion of electricity sourced from renewable energy reached approximately 6.3%, 12.7% and 16.0%, respectively.

To support the achievement of renewable energy usage targets and the continuous increase in the proportion of renewable energy consumption, we allocate a certain amount of funds annually for the construction and maintenance of photovoltaic power generation facilities, as well as the purchase of green electricity and green certificates. We believe that these investments not only help reduce GHG emissions, enhance the autonomy and stability of energy use and mitigate the impact of traditional energy price fluctuations on operating costs, but also alleviate, to some extent, the financial demand associated with potential future energy consumption, thereby enhancing our long-term competitiveness.

We have established internal management systems such as the Energy Management Measures and the Energy Management System Manual. These efforts are aimed at monitoring energy consumption across our campuses, business units, workshops, and energy-intensive equipment in real time through the development of an intelligent energy IoT management platform and carbon emission calculation software. Regular energy analysis reports are generated and presented to senior management, ensuring continuous updates on the status of energy management. Based on the actual progress of energy-saving and consumption-reduction targets, we adjust our energy management strategies accordingly. In terms of energy management within the supply chain, we implement a green procurement strategy by incorporating environmental performance into supplier admission and evaluation systems. We encourage suppliers to adopt low-energy-consumption equipment and clean energy sources, aiming to reduce overall energy consumption and carbon emissions across the supply chain.

**Note:* Scope 1 GHG emission factors refer to the *China Energy Statistical Yearbook*; Scope 2 GHG emission factors for China are based on the Announcement on the Release of the 2022 CO_2 Emission Factors for Electricity. As for the CO_2 emission factors for electricity in overseas countries and regions, we rely on the information announced by the energy management departments of the respective countries and regions due to the differences in the situation among the regions. Regarding Scope 3 GHG emission factors, which include GHG emissions from downstream transport, upstream leasing and downstream leasing, we follow the GHG Accounting System Corporate Value Chain (Scope 3) Accounting and Reporting Standards in our calculation.

In 2024, we formulated and published the Sanhua Environmental Statement and have continuously implemented a series of energy-saving and consumption-reduction projects, including but not limited to: (i) replacing high-energy, high-voltage equipment, achieving annual energy savings of approximately 158.4 MWh; (ii) deploying a centralized air conditioning integrated management software system for remote management and monitoring of operations; and (iii) investing in photovoltaic power generation and purchasing green electricity to optimize our energy structure. In 2022, 2023 and 2024, our total energy consumption was approximately 58.4 thousand tonne of standard coal equivalent ("**tce**"), 74.9 thousand tce and 121.4 thousand tce, respectively. During this period, we consumed approximately 316.4 thousand MWh, 402.7 thousand MWh and 615.8 thousand MWh of electricity, respectively. Among these, we acquired approximately 20.0 thousand MWh, 51.1 thousand MWh and 98.5 thousand MWh of green electricity in 2022, 2023 and 2024, respectively. The upward trend in our energy consumption during the Track Record Period was primarily due to our expansion investments in factories across China and overseas, and we extended the scope of statistical data related to energy consumption.

Emissions and Wastes

We have established quantitative targets for air pollutants and waste. Specifically, we aim to reduce the VOCs emissions per unit of revenue to 4.5 grams per RMB10,000 by 2030, representing a 10% decrease from the 2024 level of 5.0 grams per RMB10,000, and similarly, reduce waste generation per unit of revenue to 12.51kg per RMB10,000 by 2030, representing a 10% decrease from the 2024 level of 13.9kg per RMB10,000. Additionally, we achieved full compliance with regulations concerning wastewater discharge, air emissions and solid waste disposal in 2022, 2023 and 2024.

To maintain compliance in pollutant discharge and waste management, we allocate annual investments toward the construction, upgrades and operational maintenance of environmental protection facilities. These initiatives include optimizing air treatment systems, enhancing wastewater treatment capacity and improving solid waste classification and recycling systems. We believe these investments not only ensure operational stability and regulatory compliance but also mitigate potential risks associated with stricter environmental regulations.

We have established internal management systems such as the Hazardous Waste Management Measures, Wastewater and Air Pollutant Control Procedures, and Solid Waste Control Procedures to ensure that our emissions of air pollutants, water pollutants and waste disposal meet regulatory requirements and uphold high environmental standards. We regularly identify and assess environmental factors, implement strict control measures, and conduct performance evaluations on compliant emissions of exhaust gas and wastewater and compliant disposal of hazardous waste according to the Safety and Environmental Assessment Management Regulations. In terms of pollutant and waste control within the supply chain, we explicitly include clauses related to hazardous substances in the supplier Corporate Social Responsibility audit checklist and performance evaluation system. We focus on assessing whether suppliers continuously monitor and effectively treat hazardous wastewater and waste gas, and whether they properly manage and dispose of hazardous solid waste, striving to reduce toxic emissions and environmental risks at the source throughout the supply chain.

Our waste reduction initiatives include but are not limited to: (i) upgrading oil mist collection in machining workshops to centralized collection for external pipeline discharge; (ii) enhancing welding fume collection in assembly workshops with centralized water-spray filtration before discharge; and (iii) promoting digitalization of hazardous waste storage facilities and providing training related to waste disposal. In 2022, 2023 and 2024, we discharged a total of approximately 196.2 tons, 231.4 tons and 310.1 tons of water pollutants, respectively. During these same periods, our air pollutant emissions totaled approximately 49.0 thousand kg, 57.9 thousand kg and 68.5 thousand kg, respectively. Additionally, we generated approximately 5.7 thousand tons, 5.6 thousand tons and 5.4 thousand tons of hazardous waste, and approximately 8.8 thousand tons, 10.1 thousand tons and 33.6 thousand tons of non-hazardous waste, respectively*.

Use of Resources

We have established a quantitative target for reducing water consumption. We are committed to reducing water consumption per unit of revenue to approximately 1.4 m^3 per RMB10,000 by 2030, representing a 10% from the 2024 level of 1.6 m^3 per RMB10,000.

We value the conservation and efficient use of water resources and have established a dedicated team to oversee water resource management, striving to enhance our water resource management system. Simultaneously, we have implemented various water-saving measures, including but not limited to: (i) reducing the consumption of purified water during manufacturing processes by adjusting production techniques; (ii) reusing over 90% of product testing water after sedimentation treatment; and (iii) purifying and reusing contaminated water resources. In terms of resource conservation within the supply chain, we encourage suppliers to establish sound water monitoring systems, continuously optimize production processes, and enhance wastewater treatment capabilities to reduce water waste and minimize negative environmental impact.

Additionally, we actively promote circular economy initiatives, including but not limited to: (i) transitioning from single-use packaging to reusable packaging for electronic expansion valve products; and (ii) replacing single-use cardboard boxes with recyclable pallet collars, achieving approximately 48,000 cycles of reuse annually, with an average lifespan of two years for internal liners and three years for external boxes. In 2022, 2023, and 2024, our total water consumption was approximately 3,643.3 thousand m^3, 4,002.1 thousand m^3, and 4,496.1 thousand m^3, respectively. During these same periods, we utilized approximately 12.6 thousand, 16.1 thousand and 14.6 thousand tons of packaging materials for finished products, respectively*.

* *Note:* Due to our expansion investments in factories across China and overseas, and we extended the scope of statistical data related to resources and emissions, adding some domestic and overseas factories in 2024, our total water pollutants, air pollutant emissions, hazardous and non-hazardous waste, and water consumption have shown an upward trend.

Employment and Labor Standards

In 2024, we joined the United Nations Global Compact and actively uphold its *Ten Principles*. Additionally, in 2024, we formulated and published the Sanhua Labor and Human Rights Statement, demonstrating our commitment to providing every employee with a safe, equitable, and healthy working environment.

Our employment and labor management measures include but are not limited to: (i) ensuring no discrimination in employment, compensation, training, and promotion opportunities based on race, religion, gender, nationality, age, marital status, or disability; (ii) strictly prohibiting the employment of child labor and any form of forced labor; (iii) safeguarding employee rights concerning compensation, working hours, rest and leave, occupational safety, health, and training; (iv) establishing clear regulations on remuneration for pregnant employees, ensuring no discrimination or unjust wage reduction during pregnancy, maternity leave, or breastfeeding periods; (v) promoting work-life balance by offering meal subsidies, housing allowances, transportation stipends, holiday benefits, and organizing activities such as expert medical consultations and childcare services; and (vi) lowering employee turnover through regular monitoring of turnover rates, analysis on reasons for employee departures and timely adjustment to remuneration, benefits and management policies. For 2022, 2023 and 2024, our total number of employees was 14,860, 17,732, and 19,787, respectively. The total number of female employees was 6,776, 6,551, and 6,722, respectively, while the total number of male employees was 8,084, 11,181, and 13,065, respectively. In 2022, 2023, and 2024, the number of our management employees was 3,243, 3,847 and 4,353, respectively, with female employees accounting for 29.0%, 22.8% and 23.2%, respectively.

Health and Safety

Our health and safety goal is to achieve zero recognized occupational disease and prevent any serious or above-level workplace safety incidents each year. We have obtained ISO 45001 Occupational Health and Safety Management System certification and proactively established safety production and occupational health regulations, including the Safety Production Rules and Regulations, Safety Hazard Investigation Management Measures, Occupational Disease Hazard Monitoring and Evaluation Management System, Occupational Disease Hazard Warning and Notification Measures, and Environment, Occupational Health and Safety Monitoring and Control Procedures. During the Track Record Period, we did not experience any major violations of occupational health and safety regulations.

We have implemented various occupational health and safety management measures, including but not limited to: (i) implementing the Safety Production Responsibility System, signing Safety Production Responsibility Agreements, and developing Job Operation Procedures based on job-specific risks; (ii) conducting safety status evaluation by annually assessing occupational health hazards at worksites and regularly updating the list of hazardous sources and job-specific occupational hazards; (iii) organizing safety incident emergency drills, certification training for safety officers, and workshops on accident prevention and emergency response; and (iv) providing employees in high-risk positions with pre-employment, in-service, and post-employment health examinations, and offering workers diagnosed with occupational diseases the reassignment to suitable positions.

Development and Training

In terms of employee training, we are committed to building a multi-level, multi-sequence talent development system, covering position-related professional knowledge, skills, and management abilities to comprehensively enhance employees' personal growth. We offer leadership development programs such as Navigator, Voyager, landlubber, Navigator for New Managers, and Management Trainee programs, as well as specialized training for different sequences, including Quality Excellence, Production Planning Excellence, Procurement Excellence, Financial Excellence, Human Resources Business Partner Training Camp, IT Project Manager Training Camp, Marketing Young Talent Camp, Process Designer.

Regarding employee promotion, we have established a dual career development path for management and professional roles, and have formulated related management systems, including the Annual Pioneer Evaluation Management Method, Professional Technical Talent Level Evaluation Method, and Management Measures for Cultivating Talent Echelon of R&D Talents. We conduct an annual talent review and, based on the results, create personal development plans and successor plans for employees in key positions, promoting their growth and advancement.

Supply Chain Management

We focus on the ESG performance of our suppliers and use it as a key evaluation criterion. To this end, the main measures we have adopted for supplier ESG management include but are not limited to: (i) before supplier admission, evaluating supplier risks from dimensions such as operational status, production conditions, and qualifications certification based on our Potential Supplier Audit Report Analysis; (ii) during the supplier audit phase, conducting social responsibility assessments of suppliers to check their compliance in areas such as environmental protection, labor practices, and business ethics; and (iii) after confirming cooperation, actively signing agreements with suppliers that include ESG-related clauses, such as the Supplier Code of Conduct, Basic Supply Agreement, and Integrity and Self-Discipline Cooperation Agreement, and supervising suppliers' fulfillment of environmental and social responsibilities.

Product Responsibility

Our product responsibility goal is to ensure that no penalty incidents related to violations of laws and regulations in relation to product and service occur within each year. During the past three years, there was no product recalls due to safety and health reasons, nor any penalty incidents related to violations of laws and regulations in relation to product and service.

We have obtained certifications for quality control systems, including IATF 16949, ISO 9001, QC 080000, ISO 10012 and ISO 17025, and have established internal management policies set out in our Quality Manual, Product Safety Management Control Procedures, and Product Identification and Traceability Control Procedures, among others. To actively ensure product quality and safety, the key measures we take include but are not limited to: (i) effectively monitoring product quality during the mass production phase by executing the requirements of the Monitoring and Measurement Control Procedures and Non-conforming Product Control Procedures; (ii) regularly setting goals and plans for quality improvement activities tracking the progress of these plans monthly, which includes activities such as Quality Control Circles, standardized operations, and good product conditions; and (iii) conducting annual internal quality audits.

Business Ethics

We hold zero-tolerance of corruption and take all necessary measures to prevent and combat corrupt practices. In 2024, we formulated and announced the Sanhua Business Ethics Declaration, which is our first public business ethics-related policy implemented, which outlines our management mechanisms on employee integrity management, supplier integrity management, conflict of interest prevention, and anti-unfair competition.

To enhance our business ethics management and standardize employee conduct guidelines, we actively implement various control measures, including but not limited to: (i) actively facilitating various reporting channels, establishing regulations for managing and handling whistleblower information, and encouraging employees to report violations of business ethics; (ii) focusing on protecting whistleblowers at all times, allowing anonymous or pseudonymous reports, and ensuring strict protection of whistleblower information during acceptance, registration, storage, investigation, and other stages; and (iii) conducting anti-corruption training for directors and employees.

LICENSES AND APPROVALS

During the Track Record Period and up to the Latest Practicable Date, we have obtained all licenses, approvals, permits and certificates that are material and necessary for our business operations in jurisdictions where we operate, and such licenses, permits, approvals and certificates are valid and subsisting.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention. See "Risk Factors — Risks Relating to Our Business and Industry — We may be involved in legal proceedings and commercial or contractual disputes, which could materially and adversely affect our reputation, business, results of operations and financial condition." As of the Latest Practicable Date, we and our major subsidiaries are not involved in any court, arbitral or administrative proceedings which we believe may be of material importance to our assets and liabilities or profits and losses nor, so far as we are aware, are any such proceedings pending or threatened. See "Risk Factors — Risks Relating to Our Business and Industry — We may be involved in legal proceedings and commercial or contractual disputes, which could materially and adversely affect our reputation, business, results of operations and financial condition."

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. We have put in place a set of internal control and risk management policies and procedures to address potential operational, financial, legal and market risks identified in relation to our operations. We also periodically review these procedures to ensure their effectiveness. Our policies and procedures relate to managing our procurement and production, as well as monitoring our sales performance and product quality.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted, or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see "Directors, Supervisors and Senior Management — Board Committees — Audit Committee;"

- adopt policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;

- organize training sessions for our Directors, supervisors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;

- provide trainings periodically to our senior management and employees on professional behavior requirements and ethics standards to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in our employee discipline measures and supervision guidelines;

- set clear guidelines and processes for identifying, measuring and addressing price and currency risks, ensuring that all hedging activities are conducted within a structured and consistent framework;

- enhance our reporting and records system for factories, including centralizing their quality control and safety management systems and conducting regular inspections of the facilities;

- establish a set of emergency procedures in the event of major quality-related issues;

- provide enhanced training programs on quality assurance and product safety procedures; and
- distribute employee handbooks to enhance employees' awareness of complying with laws and regulations.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognition in respect of our products, technology and innovation. The following table sets out major awards and recognitions we received during the Track Record Period:

Year	Award/Recognition	Awarding entity
2022	National Technology Innovation Demonstration Enterprise	Ministry of Industry and Information Technology
2022	World-Class Machinery Enterprise	China Machinery Industry Enterprise Management Association
2022	Zhejiang Province Benchmark Enterprise for Management Improvement	Zhejiang Provincial Department of Economy and Information Technology
2023	Key Enterprise Research Institute of Zhejiang Province	Zhejiang Provincial Department of Science and Technology
2023	Leading Technology Enterprise of Zhejiang Province	Zhejiang Provincial Department of Science and Technology
2023	Hidden Champion Enterprise of Zhejiang Province	Zhejiang Provincial Department of Economy and Information Technology
2024	Manufacturing Industry Single Champion Enterprise	Ministry of Industry and Information Technology
2024	Zhejiang Famous Brand for Export	Zhejiang Provincial Department of Commerce

OVERVIEW

Upon Listing, our Board will consist of ten Directors, comprising four executive Directors, two non-executive Directors and four independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The Independent Non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

Our Company also established a supervisory committee that is primarily responsible for supervising the performance of the Board and senior management and the financial operations, internal control and risk management. Our Supervisory Committee consists of three Supervisors including one employee representative Supervisor. Our Supervisors are elected for a term of three years and may be subject to re-election.

DIRECTORS

The following table provides information about our Directors:

Name	Age	Positions	Date of joining our Group	Date of appointment as a Director	Role and Responsibility
Mr. ZHANG Yabo (張亞波先生)	51	Executive Director, Chairman of the Board and Chief Executive Officer	August 2001	October 2009 (Executive Director) and December 2012 (Chairman of the Board)	Overall strategic planning, business development and management of our Group
Mr. WANG Dayong (王大勇先生)	55	Executive Director and President	December 2001	December 2012	Responsible for advising the operation and management of our Group and the overall operations of residential refrigeration business
Mr. NI Xiaoming (倪曉明先生)	56	Executive Director	January 2009	May 2011	Responsible for the overall operations of micro-channel heat exchanger business

Name	Age	Positions	Date of joining our Group	Date of appointment as a Director	Role and Responsibility
Mr. CHEN Yuzhong (陳雨忠先生)	59	Executive Director and Chief Engineer	December 2001	November 2011	Responsible for the overall operations of commercial refrigeration business
Mr. ZHANG Shaobo (張少波先生)	46	Non-executive Director	January 2001	May 2015	Providing professional opinion and judgment to the Board
Mr. REN Jintu (任金土先生)	63	Non-executive Director	June 2001	January 2022	Providing professional opinion and judgment to the Board
Mr. BAO Ensi (鮑恩斯先生)	56	Independent Non-executive Director	August 2021	August 2021	Supervising and providing independent opinion and judgment to the Board
Mr. SHI Jianhui (石建輝先生)	53	Independent Non-executive Director	May 2020	May 2020	Supervising and providing independent opinion and judgment to the Board
Ms. PAN Yalan (潘亞嵐女士)	59	Independent Non-executive Director	February 2021	February 2021	Supervising and providing independent opinion and judgment to the Board
Mr. Ge Jun (葛俊先生)	53	Independent Non-executive Director	Listing Date	Listing Date	Supervising and providing independent opinion and judgment to the Board

Save that Mr. Zhang Yabo and Mr. Zhang Shaobo are brothers, none of our Directors, Supervisors and members of senior management is related to other Directors, Supervisors or members of senior management. Save as disclosed in this section, (i) none of our Directors held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus; (ii) to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Executive Directors

Mr. Zhang Yabo (張亞波先生), aged 51, has been our Executive Director since October 2009, and our Chairman of the Board and the Chief Executive Officer since December 2012.

Mr. Zhang joined our Group in August 2001 and has been serving as the director and vice chairman of the board of directors of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) since May 2007. Prior to his current positions in our Group, Mr. Zhang has been an employee of Orient Trading Co., Ltd. (東方貿易株式会社) from August 1996 to July 1997, assistant to general manager of Shanghai Sanhua Electric Co., Ltd. (上海三花電氣有限公司) from July 1997 to September 2000, vice president and director of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) from July 2000 to September 2003, chairman of the board of Sanhua-Fujikoki Co., Ltd. (三花不二工機有限公司), the predecessor of our Company, from August 2001 to November 2001, Chairman of the Board of our Company from December 2001 to April 2007, the vice president of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) from May 2007 to September 2009 and the general manager of our Company from September 2009 to December 2012. Mr. Zhang has also been serving as the general manager of Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd. (浙江三花製冷集團有限公司) since July 2001, the executive director of Hangzhou Zhicheng Investment Management Co., Ltd. (杭州智誠投資管理有限公司) since July 2007, a director of Wuhu ALDOC Technology Co., Ltd. (蕪湖艾爾達科技有限責任公司) since February 2016, the chairman of the board of Xinchang Huaxin Industrial Co., Ltd. (新昌華新實業有限公司) since March 2016 and the chairman of the board of Hangzhou Sanhua Research Institute Co., Ltd. (杭州三花研究院有限公司) since February 2017.

Mr. Zhang received his MBA degree from China Europe International Business School (中歐國際工商學院) in 2005 and his bachelor's degree in Mechanical Manufacturing Technology and Equipment and bachelor's degree in Refrigeration and Cryogenic Technology from Shanghai Jiao Tong University (上海交通大學) in 1996.

Mr. WANG Dayong (王大勇先生), aged 55, has been our Executive Director and the President since December 2012.

Mr. Wang joined our Group in December 2001. He has joined Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) since December 1992, with his current position as a director. Prior to his current positions in the Company, Mr. Wang had served as a director of our Company from April 2006 to May 2011. Mr. Wang had successively served as the chief of planning section, secretary of general manager, director of manufacturing department, director of refrigeration valve business department, assistant to general manager, assistant to president, vice president and director of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) since December 1992. Mr. Wang has also been serving as the executive director of Xinchang Huayong Enterprise Management Co., Ltd. (新昌華甬企業管理有限公司) since November 2021 and a director of Ningbo Jiaerling Pneumatic Machinery Co., Ltd. (寧波佳爾靈氣動機械有限公司) since October 2023.

Mr. Wang received his EMBA degree from Zhejiang University (浙江大學) in 2005 and received his bachelor's degree in Quality Management from Beijing Institute of Machinery (北京機械工業學院) in 1992. Mr. Wang was qualified as a senior economist in 2020 by Zhejiang Provincial Department of Human Resources and Social Security.

Mr. NI Xiaoming (倪曉明先生), aged 56, has been our Executive Director since May 2011.

Mr. Ni joined our Group in January 2009. Mr. Ni currently serves as a director of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) since July 2000, a director and general manager of Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd. (杭州三花微通道換熱器有限公司) since August 2006 and May 2010, respectively and a director of Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (浙江三花商用製冷有限公司) since October 2020. Prior to his current positions in our Group, Mr. Ni served as the deputy director of foreign economic affairs office of Xinchang Refrigeration Components Factory (新昌製冷配件總廠) from 1991 to 1994, deputy manager of marketing department, director of foreign trade department and member of management committee of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) from 1995 to 2000, the deputy general manager of sales of our Company from January 2009 to July 2009 and the deputy general manager of Sanhua Danfoss (Hangzhou) Microchannel Heat Exchanger Co., Ltd., now known as Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd. (杭州三花微通道換熱器有限公司) from August 2009 to April 2010.

Mr. Ni received master's degree in EMBA from China Europe International Business School (中歐國際工商學院) in 2006 and bachelor's degree in Industrial Management Engineering from Zhejiang University of Technology (浙江工業大學) in 1990. He was qualified as senior economist in 2021 by Zhejiang Provincial Department of Human Resources and Social Security.

Mr. Ni was a director of Zhejiang Sanhua Nanwang Microelectronics Co. Ltd. (浙江三花南望微電子有限公司, "**Sanhua Nanwang**") which was incorporated in the PRC prior to its business license being revoked. The principal business of Sanhua Nanwang was research and development, production, and sales of network transmission equipment, conference television systems, projection equipment, and videophones. The business license of Sanhua Nanwang was revoked on October 29, 2009 due to cessation of business operation. To the best of our Directors' knowledge, information and belief, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Ni involved in the revocation of the business license of Sanhua Nanwang and as of the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Mr. Ni in his capacity as a director prior to the revocation. Mr. Ni confirmed that this company was solvent at the time its business license was revoked.

Mr. CHEN Yuzhong (陳雨忠先生), aged 59, has been our Executive Director since November 2011 and our Chief Engineer since December 2012.

Mr. Chen joined our Group in December 2001. Mr. Chen currently serves as a director of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) since November 2014, the general manager of Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd. (浙江三花製冷集團有限公司) since August 2015, a director and the general manager of Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (浙江三花商用製冷有限公司) since October 2020 and the chairman of Zhejiang Sanhua Plate Exchange Technology Co., Ltd. (浙江三花板換科技有限公司) since December 2021. Prior to his current positions in the Group, Mr. Chen has worked at Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) from February 1989 to December 2000 with his last position as director of chief engineer's office and served as the chief engineer of Sanhua-Fujikoki Co., Ltd. (三花不二工機有限公司), the predecessor of our Company, from September 2001 to December 2001 and the Chief Engineer and a vice general manager of our Company from December 2001 to May 2011 and May 2011 to December 2012, respectively.

Mr. Chen received postgraduate diploma in Business Management from Zhejiang University (浙江大學) in 2005 and graduated from Chemical Engineering Department of Zhejiang University (浙江大學), specializing in Light Industry Machinery in 1989. Mr. Chen was qualified as senior engineer in 2021 by Zhejiang Provincial Department of Human Resources and Social Security (浙江省人力資源和社會保障廳).

Non-executive Directors

Mr. ZHANG Shaobo (張少波先生), aged 46, has been our Non-executive Director since May 2015.

Mr. Zhang joined our Group in January 2001. Mr. Zhang currently serves as the assistant to president, a director of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) since May 2010 and the chairman of Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司) since August 2023. Mr. Zhang has also been serving as the general manager of Hangzhou Sanhua International Building Co., Ltd. (杭州三花國際大廈有限公司) since July 2013, a director of Ningbo Fuerda Smartech Co., Ltd. (寧波福爾達智能科技股份有限公司) since December 2019, the chairman of the board of Zhejiang Huateng Industrial Co., Ltd. (浙江華騰實業有限公司) since December 2021 and the chairman of the board of Zhejiang Sanhua Zhiyuan Real Estate Co., Ltd. (浙江三花智源房地產有限公司) since October 2023. Mr. Zhang had served as the deputy head of the finance department of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) from August 2003 to May 2005, the executive director and general manager of Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd. (浙江三花智成房地產開發有限公司) from May 2017 to December 2023 and the general manager of Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司) from April 2019 to August 2023.

Mr Zhang received his MBA degree from China Europe International Business School (中歐國際工商學院) in 2010.

Mr. Zhang was a director of Shanghai Tihu Drinks&Food Co., Ltd. (上海醍醐餐飲有限公司, "**Shanghai Tihu**") which was incorporated in the PRC prior to its business license being revoked. The principal business of Shanghai Tihu was catering services and conference services. The business license of Shanghai Tihu was revoked on February 5, 2024 due to cessation of business operation. To the best of our Directors' knowledge, information and belief, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Zhang involved in the revocation of the business license of the above company, and as of the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Mr. Zhang in his capacity as a director prior to the revocation. Mr. Zhang confirmed that this company was solvent at the time its business license was revoked.

Mr. REN Jintu (任金土先生), aged 63, has been our Non-executive Director since January 2022.

Mr. Ren joined our Group in June 2001. Mr. Ren currently serves as a director of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) since August 1994 and a director of Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司) since March 2001. Mr. Ren has also been serving as the supervisor of Hangzhou Sanhua International Building Co., Ltd. (杭州三花國際大廈有限公司) since July 2013, the supervisor of Xinchang County United Investment Management Co., Ltd. (新昌縣聯合投資管理股份有限公司) since April 2015 and a director of Ningbo Fuerda Smartech Co., Ltd. (寧波福爾達智能科技股份有限公司) since April 2021. Prior to his current position in the Group, Mr. Ren had worked at Xinchang Refrigeration Components Factory (新昌製冷配件總廠) from August 1984 to August 1998, with his last position as deputy factory director and served as our general manager from June 2001 to January 2006, our Director from June 2001 to March 2006, the vice president of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) and the general manager of Shanghai Jingyi Real Estate Co., Ltd. (上海境逸房地產有限公司) from December 2005 to May 2015.

Mr. Ren is qualified as a senior accountant. Mr. Ren attended correspondence education in the Modern Economy Management major at Beijing Correspondence School of Economics (北京經濟函授大學) from January 1987 to July 1988.

Mr. Ren was a director of Shenyang Durui Wheel Co. Ltd. (瀋陽都瑞輪轂有限公司, "**Shenyang Durui**") which was incorporated in the PRC prior to its winding-up. As of November 30, 2013, based on the unaudited financial statements of Shenyang Durui, it was insolvent and unable to pay its debts. Due to severe losses in production and operation, the shareholders of Shenyang Durui unanimously agreed to cease its production and operations and proceed with the relevant procedures for winding up and creditor protection procedures according to PRC company law. Shenyang Durui then filed voluntary winding up and liquidation application with the Intermediate People's Court of Shenyang, Liaoning Province. In March 2015, the court declared Shenyang Durui bankrupt. On June 24, 2020, Shenyang Durui's business license was then revoked. Mr. Ren was a non-executive director of Shenyang Durui not involved in its daily management and was not a party to the winding-up and liquidation application.

To the best of our Directors' knowledge, information and belief, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Ren involved in the winding-up of the above company. As of the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Mr. Ren in his capacity as a director of Shenyang Durui.

Independent Non-executive Directors

Mr. BAO Ensi (鮑恩斯先生), aged 56, has been our Independent Non-executive Director since August 2021.

Mr. Bao joined our Group in August 2021. Mr. Bao served as a member of the Issuance Examination Committee at China Securities Regulatory Commission (中國證券監督管理委員會發行審核委員會) from December 2003 to May 2007, the assistant to the chairman of Huge Capital Management Co., Ltd. (北京厚基資本管理有限公司) from January 2015 to November 2024, an independent director of FuJian YanJing HuiQuan Brewery Co., Ltd (福建省燕京惠泉啤酒股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600573) from April 2015 to April 2021, an independent director of Norinco International Cooperation Ltd. (北方國際合作股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 000065) from August 2015 to August 2021, an independent director of Sunwave Communications Co., Ltd. (三維通信股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 002115) from September 2015 to August 2021, the independent director of China Aerospace Times Electronics Co., Ltd. (航天時代電子技術股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600879) from June 2020 to June 2023 and an independent director of China Railway Trust Co., Ltd. (中鐵信託有限責任公司) from April 2022 to June 2024.

Mr. Bao is qualified as a senior accountant in PRC by China National Machinery Industry Corporation (中國機械裝備(集團)公司), which was authorized to assess and issue senior accountant qualification titles pursuant to regulations of the relevant national ministries and commissions of the PRC, in 2004. Mr. Bao also served as the person in charge of financing of China Financial Futures Exchange (中國金融期貨交易所) from May 2007 to December 2014. Mr. Bao also served various positions in China Securities Regulatory Commission (CSRC) from 1996 to 2007, including a standing committee member of Stock Issuance Examination Committee (股票發行審核委員會). During his tenure as a member of the Stock Issuance Examination Committee at the CSRC, Mr. Bao was primarily responsible for reviewing and analyzing the financial information of listing applications, and providing opinions and inquiries. Mr. Bao also accumulated extensive experience in reviewing and analyzing the audited financial statements of public companies during this period. Mr. Bao received his doctoral degree in Accounting from Central University of Finance and Economics (中央財經大學) in 2003, his master's degree in Accounting from Central University of Finance and Economics (中央財經大學) in 1995, and his bachelor degree diploma in Commercial Accounting from Anhui University of Technology (安徽工業大學) in 1988.

Mr. SHI Jianhui (石建輝先生), aged 53, has been our Independent Non-executive Director since May 2020.

Mr. Shi joined our Group in May 2020. Prior to his current position in the Group, Mr. Shi currently serves as the managing partner of Ningbo Meishan Bonded Area Xiaozhi Venture Capital Partnership (Limited Partnership) (寧波梅山保税港區小智創業投資合夥企業(有限合夥)) since September 2017, a director of BioMintec Environment (Shanghai) Co., Ltd. (柏美智慧科技(上海)股份有限公司) since January 2020, the chairman of the board of Hangzhou Homierobot Co., Ltd. (杭州好面科技有限公司) since April 2021, the managing partner of Ningbo Lingdong Venture Capital Partnership (Limited Partnership) (寧波靈動創業投資合夥企業(有限合夥)) since July 2020, a director of Shanghai SDRIVE Technology Co., Ltd. (上海時駕科技有限公司) since January 2022, an independent director of AAPICO Hitech Public Company Limited (listed on the Stock Exchange of Thailand under the stock code of AH) since June 2022, the managing partner of Hangzhou Chishi Enterprise Management Consulting Partnership (Limited Partnership) (杭州赤石企業管理諮詢合夥企業(有限合夥)) since August 2022 and an independent director of Ningbo Fangzheng Tod Co., Ltd. (寧波方正汽車模具股份有限公司, listed on Shenzhen Stock Exchange under the stock code of 300998) since December 2023. Prior to his current positions, he served as an executive director of Minth Group Co., Ltd. (敏實集團有限公司, listed on the Stock Exchange under the stock code of 00425) from November 2005 to August 2017, where he acted as the chairman of the board from April 2016 to August 2017, and the director of Beijing LiangDao Automotive Technology Co., Ltd. (北京亮道智能汽車技術有限公司) from January 2019 to February 2022.

Mr. Shi received his master's degree in EMBA respectively from Shanghai Advanced Institute of Finance (上海高級金融學院) in 2017 and Cheung Kong Graduate School of Business (長江商學院) in 2007, and his bachelor's degree in Mechanical Design from Zhejiang University of Technology (浙江工業大學) in 1993.

For further information about Mr. Shi, please refer to "Directors, Supervisors and Senior Management — Further Information About Mr. Shi Jianhui" in this prospectus.

Ms. Pan Yalan (潘亞嵐女士), aged 59, has been our Independent Non-executive Director since February 2021.

Ms. Pan joined our Group in February 2021. She currently serves as a professor of Accounting College of Hangzhou University of Electronic Technology (杭州電子科技大學) since November 2005, an independent director of Zhejiang Daily Digital Culture Group Co., Ltd (浙報數字文化集團股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600633) since December 2021, a member of the CPPCC of Zhejiang Province (中國人民政治協商會議浙江省委員會) since January 2023, an independent director of Xianheng International Science & Technology Co., Ltd. (咸亨國際科技股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 605056) since September 2023 and a standing council member of Zhejiang Provincial Taxation Society (浙江省稅務學會) since June 2024. Prior to her current positions, she served as an independent director of Zhejiang Dali Technology Co., Ltd. (浙江大立科技股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 002214) from December 2006 to November 2012, an independent director of Zhejiang Busen Garments Co., Ltd. (浙江步森服飾股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 002569) from July

2008 to October 2014, an independent director of Hangzhou First Applied Material Co., Ltd. (杭州福斯特應用材料股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 603806) from December 2012 to December 2015, an independent director of Apeloa Pharmaceutical Co., Ltd. (普洛藥業股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 000739) from April 2014 to March 2016 and an independent director of Zhejiang Lin'an Rural Commercial Bank Co., Ltd. (浙江臨安農村商業銀行股份有限公司) from February 2020 to October 2024.

Ms. Pan received her master's degree in MBA from Zhejiang University (浙江大學) in 2000. She received her bachelor's degree in Industrial Accounting from Hangzhou Dianzi University (杭州電子科技大學) in 1987.

For further information about Ms. Pan, please refer to "Directors, Supervisors and Senior Management — Further Information About Ms. Pan Yalan" in this prospectus.

Mr. Ge Jun (葛俊先生), aged 53, has been our Independent Non-Executive Director since the Listing Date.

Mr. Ge has also been serving as the dean of Hong Kong Academy of Industry and Innovation Limited since December 2024, an independent director of Helport AI Limited (listed on NASDAQ under the stock code of HPAI) since August 2024, an independent director of China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司, listed on the Stock Exchange under the stock code of 02319) since December 2021, the independent director of Huize Holding Ltd. (慧擇控股有限公司, listed on NASDAQ under the stock code of HUIZ) since February 2020, the independent director of Shenzhen Aisidi Co., Ltd. (深圳市愛施德股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 002416) since October 2022 and a director of Business Operation Technologies Limited (知微行易(上海)智能科技有限公司) since August 2022.

Mr. Ge worked at Shanghai Academy of Building Research (上海建築科學研究院) from July 1993 to August 1996. Mr. Ge held many positions in China Europe International Business School (中歐國際工商學院) from August 1996 to August 2015, including administrative manager, deputy director of corporate and public relations, director of the school office, secretary general of the foundation and assistant to the Dean. He served as the dean of Pudong Innovation Research Institute (浦東創新研究院) from September 2015 to February 2017, the deputy dean of Shanghai Advanced Institute of Finance at Shanghai Jiao Tong University (上海交通大學上海高級金融學院) from February 2017 to November 2019, an independent director of Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 002044) from October 2015 to October 2021, a director of LeadBank Technology Co., Ltd. (利得科技有限公司) from November 2015 to December 2024, an independent director of Shanghai Fumed Tianjian Co., Ltd. (上海復醫天健醫療服務產業股份有限公司) from December 2015 to November 2021 and an independent director of Focus Media Information Technology Co Ltd. (分眾傳媒信息技術股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 002027) from January 2016 to November 2022.

Mr. Ge received his bachelor's degree in Physicochemistry from Xiamen University (廈門大學) in 1993. He also completed a Chevening Fellowship awarded by the Foreign and Commonwealth Office of the United Kingdom for Studies in Responsible Business at the International Centre for Corporate Social Responsibility of Nottingham University Business School at University of Nottingham.

SUPERVISORS

The following table provides information about our Supervisors:

Name	Age	Position	Date of joining our Group	Date of Appointment as a Supervisor	Role and Responsibility
Mr. ZHAO Yajun (趙亞軍先生)	53	Supervisor and Chairman of the Supervisory Committee	November 2011	November 2011 (Supervisor) and August 2021 (Chairman of the Supervisory Committee)	Supervising the finances of our Group and exercising supervision over the Directors and senior management
Mr. MO Yang (莫楊先生)	48	Supervisor	August 2021	August 2021	Supervising the finances of our Group and exercising supervision over the Directors and senior management
Mr. CHEN Xiaoming (陳笑明先生)	56	Employee Representative Supervisor	March 2011	March 2011	Supervising the finances of our Group and exercising supervision over the Directors and senior management

Mr. ZHAO Yajun (趙亞軍先生), aged 53, is the chairman of our Supervisory Committee. He has been our Supervisor since November 2011.

He joined our Group in November 2011. Mr. Zhao has been serving as the deputy director of finance of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) since March 2014, a director of Xinchang Huaxin Industrial Co., Ltd. (新昌華新實業有限公司) since March 2017, the supervisor of Wuhu ALDOC Technology Co., Ltd. (蕪湖艾爾達科技有限責任公司) since July 2018 the supervisor of Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司) since July 2019, the supervisor of Zhejiang Sanhua Climate & Appliance Control Co., Ltd. (浙江三花製冷集團有限公司) since July 2019, a supervisor of Ningbo Fuerda Smartech Co., Ltd. (寧波福爾達智能科技股份有限

公司) since April 2021 and the supervisor of Ningbo Jiaerling Pneumatic Machinery Co., Ltd. (寧波佳爾靈氣動機械有限公司) since October 2023. Prior to his current positions in the Group, he served as the deputy minister of Finance Department of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) from January 2004 to February 2011 and the minister of finance department of Sanhua Holding Group from February 2011 to February 2014. He also worked as Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)) from 1996 to 2003.

Mr. Zhao received his master's degree in Management Engineering from Zhejiang University (浙江大學) in 1996 and his bachelor's degree in Foundry from Zhejiang University (浙江大學) in 1993.

Mr. Mo Yang (莫楊先生), aged 48, has been our Supervisor since August 2021.

Mr. Mo joined Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) in August 2005, with his current position as a supervisor since November 2014 and the person in charge of the board of directors office since December 2019. Prior to his current position in the Group, Mr. Mo successively served as the secretary of the president, the secretary of the chairman of the board of directors, the vice minister of human resources department and the minister of the president's office of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) from August 2005 to December 2019 and the assistant to the executive deputy general manager of Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd. (浙江三花製冷集團有限公司) from July 2004 to April 2006.

Mr. Mo received his master's degree in Political Economy from Zhejiang University (浙江大學) in 2002 and his bachelor's degree in Polymer Chemistry from Beijing University of Chemical Technology (北京化工大學) in 1999.

Mr. Mo was a supervisor of Sanhua Nanwang. To the best of our Directors' knowledge, information and belief, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Mo involved in the revocation of the business license of Sanhua Nanwang, and as of the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Mr. Mo in his capacity as a supervisor prior to the revocation. Mr. Mo confirmed that this company was solvent at the time its business license was revoked.

Mr. CHEN Xiaoming (陳笑明先生), aged 56, has been our Employee Representative Supervisor since March 2011.

Mr. Chen joined our Group in March 2011. Mr. Chen has served as the deputy general manager and director of manufacturing department and products business department of Sanhua Vietnam Company Limited (三花(越南)有限公司) since April 2022. Prior to his current position in the Group, Mr. Chen worked at Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) from August 1988 to October 2011 and Changzhou Ranco Reversing Valve Co., Ltd. (常州蘭柯四通閥有限公司) from November 2011 to July 2013. Mr. Chen held several positions in Wuhu Sanhua Auto-Control Components Co., Ltd. (蕪湖三花自控元器件有限公司) from August 2013 to March 2022, with his last position as the manufacturing director.

Mr. Chen graduated from Zhejiang Institute of Technology (浙江工學院) with a major in Industrial Analysis in 1993. Mr. Chen was qualified as an engineer in 2000.

SENIOR MANAGEMENT

The following table provides information about members of the senior management of our Company (other than our Executive Directors):

Name	Age	Position	Date of joining our Group	Date of Appointment as a Senior Management	Role and Responsibility
Mr. HU Kaicheng (胡凱程先生)	50	Vice President and Board Secretary	December 2008	October 2014 (Vice President); January 2015 (Board Secretary)	Responsible for overall corporate governance, information disclosure, investor relation and other Board-related matters
Mr. YU Yingkui (俞鎣奎先生)	50	Vice President and Chief Financial Officer	November 2007	January 2016 (Vice President); October 2011 (Chief Financial Officer)	Responsible for the overall financial management and accounting of our Group

Mr. Hu Kaicheng (胡凱程先生), aged 50, has been our Vice President since October 2014 and the Board Secretary of the Company since January 2015.

Mr. Hu joined our Group in December 2008. Mr. Hu has been serving as the chairman of the board of directors of Hangzhou Leaderway Electronics Co., Ltd. (杭州先途電子有限公司) since October 2023 and the independent director of Pinlive Foods Co., Ltd. (品渥食品股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 300892) since September 2023. Prior to his current positions in the Group, Mr. Hu successively served as the director of supplier management, procurement director of Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd. (浙江三花製冷集團有限公司) and procurement director of the Company from August 2006 to August 2009. He served in the international trade department in Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) from September 2009 to December 2010 and the procurement director of our Company from January 2011 to October 2014.

Mr. Hu received his Executive Master of Business Administration from Shanghai Jiao Tong University (上海交通大學) in 2017 and his bachelor's degree in Polymer Materials from Tongji University (同濟大學) in 1997.

Mr. YU Yingkui (俞鑾奎先生), aged 50, has been our Vice President since January 2016 and the Chief Financial Officer of the Company since October 2011.

Mr. Yu joined our Group in November 2007 and held several positions in our Group, including the minister of the financial department of the Company. Prior to his current positions in the Group, Mr. Yu worked at Xinchang Vocational Education Center (新昌職教中心), now known as Xinchang Vocational High School (新昌職業高級中學), from August 1996 to April 2001 and served as the chief accountant of the financial department of Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) and Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd. (浙江三花製冷集團有限公司) from April 2001 to December 2003. Mr. Yu has been serving as a director of Zhejiang Huateng Industrial Co., Ltd. (浙江華騰實業有限公司) since April 2010, the supervisor of Wuhu Sanhua Auto-Control Components Co., Ltd. (蕪湖三花自控元器件有限公司) since October 2011, the supervisor of Zhejiang Sanhua Trading Co., Ltd. (浙江三花商貿有限公司) since November 2011, a director of Zhejiang Sanhua Climate & Appliance Controls Group Co., Ltd. (浙江三花製冷集團有限公司) since March 2012, a director of Sanhua International Singapore Pte. Ltd. (三花國際新加坡私人有限公司) since December 2012, the supervisor of Sanhua AWECO Appliance Systems (Wuhu) Co., Ltd. (三花亞威科電器設備(蕪湖)有限公司) since May 2013, the supervisor of Zhejiang Sanhua Automotive Components Co., Ltd. (浙江三花汽車零部件有限公司) since January 2018 and the supervisor of Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (浙江三花商用製冷有限公司) since October 2020.

Mr. Yu graduated from Shanghai University of Finance and Economics (上海財經大學) with a major in Accounting in 2011 and his bachelor's degree in Economics from Hangzhou Dianzi University (杭州電子科技大學) in 1996.

For the biographies of our executive Directors, including Mr. Zhang Yabo, Mr. Wang Dayong, and Mr. Chen Yuzhong, see the section headed "Directors" above.

FURTHER INFORMATION ABOUT MR. SHI JIANHUI

Prior to joining our Group in May 2020, Mr. Shi Jianhui ("**Mr. Shi**"), our Independent Non-executive Director, was disqualified from being a director of any listed or unlisted corporation incorporated in Hong Kong for three years, effective from November 27, 2019 due to a court order ("**Order**") obtained by the SFC for a breach of his fiduciary duties while he was an executive director and the chief executive officer of Minth Group Limited ("**Minth**", listed on the Stock Exchange under the stock code 00425) in an acquisition of two companies by a subsidiary of Minth in 2008 ("**Incident**"). According to the SFC's investigation, the then chairman, executive director and controlling shareholder of Minth failed to (i) procure the subsidiary of Minth to negotiate for the lowest possible price for the plots of land acquired during the acquisition; (ii) disclose to the board of directors of Minth his conflict of interests including the family relationship with the sellers and his own controlling interests in the acquisition targets, the full terms of the acquisition, and the manner in which the consideration for the acquisition was eventually dealt with; and (iii) take action to prevent Minth from making false and/or misleading representations, as well as material non-disclosure to the SFC, the Stock Exchange, and the investing public. In the Incident, according to the investigation of the SFC, after the then chairman, executive director, and controlling shareholder of Minth confirmed no connected relationship with the acquisition target, Mr. Shi, along with three other then executive directors of Minth, did not make further inquiries and if further inquiries had been made, the conflict of interests in the acquisition would have been revealed, and it might have prevented Minth from making numerous misrepresentations to the SFC, the Stock Exchange and the investing public. Mr. Shi was not involved in the failure to disclose the connected relationship in the acquisition leading to the Incident and no fraudulent or dishonest conduct of Mr. Shi was found or mentioned in the Order. No other penalties were imposed on Mr. Shi from the Incident. The Incident was unrelated to our Group and Mr. Shi's role as our Independent Non-executive Director.

Despite the Incident involving Mr. Shi, after conducting a comprehensive assessment (including understanding the nature of the Incident), our Company and the Directors (excluding Mr. Shi) believe that the Order did not adversely affect Mr. Shi's suitability to act as an Independent Non-executive Director, and Mr. Shi possesses the experience, knowledge, and skills required to serve as a director of a listed company. Therefore, according to Listing Rules 3.08 and 3.09, after considering the following reasons, Mr. Shi is suitable to serve as a director:

(i) According to the PRC Company Law and the rules of the Shenzhen Stock Exchange, the Order did not prohibit Mr. Shi from acting as an independent director of any PRC incorporated company, and the Order expired on November 26, 2022;

(ii) As disclosed in Mr. Shi's biography above, Mr. Shi has accumulated extensive experience in board affairs at multiple listed companies as well as abundant experience in the industries our Group operates in. To the best of our knowledge after making all reasonable inquiries, apart from the Incident mentioned above, Mr. Shi has no other non-compliance records during his tenure as a director of our Company or any other listed company;

(iii) Since December 2023, Mr. Shi has been serving as an independent director of Ningbo Fangzheng Automotive Mould Co., Ltd. (寧波方正汽車模具股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 300998) and since June 2022, as an independent director of AAPICO Hitech Public Company Limited (listed on the Stock Exchange of Thailand under the stock code of AH). These companies have decided to continue employing Mr. Shi as an independent director after the Incident, demonstrating Mr. Shi's value to these companies and his ability to fulfill his duties as an independent director;

(iv) Mr. Shi has participated in relevant trainings, development and updated to his knowledge and skills to keep up with the latest regulatory developments, including trainings and reading materials on topics such as corporate governance, connected transactions, directors' responsibilities, continuous obligations of listed companies under the Listing Rules and the consequences of violating the Listing Rules and Hong Kong laws;

(v) We have also implemented internal control measures to ensure full compliance with applicable laws and regulations in the future, including but not limited to appointing the compliance adviser and enhancing the connected transaction management policies. We have established a comprehensive connected transaction management system to be effective upon listing. This system will facilitate the identification, assessment, and monitoring of connected transactions, thereby preventing similar incidents from happening to our Company. The review process involves coordinated review and management of the connected transactions by multiple departments, including the Board office, legal department, and the relevant business units functional departments. Following the review process, review reports will be formed to evaluate the connected transactions. These review report will consider and report on the connected person's background, and the transaction's authenticity, fairness, and necessity. If necessary, the review report will be subsequently presented to the Board of Directors or the general meeting of shareholders for deliberation, depending on its materiality. In reviewing the transactions, Directors, including Independent Non-executive Directors, and Supervisors may seek independent professional advice at the cost of our Company to assist in reviewing and evaluating the relevant transactions. During the Board meeting deliberations, person-in-charge of relevant departments be required to attend and provide clarifications. If any issues remain unclear or feasibility concerns arise during the review, the Board may request to postpone the proposal's review. Directors and shareholders with related or connected interests will be required to abstain from voting; and

(vi) Our Company and the Directors will ensure compliance with all applicable laws and regulations, including but not limited to the Listing Rules, by timely consulting the compliance adviser and seeking independent legal advice when necessary (especially before entering into any transaction or corporate action subject to Chapter 14 and Chapter 14A of the Listing Rules).

In light of the above reasons, the Directors are of the view that Mr. Shi is suitable to serve as a director.

FURTHER INFORMATION ABOUT MS. PAN YALAN

Prior to joining our Group, Ms. Pan Yalan, our Independent Non-executive Director, was an independent director of Zhejiang Busen Garments Co., Ltd. (浙江步森服飾股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 002569, "**Busen**") from July 2008 to October 2014. During her tenure at Busen, Ms. Pan received a warning decision (the "**Warning**") from the CSRC, among other decisions made by CSRC against Busen and seven other directors and a senior manager of Busen at that time, regarding Busen's false disclosure of the financial information of Guangxi Kanghua Agricultural Co. Ltd. (廣西康華農業股份有限公司, "**Guangxi Kanghua**") during the proposed acquisition of Busen by Guangxi Kanghua (the "**Proposed Acquisition**"). It was discovered in the Warning that Busen falsely increased the total assets, revenue of Guangxi Kanghua in the asset reorganization report published by Busen on the Shenzhen Stock Exchange. The persons mainly responsible for and in charge of the Proposed Acquisition was found by CSRC to be the then chairman of the board, the board secretary and vice president of Busen and Ms. Pan was not involved in the false disclosure of financial information leading to the Warning. Ms. Pan, together with other directors, was found liable and received the Warning because of signing the asset reorganization report and consenting to be jointly responsible for the asset reorganization report. Ms. Pan was then an independent director of Busen and no fraudulent or dishonest conduct of Ms. Pan was found or mentioned in the Warning. The Warning and the Proposed Acquisition were unrelated to our Group and Ms. Pan's role as our Independent Non-executive Director.

Despite the Warning involving Ms. Pan, after conducting a comprehensive assessment (including understanding the nature of the underlying incident leading to the Warning), our Company and the Directors (excluding Ms. Pan) believe that the Warning did not adversely affect Ms. Pan's suitability to act as an Independent Non-executive Director, and Ms. Pan possesses the experience, knowledge, and skills required to serve as a director of a listed company. Therefore, according to Listing Rules 3.08 and 3.09, after considering the following reasons, Ms. Pan is suitable to serve as a director:

(i) According to the PRC Company Law and the rules of the Shenzhen Stock Exchange, the Warning did not disqualify Ms. Pan from acting as an independent director of any PRC incorporated company;

(ii) As disclosed in Ms. Pan's biography above, Ms. Pan has accumulated extensive experience in board affairs at multiple listed companies in PRC and is a professor with deep knowledge in the field of audit and accounting. To the best of our knowledge after making all reasonable inquiries, apart from the Warning mentioned above, Ms. Pan has no other non-compliance records during her tenure as a director of our Company or any other listed company;

(iii) Ms. Pan has served and has been serving as independent directors of multiple PRC listed companies after the Warning, demonstrating Ms. Pan's value to these companies and her ability to fulfill her duties as an independent director;

(iv) Ms. Pan has participated in relevant trainings, development and updated to her knowledge and skills to keep up with the latest regulatory developments, including trainings and reading materials on topics such as corporate governance, directors' responsibilities, continuous obligations of listed companies under the Listing Rules and the consequences of violating the Listing Rules and Hong Kong laws;

(v) We have also implemented internal control measures to ensure full compliance with applicable laws and regulations in the future, including but not limited to appointing the compliance adviser and enhancing the information disclosure policies. We have established a comprehensive information disclosure management system to be effective upon listing. This system will monitor and manage our information disclosure activities to prevent similar incidents happening to our Company. It includes a clear review process to ensure the accuracy and truthfulness of disclosures, involving coordinated reviews by multiple departments (such as the Board office, legal department, finance department and relevant business units and functional departments), including the secretary to the Board. In addition, in reviewing the disclosure on certain transactions, Directors, including Independent Non-executive Directors, and Supervisors may seek independent professional advice at the cost of our Company to assist in reviewing and evaluating the relevant transactions; and

(vi) Our Company and the Directors will ensure compliance with all applicable laws and regulations, including but not limited to the Listing Rules, by timely consulting the compliance adviser and seeking independent legal and/or financial advice when necessary (especially before entering into any transaction or corporate action subject to Chapter 14 and Chapter 14A of the Listing Rules).

In light of the above reasons, the Directors are of the view that Ms. Pan is suitable to serve as a director. Based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation that each of Mr. Shi and Ms. Pan is suitable to serve as a director under Listing Rules 3.08 and 3.09.

JOINT COMPANY SECRETARIES

Mr. Hu Kaicheng (胡凱程先生) has been appointed as our joint company secretary. See "— Senior Management" above for Mr. Hu's biography.

Ms. Ho Wing Nga (何詠雅女士) has been appointed as our joint company secretary. Ms. Ho is the Managing Director, Entity Solutions of Computershare Hong Kong Investor Services Limited and the joint company secretary and company secretary for various companies listed on the Stock Exchange. Ms. Ho has over 25 years of experience in corporate governance services.

Ms. Ho obtained a master's degree in corporate governance from the Hong Kong Polytechnic University (香港理工大學) in December 2006 and became an associate of The Hong Kong Chartered Governance Institute (the "**HKCGI**", previously known as the Hong Kong Institute of Chartered Secretaries) in the same month. In March 2015, Ms. Ho became a fellow of both the HKCGI and The Chartered Governance Institute. She is also a holder of the practitioner's endorsement of HKCGI and a member of The Hong Kong Institute of Directors.

As of the Latest Practicable Date, Ms. Ho acted as the sole company secretary of AustAsia Group Ltd. (澳亞集團有限公司, listed on the Stock Exchange under the stock code of 02425), Central China Management Company Limited (中原建業有限公司, listed on the Stock Exchange under the stock code of 09982) and GOGOX Holdings Limited (快狗打車控股有限公司, listed on the Stock Exchange under the stock code of 02246) and a joint company secretary of Concord Healthcare Group Co., Ltd. (美中嘉和醫學技術發展集團股份

有限公司, listed on the Stock Exchange under the stock code of 02453), DPC Dash Ltd. (達勢股份有限公司, listed on the Stock Exchange under the stock code of 01405), Financial Street Property Co., Limited (金融街物業股份有限公司, listed on the Stock Exchange under the stock code of 01502), Hangzhou Jiuyuan Gene Engineering Co., Ltd. (杭州九源基因工程股份有限公司, listed on the Stock Exchange under the stock code of 02566), JY Gas Limited (交運燃氣有限公司, listed on the Stock Exchange under the stock code of 01407) and Laekna, Inc. (來凱醫藥有限公司, listed on the Stock Exchange under the stock code of 02105).

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in December 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the Independent Non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his/her appointments.

DISCLOSURE UNDER RULE 8.10(2) OF THE LISTING RULES

As of the Latest Practicable Date, none of our Directors had interests in any business, which competes directly or indirectly with our business for the purpose of Rule 8.10(2) of the Hong Kong Listing Rules.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

We have established four Board Committees in accordance with the relevant laws and regulations in mainland China, the Articles of Association and the code of corporate governance practices under the Listing Rules, namely the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy Management and ESG Committee. The functions of the four committees are summarized as follows.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee comprises three members, namely Mr. Bao Ensi, Ms. Pan Yalan and Mr. Shi Jianhui as the members of the Audit Committee, with Mr. Bao Ensi as the chairperson of the Audit Committee and the Director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Evaluation Committee

We have established the Remuneration and Evaluation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration and Evaluation Committee comprises three members, namely Mr. Shi Jianhui, Mr. Bao Ensi and Mr. Ren Jintu, with Mr. Shi Jianhui as the chairperson of the Remuneration and Evaluation Committee.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession and evaluate the Board diversity policy. The Nomination Committee comprises three members, namely Ms. Pan Yalan, Mr. Zhang Yabo and Mr. Shi Jianhui, with Ms. Pan Yalan as the chairperson of the Nomination Committee.

Strategy Management and ESG Committee

We have established a Strategy Management and ESG Committee with written terms of reference. The primary duties of the Strategy Management and ESG Committee are to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company. The Strategy Management and ESG Committee comprises six members, namely Mr. Zhang Yabo, Mr. Wang Dayong, Mr. Ni Xiaoming, Mr. Chen Yuzhong, Mr. Zhang Shaobo and Mr. Shi Jianhui, with Mr. Zhang Yabo as the chairperson of the Strategy Management and ESG Committee.

Corporate Governance Code

We aim to implement a high standard of corporate governance, which we believe is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 of the Listing Rules after the Listing, save that Mr. Zhang Yabo will serve as both our Chairman of the Board and Chief Executive Officer as discussed below.

Pursuant to code provision A.2.1 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. We do 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 our Group and enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired, and this structure will enable our Company to make and implement decisions promptly and effectively.

Board Diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantages and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of our Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. In particular, our Company currently has one female Director in the Board and will continue to work towards enhancing the gender diversity of the Board. Our Directors have a balanced mix of knowledge and skills, and we have six Non-executive Directors, including four Independent Non-executive Directors, with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy. Pursuant to the board diversity policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

Management Presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Hong Kong Stock Exchange and granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules" for further details.

REMUNERATION

Our Directors, Supervisors and senior management receive their remuneration in the form of basic annual payments and performance-related annual payments, including fees, salaries, share-based compensation, pension schemes contribution and/or other benefits in kind.

For the years ended December 31, 2022, 2023 and 2024, the total remuneration paid to our Directors amounted to RMB14.1 million, RMB15.4 million and RMB19.1 million, respectively.

For the years ended December 31, 2022, 2023 and 2024, the total remuneration paid to our Supervisors amounted to RMB0.5 million, RMB0.6 million and RMB0.6 million, respectively.

For the years ended December 31, 2022, 2023 and 2024, the total emoluments paid to the five highest paid individuals by us amounted to RMB20.8 million, RMB26.6 million, and RMB35.1 million, respectively.

For the years ended December 31, 2022, 2023 and 2024, no payment was made by us to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. Our Non-executive Directors and Supervisors (except the Employee Supervisor) do not receive remuneration from our Company. None of the Directors or Supervisors waived their remuneration during the relevant period.

The remuneration of our Directors, Supervisors and senior management is determined with reference to factors including the completion status of our Company's financial indicators and business objectives, scope of work and responsibilities of senior management, completion status of various performance indicators for Directors and senior management and operational performance regarding the business innovation and profit-generating capabilities of directors and senior management.

Save as disclosed above and in "Financial Information", "Appendix I — Accountant's Report" and "Appendix IV — Statutory and General Information", no other payments have been paid or are payable in respect of the Track Record Period to our Directors, Supervisors and senior management by our Group. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ending December 31, 2025 to be approximately RMB18.4 million.

See the Accountant's Report in Appendix I for details on remuneration paid to our Directors, Supervisors and senior management and, on an aggregate basis, the five highest paid individuals of our Group during the Track Record Period, and paragraphs headed "Appendix IV — Statutory and General Information — 4. Our Incentive Schemes" for details regarding the incentive plans for our Directors and senior management.

COMPLIANCE ADVISER

We have appointed Huatai Financial Holdings (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

OUR CONTROLLING SHAREHOLDERS GROUP

As of the Latest Practicable Date, our Controlling Shareholders Group, comprising Mr. Zhang Daocai, Ms. Yu Qingjuan, Mr. Zhang Yabo, Mr. Zhang Shaobo, Xinchang Huaqing Investment, Xinchang Huaxin Industrial, Zhejiang Huateng Industrial, Sanhua Holding, Hield International, Wealth Info and Sanhua Green Energy, collectively controlled approximately 44.62% of our total share capital. See "History and Corporate Structure — The Concert Parties" and "History and Corporate Structure — Our Shareholding and Corporate Structure" in this prospectus for details.

Immediately following the completion of the Global Offering (assuming the Offer Size Adjustment and the Over-allotment Option are not exercised), the Controlling Shareholders Group will continue to hold in aggregate approximately 40.69% of our total share capital. Therefore, they will remain as our Controlling Shareholders Group.

NON-COMPETITION UNDERTAKING

On September 18, 2017, Mr. Zhang Yabo, Mr. Zhang Daocai, Mr. Zhang Shaobo and Sanhua Holding, together with Sanhua Green Energy, a substantial shareholder of our Company, each provided a long-term non-compete undertaking to our Company, pursuant to which they undertakes, among others, that:

(1) they will not directly or indirectly engage in or participate in any business that may constitute potential direct or indirect competition with our Group and to take legal and effective measures to procure other entities controlled by each of them not to engage in or participate in any business that is competitive with our Group;

(2) if our Group further expands business scope, they and the entities controlled by them will not compete with our Group; if there may be potential competition with our Group, they and the entities controlled by them will withdraw from the competition in the following ways: A. cease the businesses that compete or may compete with our Group; B. inject the competitive business into our Group; or, C. transfer the competitive business to an unrelated third party;

(3) if they or any other controlled entity of them have any business opportunities to engage in and participate in any activities that may compete with our Group, they shall immediately notify our Group of the above business opportunities. If our Group makes an affirmative reply to take advantage of the business opportunity within a reasonable period specified in the notice, they will use best effort to give the business opportunity to our Group; and

(4) if any of them violates the above undertakings, as a result of which our Company suffers a loss, they will be liable for all direct and indirect damages suffered by our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS GROUP

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing, taking into consideration the factors below.

Management Independence

Our Board consists of ten Directors, including four Executive Directors, two Non-executive Directors and four Independent Non-executive Directors upon listing.

Save as disclosed below, none of our Directors, Supervisors or members of our senior management holds a directorship or other position in our corporate Controlling Shareholders and their close associates:

Name	Position in our Company	Name of the Corporate Controlling Shareholders and Their Close Associates	Position
Mr. Zhang Yabo	Executive Director, Chairman of the Board and Chief Executive Officer	Sanhua Holding	Director with no management role and vice chairman of the board of directors
		Xinchang Huaxin Industrial Co., Ltd. (新昌華新實業有限公司)	Chairman of the board of directors
		Hangzhou Sanhua Research Institute Co., Ltd. (杭州三花研究院有限公司)	Chairman of the board of directors
		Sanhua Trading Singapore Pte. Ltd. (三花貿易新加坡私人有限公司)	Director
		Zhejiang Haoyuan Technology Co., Ltd. (浙江灝源科技有限公司)	Director
		Wuhu Aierda Technology Co., Ltd. (蕪湖艾爾達科技有限責任公司)	Director
Mr. Wang Dayong	Executive Director and President	Sanhua Holding	Director with no management role
		Zhejiang Sanhua Industrial Automation Co., Ltd. (浙江三花工業自動化有限公司)	Executive Director
		Ningbo Jiaerling Pneumatic Machinery Co., Ltd. (寧波佳爾靈氣動機械有限公司)	Director
Mr. Ni Xiaoming	Executive Director	Sanhua Holding	Director with no management role
Mr. Chen Yuzhong	Executive Director and Chief Engineer	Sanhua Holding	Director with no management role

Name	Position in our Company	Name of the Corporate Controlling Shareholders and Their Close Associates	Position
Mr. Zhang Shaobo	Non-executive Director	Sanhua Holding	Director
		Zhejiang Huateng Industrial Co., Ltd. (浙江華騰實業有限公司)	Chairman of the board of directors
		Ningbo Fuerda Intelligent Technology Co., Ltd. (寧波福爾達智能科技股份有限公司)	Director
		Inner Mongolia Xiqi Mining Co., Ltd. (內蒙古西岐礦業有限公司)	Supervisor
		Zhejiang Sanhua Ecological Agriculture Co., Ltd. (浙江三花生態農業有限公司)	Executive Director and Manager
		Hangzhou Kaisida Technology Co., Ltd. (杭州凱思達科技有限公司)	Executive Director
		Hangzhou Sanhua International Building Co., Ltd. (杭州三花國際大廈有限公司)	Executive Director and General Manager
		Tianjin Sanhua Industrial Park Management Co., Ltd. (天津三花產業園管理有限公司)	Executive Director and Manager
		Xinchang Zhonghe Enterprise Management Consulting Co., Ltd. (新昌縣眾合企業管理諮詢有限公司)	Director
		Hangzhou Fuxiang Property Management Co., Ltd. (杭州富翔物業管理有限公司)	Chairman of the board of directors
		Shaoxing Sanhua Zhiyue Real Estate Development Co., Ltd. (紹興三花智越房地產開發有限公司)	Executive Director and Manager
		Shanghai Sanhua Electric Co., Ltd. (上海三花電氣有限公司)	Executive Director, General Manager
		Xinchang Sanhua Property Management Co., Ltd. (新昌縣三花物業管理有限公司)	Chairman of the board of directors
		Xinchang Sanhua Hongdao Venture Capital Partnership (Limited Partnership) (新昌三花弘道創業投資合夥企業（有限合夥）)	General partner
		Hangzhou Sanhua Hongdao Venture Capital Partnership (Limited Partnership) (杭州三花弘道創業投資合夥企業（有限合夥）)	General partner
		Zhejiang Sanhua Zhiyuan Real Estate Co., Ltd. (浙江三花智源房地產有限公司)	Chairman of the board of directors
		Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司)	Chairman of the board of directors

Name	Position in our Company	Name of the Corporate Controlling Shareholders and Their Close Associates	Position
Mr. Ren Jintu	Non-executive Director	Sanhua Holding	Director
		Ningbo Fuerda Intelligent Technology Co., Ltd. (寧波福爾達智能科技股份有限公司)	Director
		Hangzhou Sanhua International Building Co., Ltd. (杭州三花國際大廈有限公司)	Supervisor
		Xinchang Zhonghe Enterprise Management Consulting Co., Ltd. (新昌縣眾合企業管理諮詢有限公司)	Chairman of the supervisory committee
		Zhejiang Sanhua Zhiyuan Real Estate Co., Ltd. (浙江三花智源房地產有限公司)	Director
		Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司)	Director
Mr. Zhao Yajun	Supervisor	Sanhua Holding	Deputy director of finance
		Xinchang Huaxin Industrial Co., Ltd. (新昌華新實業有限公司)	Director
		Ningbo Fuerda Intelligent Technology Co., Ltd. (寧波福爾達智能科技股份有限公司)	Supervisor
		Shanghai Fuyulong Automotive Technology Co., Ltd. (上海福宇龍汽車科技有限公司)	Supervisor
		Xinchang Zhonghe Enterprise Management Consulting Co., Ltd. (新昌縣眾合企業管理諮詢有限公司)	Supervisor
		Fuerda (Tianjin) Intelligent Technology Co., Ltd. (福爾達(天津)智能科技有限公司)	Supervisor
		Zhejiang Haoyuan Technology Co., Ltd. (浙江灝源科技有限公司)	Supervisor
		Hangzhou Tongchan Machinery Co., Ltd. (杭州通產機械有限公司)	Supervisor
		Shanghai Sanhua Electric Co., Ltd. (上海三花電氣有限公司)	Supervisor
		Wuhu Aierda Technology Co., Ltd. (蕪湖艾爾達科技有限責任公司)	Supervisor
		Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司)	Supervisor

Name	Position in our Company	Name of the Corporate Controlling Shareholders and Their Close Associates	Position
Mr. Mo Yang	Supervisor	Sanhua Holding	Supervisor and the person in charge of the board of directors office
Mr. Yu Yingkui	Vice President and Chief Financial Officer	Zhejiang Huateng Industrial Co., Ltd. (浙江華騰實業有限公司)	Director
		Xinchang Zhonghe Enterprise Management Consulting Co., Ltd. (新昌縣眾合企業管理諮詢有限公司)	Director
		Sanhua Trading Singapore Pte. Ltd. (三花貿易新加坡私人有限公司)	Director

Notwithstanding the fact that four Executive Directors, namely Mr. Zhang Yabo, Mr. Wang Dayong, Mr. Ni Xiaoming and Mr. Chen Yuzhong, and two Non-executive Directors, namely Mr. Ren Jintu and Mr. Zhang Shaobo, collectively, the "**Overlapping Directors**"), hold overlapping directorship or other positions in Sanhua Holding, we are of the view that our Company and Sanhua Holding can be managed independently for the following reasons:

1. Mr. Ren Jintu and Mr. Zhang Shaobo are Non-executive Directors of our Company, and Mr. Zhao Yajun and Mr. Mo Yang are Supervisors of our Company, all of whom will be mainly responsible for providing guidance or supervision for the overall management and development of our Company and will not be involved in the day-to-day operation and management of our Company. The day-to-day management and operations of our Company will be dealt with by a team of full-time management members who have been serving our Group for a long time and are familiar with our business;

2. Mr. Zhang Yabo, Mr. Wang Dayong, Mr. Ni Xiaoming and Mr. Chen Yuzhong are not acting as directors with management role of Sanhua Holding and are not involved in the day-to-day management and operations of Sanhua Holding Group and are not receiving remuneration from Sanhua Holding Group;

3. our daily management and operations are carried out independently by our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Company. For details of the industry experience of our senior management team, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus;

4. each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

5. in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting. Hence, no Director will be able to influence our Board in making decisions on matters in which he or she is, or may be interested; and

6. we have four Independent Non-executive Directors and certain matters of our Company, including continuing connected transactions, must always be referred to the Independent Non-executive Directors for review. We have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Company and our Controlling Shareholders which would support our independent management. We have adopted corporate governance measures, including but not limited to establishment of special Board committees, to manage potential conflicts of Director's interests after completion of the Listing, including potential conflicts of interest that may arise in respect of the Overlapping Directors, in accordance with the requirements of the Articles of Association, relevant corporate governance policies, the Listing Rules and other applicable regulations. For matters where any Director may have an actual or potential conflict of interest, such actual or potential conflict of interest will be addressed in accordance with the Articles of Association, relevant corporate governance policies and the applicable requirements of the Listing Rules. The following corporate governance measures will be in place to mitigate any actual or potential conflict of interests:

   a) in the event of any actual or potential conflict of interest between our Group and our Controlling Shareholders, our Directors shall report such conflict of interest to the Independent Non-executive Directors as soon as practicable upon becoming aware of it, where applicable, convene a Board meeting to review and evaluate the implications and risk exposure of such conflict, and monitor any material irregular business activities;

   b) the Nomination Committee of our Company will from time to time review the independence of our Directors in terms of the performance of their duties as Directors to ensure effective management of potential conflict of interest;

   c) our Directors, including our Independent Non-executive Directors, are entitled to seek independent professional advice from external parties in appropriate circumstances at our Company's expense; and

d) as an A-share listed company, we have formulated and adopted a comprehensive internal control and management system in compliance with the relevant requirements of the rules of the Shenzhen Stock Exchange. The Articles of Association has also included relevant provisions to manage conflict of interest, pursuant to which our Directors are prohibited from voting in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest, and shall not be counted in the quorum present at the particular Board meeting.

For details, see "— Corporate Governance" in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Company independently from our Controlling Shareholders and their respective close associates after the Listing.

Operational Independence

We do not rely on our Controlling Shareholders and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, IT, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers. We are in possession of all relevant licenses, certificates, facilities and IP rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

We have entered into a number of transactions with Sanhua Holding. See "Connected Transactions" in this prospectus for further details of, and the reasons for entering into, these transactions. Considering that the amount of the relevant transactions during the Track Record Period are not significant to our Group, our Directors believe that such transactions will not have any impact on the operational independence of our Group.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Company's own business needs. We have our own internal control and accounting systems and an independent finance department for discharging the treasury function and independent access to third party financing. We do not expect to rely on our

Controlling Shareholders or their respective close associates for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, the cash and cash equivalent on hand and internally generated funds.

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective associates. As of the Latest Practicable Date, we did not have any outstanding loans or guarantees provided by or granted to, nor any non-trade balances due to or due from, our Controlling Shareholders or their respective associates.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders after the Listing.

INTERESTS OF OUR CONTROLLING SHAREHOLDERS GROUP IN OTHER BUSINESSES

Each of our Controlling Shareholders confirmed that as of the Latest Practicable Date, apart from the business of our Company, it/he/she did not have any interest in other business, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Sanhua Holding is primarily engaged in industrial investment. Aside from the business operated by our Group, Sanhua Holding, through Hield International, Wealth Info and Sanhua Green Energy, mainly engages in operations in fields of property development and management, sports events management, equity investment, power management, bulk trading and industrial automation. Xinchang Huaqing Investment, Xinchang Huaxin Industrial and Zhejiang Huateng Industrial are investment holding companies and held no interest in other companies aside from interests in Sanhua Holding as of the Latest Practicable Date.

As of the Latest Practicable Date, Sanhua Holding held as to approximately 51% of the interest in Ningbo Fuerda Intelligent Technology Co., Ltd. (寧波福爾達智能科技股份有限公司, "**Ningbo Fuerda**"). Ningbo Fuerda is an entity engaging in the R&D, design, and manufacture of automobile components. The business of Ningbo Fuerda is distinctive and separate from that of the Group and therefore there is clear business delineation between the Group and Sanhua Holding based on the following reasons:

- different product types, application areas, and functions
  - o the products of Ningbo Fuerda are categorized into two main series: intelligent optoelectronic systems (including exterior lights, interior lights, Bluetooth virtual keys, air conditioning control panels, etc.) and seat functional components (such as air outlet assemblies, battery boxes, glove compartments, etc.). These products are visible or touchable within and outside the vehicle cabin, serving functions such as lighting, visual effects, and intelligent control;

  - o in contrast, the Group's main products in automotive components include electronic expansion valves, battery coolers, and integrated modules. These thermal management modules are predominantly located in the engine compartment and/or battery module and are not visible or touchable within or outside the vehicle cabin. Their function is to achieve temperature management by controlling the flow of refrigerants.

- different raw materials

  - o Ningbo Fuerda primarily utilizes electronic components, custom plastic parts, surface-treated parts, and printed circuit board assembly boards, with a minor inclusion of metal hardware. The manufacturing processes include injection molding, surface mount technology, spraying, and assembly.

  - o In contrast, the Group primarily employs metal products, aluminum materials, rubber and plastic products, and electrical components in manufacturing. The manufacturing processes include machining, brazing, extrusion, stamping, and assembly.

Sanhua Holding Group purchased and expects to keep purchasing filters, molds, valve products, heat exchangers from our Group to manufacture products including pneumatic solenoid valves and textile machine solenoid valves, as well as their assemblies. See "Connected Transactions — Partially-exempt Continuing Connected Transaction — 5. Provision of Products Framework Agreement." These pneumatic solenoid valves and textile machine solenoid valves are different from the valves produced by our Group in its functions and applications. Pneumatic solenoid valves manufactured by Sanhua Holding Group are used for air suspension system in automobiles that adjusts a vehicle's suspension using air springs and an air compressor and textile machine solenoid valves are used for air-jet looms in the textile industry. Those products are different from the main products of our Group as our products, including valves, are for thermal management in automotive operations and air-conditioning.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Company and our Controlling Shareholders Group:

(a) where a Board meeting is held for the matters in which any Director or his/her associates have a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(b) where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their respective associates has a material interest, such Controlling Shareholders and their respective associates will not vote on the resolutions and shall not be counted in the quorum in the voting;

(c) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon Listing. In particular, our Articles of Association provides that, a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(d) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with any of our Controlling Shareholders or any of their respective associates, our Company will comply with the applicable Listing Rules;

(e) we are committed that our Board shall include a balanced composition of Executive Director and Non-executive Directors (including Independent Non-executive Directors). We have appointed four Independent Non-executive Directors, and we believe our Independent Non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the Independent Non-executive Directors, see "Directors, Supervisors and Senior Management";

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Huatai Financial Holdings (Hong Kong) Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Company and our Controlling Shareholders Group, and to protect minority Shareholders' interests after the Listing.

Upon Listing, certain transactions between us and our connected persons will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSON

We have entered into certain transactions in the ordinary and normal course of our business with the following connected person, which will constitute continuing connected transactions upon the Listing:

Names of our connected person	Connected Relationship
Sanhua Holding (together with its subsidiaries and associates, excluding our Group, the "**Sanhua Holding Group**")	As of the Latest Practicable Date, Sanhua Holding is a member of our Controlling Shareholders Group.

SUMMARY OF OUR CONNECTED TRANSACTIONS

Transaction	Counterparty	Category of continuing connected transaction	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31, 2025 *(RMB in million)*
Fully-exempt Connected Transactions					
1. Procurement of Services Framework Agreement	Sanhua Holding Group	Fully exempt	14A.34 14A.76(1)	N/A	N/A
2. Short-term Property Leasing Framework Agreement	Sanhua Holding Group	Fully exempt	14A.34 14A.76(1)	N/A	N/A
3. Property Leasing Framework Agreement	Sanhua Holding Group	Fully exempt	14A.34 14A.76(1)	N/A	N/A
4. Provision of Services Framework Agreement	Sanhua Holding Group	Fully exempt	14A.34 14A.76(1)	N/A	N/A

Transaction	Counterparty	Category of continuing connected transaction	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31, 2025 *(RMB in million)*
Partially-exempt Connected Transactions					
5. Provision of Products Framework Agreement	Sanhua Holding Group	Partially exempt	14A.76(2) 14A.105	Announcement	70.79
6. Procurement of Materials Framework Agreement	Sanhua Holding Group	Partially exempt	14A.76(2) 14A.105	Announcement	107.37

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Procurement of Services Framework Agreement

On June 10, 2025, our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the "**Procurement of Services Framework Agreement**") with Sanhua Holding, for itself and on behalf of Sanhua Holding Group, pursuant to which we will procure various services, including but not limited to usage of operation vehicles, property management services, development and ad hoc services related to development and testing of software for the Group's use. Pursuant to the Procurement of Services Framework Agreement, we will procure certain services from Sanhua Holding Group according to the separate agreements in respect of each of the transactions to be entered into by the relevant members of our Group with the relevant members of Sanhua Holding Group from time to time. The pricing of such services is to be determined by our Group and Sanhua Holding Group on normal commercial terms, negotiated on arm's length basis, subject to applicable laws and regulations and with reference to, among others, the costs, the quantities, quality and reliability of the services, the prevailing market conditions and the principle of fairness. The initial term of the Procurement of Services Framework Agreement will commence on the Listing Date and end on December 31, 2025 (both days inclusive), subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

As the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, the Procurement of Services Framework Agreement will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

2. Short-term Property Leasing Framework Agreement

On June 10, 2025, our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the "**Short-term Property Leasing Framework Agreement**") with Sanhua Holding, for itself and on behalf of Sanhua Holding Group, pursuant to which, our Group will lease certain properties from Sanhua Holding Group. The rents during the leasing term shall be determined on normal commercial terms after arm's length negotiations between the relevant parties and with reference to: (i) the prevailing market rents of similar properties in the same or nearby area or similar locations in the PRC; (ii) the conditions of the property, including but not limited to its location and the facilities associated with the property; and (iii) the estimated utility costs the lessee expects to consume during the leasing term. The rents shall be in line with no more than the market rates of properties of comparable size and quality situated in the same locality, which shall be in the best interests of our Company and our Shareholders as a whole. The initial term of the Short-term Property Leasing Framework Agreement will commence on the Listing Date and end on December 31, 2025, subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations. Both parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Short-term Property Leasing Framework Agreement.

As the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, the Short-term Property Leasing Framework Agreement will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

3. Property Leasing Framework Agreement

On June 10, 2025, our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the "**Property Leasing Framework Agreement**") with Sanhua Holding, for itself and on behalf of Sanhua Holding Group, pursuant to which, our Group will lease certain properties to Sanhua Holding Group. The monthly rents charged by our Group during the leasing term are determined based on normal commercial terms after arm's length negotiations between the relevant parties, and the leasing shall be equivalent to the prevailing market rates of properties of comparable size and quality situated in the same locality available to or offered by Independent Third Parties, which are in the best interests of our Company and our Shareholders as a whole. The initial term of the Property Leasing Framework Agreement will commence on the Listing Date and end on December 31, 2025, subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations. Both parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Property Leasing Framework Agreement.

As the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, the Property Leasing Framework Agreement will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

4. Provision of Services Framework Agreement

On June 10, 2025, our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the "**Provision of Services Framework Agreement**") with Sanhua Holding, for itself and on behalf of Sanhua Holding Group, pursuant to which, our Group will supply to Sanhua Holding Group testing services, including testing of the metallography, testing of the microstructure of metals using various techniques, type testing to ensure the products meet certain standards and requirements and functions testing to assess if the products work properly. The prices of the services are determined based on normal commercial terms after arm's length negotiations between the relevant parties, with reference to, among others, the costs, the quantities, the quality and reliability of the testing services and the prevailing market conditions. The initial term of the Provision of Services Framework Agreement will commence on the Listing Date and end on December 31, 2025, subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations. Both parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Provision of Services Framework Agreement.

As the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, the Provision of Services Framework Agreement will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

5. Provision of Products Framework Agreement

Principle Terms

On June 10, 2025, our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the "**Provision of Products Framework Agreement**") with Sanhua Holding, for itself and on behalf of Sanhua Holding Group, pursuant to which, our Group will supply to Sanhua Holding Group manufactured products including but not limited to power, filters, molds, valve products, heat exchangers and home appliances (the "**Component Products**"). The filters, molds, valve products, heat exchangers are procured by Sanhua Holding Group to manufacture products including pneumatic solenoid valves and textile machine solenoid valves, as well as their assemblies.

The initial term of the Provision of Products Framework Agreement will commence on the Listing Date and end on December 31, 2025. Both parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Provision of Products Framework Agreement.

Pricing Policy

The amount to be paid by Sanhua Holding Group to our Group under the Provision of Products Framework Agreement generally adopt a cost-plus method and will be determined through fair negotiations, taking into account the factors including (i) the market price of the relevant products; (ii) the costs and profit margins of our Group; and (iii) the prices offered by our Group to other customers purchasing similar products.

Reasons for the Transaction

During the Track Record Period, we have supplied the Component Products to Sanhua Holding Group and we expect that we will continue to provide the products after the Listing. Our Group has a long-term and stable business relationship with Sanhua Holding Group. Sanhua Holding Group is familiar with the products the Group manufactured and procures these products for its research and development, testing and employee benefits purposes. We are not and will not be bound to collaborate with Sanhua Holding Group, and we will only manufacture and provide the required products to Sanhua Holding Group if we consider it is in the interests of our Company and Shareholders as a whole. Such coloration with Sanhua Holding Group not only brings our Group additional sales but also the opportunities to expand our reach and further promote our offerings.

Consideration and Pricing Policies

The product fee charged by us shall be determined through arm's length negotiations between the relevant parties and with reference to: (i) the market price of relevant products; (ii) our cost and profit margin; and (iii) the price offered by us to our other customers purchasing similar products. The pricing terms under the Provision of Products Framework Agreement shall be in the best interests of our Company and our Shareholders as a whole.

Historical Amounts

For the years ended December 31, 2022, 2023 and 2024, the historical transaction amounts with respect to our provision of the above products were approximately RMB6.50 million, RMB24.81 million and RMB31.97 million, accounting for approximately 0.03%, 0.10% and 0.11% of the revenue, respectively.

The increases in the sales amount from Sanhua Holding Group during the Track Record Period were mainly due to the increased amount of electricity sold to Sanhua Holding Group. During the Track Record Period, we procured increased amount of steam from Sanhua Holding Group for our manufacturing purposes. At the same time, as the by-product we sold the electricity generated during the manufacturing process to Sanhua Holding Group.

Annual Caps

The following table sets forth the proposed annual caps for the annual transaction amounts to be paid to us by Sanhua Holding Group and its associates under the Provision of Products Framework Agreement:

	For the years ending December 31, 2025
	(RMB in million)
Total fees to be paid by Sanhua Holding Group	70.79

The proposed annual caps are determined based on:

(i) the historical amounts of the transactions between the Group and Sanhua Holding Group during the Track Record Period in respect of the provision of such products;

(ii) the existing orders we have at hand that reflect a strong customer demand and the expected increasing demand of Sanhua Holding Group for such products, considering the business expansion of Sanhua Holding Group in 2025. As of March 31, 2025, the transaction amount with Sanhua Holding Group for our product sales totaled RMB9.99 million. Due to anticipated seasonal fluctuations in both purchase quantities and pricing, we expect increased sales in the subsequent quarters of 2025; and

(iii) other factors including but not limited to the expected market price of the similar products on normal commercial terms.

In addition, based our ongoing collaboration and negotiations with Sanhua Holding Group, we have gained insights into their latest market analysis and business development strategies, based on which Sanhua Holding Group foresees an increase in the demand for our Company's products (mainly as components of the products of Sanhua Holding Group). This anticipated growth in business volume indicates an increase in demand on our products to meet their evolving needs.

Listing Rules Implications

As the highest applicable percentage ratio of the transactions under the Provision of Products Framework Agreement for the year ending December 31, 2025 calculated for the purpose of Chapter 14A of the Listing Rules is higher than 0.1% but below 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules but exempt from the independent Shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

6. Procurement of Materials Framework Agreement

Principle Terms

On June 10, 2025, our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the "**Procurement of Materials Framework Agreement**") with Sanhua Holding, for itself and on behalf of Sanhua Holding Group, pursuant to which, our Group will procure various materials, powers and supplies from relevant members of Sanhua Holding Group ("**Products Providers**").

The initial term of the Procurement of Materials Framework Agreement will commence on the Listing Date and end on December 31, 2025. Both parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions for the procurement of materials and powers according to the principles provided in the Procurement of Materials Framework Agreement.

Pricing Policy

The amount to be paid by us to Sanhua Holding Group under the Procurement of Materials Framework Agreement generally adopt a cost-plus method and will be determined through fair negotiations, taking into account the factors including the type of materials and the transaction volume and the prices at which our Group procures similar materials of the same nature, type, and quantity from other independent third parties.

Reasons for the Transaction

Our Group has been purchasing such materials and powers from the Products Providers during the Track Record Period in the ordinary and usual course of our business. Our Group and Sanhua Holding Group has established a long-term and stable business relationship, and these Products Providers have acquired a comprehensive understanding of our business and operational requirements of the materials and powers that we need. In relation to procurement of powers, our Group has leased several properties from Sanhua Holding Group for manufacturing and production, according to local governmental regulations on public utilities supply, the powers we used for manufacturing and production, including electricity, water and gas, to be used by our Group will be recorded under Sanhua Holding Group's account registered with the local power providers, our Group therefore needs to pay for these powers through Sanhua Holding Group.

Therefore, we believe it is in the best interest of the Group and our Shareholders as a whole to continue to procure such materials and powers from these Products Providers who are capable of fulfilling our demands with a stable and high-quality supply of materials and powers on terms which are similar to or better than those offered by Independent Third Parties.

Consideration and Pricing Policies

The fee to be charged by Sanhua Holding Group for the materials and powers to be supplied to our Group pursuant to the Procurement of Materials Framework Agreement shall be determined by commercial negotiation between the parties according to the principles of fairness and reasonableness, taking into account various factors including but not limited to the type of materials, transaction volume and the prices for the procurement of materials of similar nature, type and quantity by our Group to other Independent Third Parties in the market.

Historical Amounts

For the years ended December 31, 2022, 2023 and 2024, the historical transaction amounts with respect to our procurement of the materials and powers were approximately RMB47.81 million, RMB40.71 million and RMB50.24 million, respectively, representing 0.39%, 0.30% and 0.31% of the total purchase amount, respectively.

The increases in the purchase amount from Sanhua Holding Group during the Track Record Period were mainly due to the increased amount of public utilities, such as steam, procured from Sanhua Holding Group as a result of the increased needs of the Company for manufacturing.

Annual Caps

The following table sets forth the proposed annual caps for the annual transaction amounts to be paid by us to Sanhua Holding Group under the Procurement of Materials Framework Agreement:

	For the years ending December 31, 2025 *(RMB in million)*
Total fees to be paid by us to Sanhua Holding Group	107.37

The proposed annual caps are determined based on:

(i) the historical amounts of the transactions between our Group and Sanhua Holding Group during the Track Record Period in respect of the procurement of the above materials;

(ii) the existing orders we made and the expected demand of our Group for such materials and powers due to our plan for business expansion, increasing market opportunities and consumer spending. As of March 31, 2025, the transaction amount with Sanhua Holding Group for our procurement of materials and power totaled RMB17.38 million. Due to anticipated seasonal fluctuations in both purchase quantities and pricing, we expect increased procurement in the subsequent quarters of 2025; and

(iii) other factors including but not limited to the expected market price of such materials and the expected market trend.

In addition, based on our recent business development outlook, we anticipate an increased need to procure materials and powers from Sanhua Holding Group to support our own business growth. This projection also takes into account the volume and value of existing orders we have from some of our customers. To ensure we can promptly seize market opportunities and fulfill our customers' orders, we have agreed with Sanhua Holding Group on a higher annual cap to secure a stable supply of materials and energy as compared to historical transaction amount.

Listing Rules Implications

As the highest applicable percentage ratio of the transactions under the Procurement of Materials Framework Agreement for the year ending December 31, 2025 calculated for the purpose of Chapter 14A of the Listing Rules is higher than 0.1% but below 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules but exempt from the independent Shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

INTERNAL CONTROL PROCEDURES ADOPTED BY THE COMPANY IN RESPECT OF THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTION FRAMEWORK AGREEMENTS

Our Group adopts the following internal control measures to ensure that the transactions will be carried out in accordance with the terms of the Provision of Products Framework Agreement and Procurement of Materials Framework Agreement, including the pricing policies, and in compliance with all the applicable requirements under the Listing Rules:

- we have adopted a connected transactions management policy for the purpose of ensuring that connected transactions under the Provision of Products Framework Agreement and Procurement of Materials Framework Agreement will be conducted in a fair manner, on normal commercial terms and in the interests of our Company and our Shareholders as a whole;

- prior to the execution of the underlying agreements under the Provision of Products Framework Agreement and Procurement of Materials Framework Agreement, the operation department of the relevant business sector of our Group will compare the terms of the proposed transactions (including pricing and other contractual terms) with those similar transactions entered with Independent Third Parties or the terms offered to or by Independent Third Parties (as the case may be) to ensure that the terms of agreements under the Provision of Products Framework Agreement and Procurement of Materials Framework Agreement shall be no less favourable to our Group than terms between our Group and the Independent Third Parties;

- the finance team of our Group shall regularly examine the pricing of the transactions under the Provision of Products Framework Agreement and Procurement of Materials Framework Agreement to ensure that those transactions are conducted in accordance with the pricing terms therein;

- the internal control team of our Group shall periodically review the pricing of the transactions under the Provision of Products Framework Agreement and Procurement of Materials Framework Agreement against the prices negotiated between our Group and Independent Third Parties for similar products, to ensure that the terms of the agreements under the Provision of Products Framework Agreement and Procurement of Materials Framework Agreement are not less favourable to our Group than terms between our Group and the Independent Third Parties;

- the finance and business teams of our Group shall periodically monitor the transaction amount under the Provision of Products Framework Agreement and Procurement of Materials Framework Agreement and, when it is expected that the transaction amount might exceed the annual cap, promptly report in accordance with our Group's connected transactions management policy to ensure that the Company complies with all the applicable requirements under the Listing Rules, including to revise the relevant annual cap when appropriate;

- the legal team of our Group has reviewed the terms of the Provision of Products Framework Agreement and Procurement of Materials Framework Agreement and shall in case of any proposed change to the major terms of the transactions, ensure that the Company complies with all the applicable requirements under the Listing Rules, including but not limited to publishing an announcement; and

- our Independent Non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmations in accordance with Rules 14A.55 and 14A.56 of the Listing Rules.

WAIVER

In respect of the transactions as contemplated under the Provision of Products Framework Agreement and Procurement of Materials Framework Agreement as described above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules.

DIRECTORS' CONFIRMATION

Our Directors (including Independent Non-executive Directors) are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole, (ii) the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (iii) the Company will comply with the relevant requirement under Chapter 14A of the Listing Rules apart from the announcement requirement for which a waiver is sought under Rule 14A.105.

JOINT SPONSORS' CONFIRMATION

The Joint Sponsors have (i) reviewed the relevant documents and information provided by our Company in relation to the above partially-exempt continuing connected transactions; (ii) obtained necessary representations and confirmations from our Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group.

Based on the above, the Joint Sponsors are of the view that the aforesaid partially-exempt continuing connected transactions, for which a waiver has been sought, has been entered into in the ordinary and usual course of our business on normal commercial terms or better terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of the partially-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing, the following persons will have an interest or short position (as applicable) in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

				Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised		Assuming the Offer Size Adjustment Option and the Over-allotment Option are fully exercised	
Shareholder	Nature of interest	Description of Shares	Number of Shares directly or indirectly held	Approximate % of shareholding in our A Shares immediately after the Global Offering(3)	Approximate % of shareholding in the total share capital of our Company immediately after the Global Offering(3)	Approximate % of shareholding in our A Shares immediately after the Global Offering(3)	Approximate % of shareholding in the total share capital of our Company immediately after the Global Offering(3)
Mr. Zhang Daocai	Interest in controlled corporation(1)(2)	A Shares	1,629,046,278	43.65%	39.80%	43.65%	38.70%
	Interest held jointly with other persons(1)	A Shares	39,024,200	1.05%	0.95%	1.05%	0.93%
Ms. Yu Qingjuan	Interest in controlled corporation(1)(2)	A Shares	1,629,046,278	43.65%	39.80%	43.65%	38.70%
	Interest held jointly with other persons(1)	A Shares	39,024,200	1.05%	0.95%	1.05%	0.93%
Mr. Zhang Yabo	Interest in controlled corporation(1)(2)	A Shares	1,629,046,278	43.65%	39.80%	43.65%	38.70%
	Beneficial owner	A Shares	39,024,200	1.05%	0.95%	1.05%	0.93%
Mr. Zhang Shaobo	Interest in controlled corporation(1)(2)	A Shares	1,629,046,278	43.65%	39.80%	43.65%	38.70%
	Interest held jointly with other persons(1)	A Shares	39,024,200	1.05%	0.95%	1.05%	0.93%

				Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised		Assuming the Offer Size Adjustment Option and the Over-allotment Option are fully exercised	
Shareholder	Nature of interest	Description of Shares	Number of Shares directly or indirectly held	Approximate % of shareholding in our A Shares immediately after the Global Offering(3)	Approximate % of shareholding in the total share capital of our Company immediately after the Global Offering(3)	Approximate % of shareholding in our A Shares immediately after the Global Offering(3)	Approximate % of shareholding in the total share capital of our Company immediately after the Global Offering(3)
Sanhua Holding	Beneficial owner	A Shares	948,487,077	25.41%	23.17%	25.41%	22.54%
	Interest in controlled corporation(2)	A Shares	680,559,201	18.23%	16.63%	18.23%	16.17%
Sanhua Green Energy	Beneficial owner(2)	A Shares	677,851,480	18.16%	16.56%	18.16%	16.11%

Notes:

(1) As of the Latest Practicable Date, Mr. Zhang Yabo directly held 39,024,200 A Shares in our Company. Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo are parties acting in concert in respect of their shareholding interests in the Company. Therefore, each of Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo is deemed to be interested in the interest of each other under the SFO. As of the Latest Practicable Date, Sanhua Holding was held as to (i) 28.77% by Xinchang Huaqing Investment, which was held as to 51% by Mr. Zhang Daocai, 6% by Ms. Yu Qingjuan, who is the spouse of Mr. Zhang Daocai, 22% by Mr. Zhang Yabo, and 21% by Mr. Zhang Shaobo, (ii) 11.78% by Mr. Zhang Yabo, (iii) 10.04% by Mr. Zhang Shaobo, (iv) 12.35% by Xinchang Huaxin Industrial, which was held as to 38.84% by Mr. Zhang Yabo, and (v) 9.04% by Zhejiang Huateng Industrial, which was held as to 45.45% by Mr. Zhang Shaobo. Mr. Zhang Daocai is the father to Mr. Zhang Yabo and Mr. Zhang Shaobo. Therefore, the A Shares held by Sanhua Holding are deemed to be held by Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo.

(2) As of the Latest Practicable Date, Sanhua Green Energy is held as to 46.22% by Sanhua Holding, 28.20% by Wealth Info, which is ultimately wholly-owned by Sanhua Holding through Hield International. Therefore, Sanhua Holding is deemed to be interested in all the A Shares held by Sanhua Green Energy under the SFO. Interest in controlled corporation also includes the 2,707,721 A Shares repurchased by our Company as treasury shares as of the Latest Practicable Date.

As of the Latest Practicable Date, out of the 677,851,480 A Shares held by Sanhua Green Energy, 155,103,526 A Shares of Sanhua Green Energy were pledged and placed in a security and trust account maintained in respect of the Sanhua Green Energy Exchangeable Bonds. See "History and Corporate Structure — Our Shareholding and Corporate Structure".

(3) The calculation of the percentage includes 2,707,721 A Shares being held as treasure Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 0.075% of the total number of A Shares in issue as of the Latest Practicable Date.

For further information on any other person who will be, immediately following completion of the Global Offering, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see section headed "Appendix IV — Statutory and General Information — 3. Further Information About Our Directors and Supervisors — C. Disclosure of Interests — (iii) Interests of Substantial Shareholders in Members of Our Group (excluding our Company)" in this prospectus.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the total issued share capital of our Company was 3,732,389,535 A Shares of nominal value of RMB1.00 each, which are all listed on the main board of the Shenzhen Stock Exchange.

Description of Shares	Number of Shares	Approximate % of issued share capital
A Shares in issue*	3,732,389,535	100.0%

Note:

* Including 2,707,721 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 0.0725% of the total number of A Shares in issue as of the Latest Practicable Date.

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital
A Shares in issue*	3,732,389,535	91.2%
H Shares to be issued pursuant to the Global Offering	360,330,000	8.8%
Total	4,092,719,535	100.0%

Note:

* Including 2,707,721 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 0.0725% of the total number of A Shares in issue as of the Latest Practicable Date.

Immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option is fully exercised but the Over-allotment Option is not exercised the share capital of our Company will be as follows.

Description of share	Number of Shares	Approximate % of enlarger issued share capital
A Shares in issue*	3,732,389,535	90.0%
H Shares to be issued pursuant to the Global Offering	414,379,500	10.0%
Total	4,146,769,035	100.0%

Note:

* Including 2,707,721 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 0.075% of the total number of A Shares in issue as of the Latest Practicable Date.

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised but the Offer Size Adjustment is not exercised, the share capital of our Company will be as follows.

Description of share	Number of Shares	Approximate % of enlarger issued share capital
A Shares in issue*	3,732,389,535	90.0%
H Shares to be issued pursuant to the Global Offering	414,379,500	10.0%
Total	4,146,769,035	100.0%

Note:

* Including 2,707,721 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 0.075% of the total number of A Shares in issue as of the Latest Practicable Date.

Immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment Option are fully exercised, the share capital of our Company will be as follows.

Description of Shares	**Number of Shares**	**Approximate % of the enlarged issued share capital**
A Shares in issue*	3,732,389,535	88.7%
H Shares to be issued pursuant to the Global Offering	476,536,400	11.3%
Total	4,208,925,935	100.0%

Note:

* Including 2,707,721 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 0.075% of the total number of A Shares in issue as of the Latest Practicable Date.

OUR SHARES

Our H Shares in issue upon completion of the Global Offering, and our A Shares, are ordinary Shares in our share capital and are considered as one class of Shares. Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by mainland Chinese investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect. Our H Shares can be subscribed for or traded by Hong Kong and other overseas investors and qualified domestic institutional investors. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by mainland Chinese investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

Our H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the Global Offering. The Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for listing and trading on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

Approval from holders of A Shares is required for our Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the shareholders' general meeting of our Company held on December 30, 2024 and is subject to the following conditions:

(i) *Size of the offer.* The proposed number of H Shares to be offered shall not exceed 10% of the total issued share capital enlarged by the H Shares to be issued pursuant to the Global Offering (before the exercise of the Over-allotment Option). The number of H Shares to be issued pursuant to the full exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially under the Global Offering.

(ii) *Method of offering.* The method of offering shall be by way of an international offering to institutional investors and a public offer for subscription in Hong Kong.

(iii) *Target investors.* The H Shares shall be issued to public investors in Hong Kong under the Hong Kong Public Offering and international investors, qualified domestic institutional investors in mainland China and other investors who are approved by mainland Chinese regulatory bodies to invest abroad in International Offering.

(iv) *Price determination basis.* The issue price of the H Shares will be determined, among others, after due consideration of the interests of existing Shareholders of our Company, acceptance of investors and the risks related to the offering, according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(v) *Validity period.* The issue of H Shares and listing of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the shareholders' meeting was held on December 30, 2024.

There are no other approved offering plans for our Shares except the Global Offering.

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstance under which our shareholders' general meeting is required, see "Summary of Articles of Association — Shareholders and Shareholders' General Meetings" in Appendix III to this prospectus.

SHARES SCHEMES

Certain employees of our Company and our subsidiaries are eligible for interests of our Shares through the incentive schemes of our Company. For details, see "Appendix IV — Statutory and General Information — 4. Our Incentive Schemes" in this prospectus.

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements included in the Accountant's Report set out in Appendix I to this prospectus, together with the accompanying notes. Our financial information has been prepared in accordance with IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this prospectus, including the sections headed "Risk Factors" and "Business."

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are the world's largest manufacturer of refrigeration and air-conditioning control components and a global leader in automotive thermal management system components in terms of revenue in 2024, according to Frost & Sullivan. Our market share in the global refrigeration and air-conditioning control component market was approximately 45.5% in terms of revenue in 2024, according to Frost & Sullivan. In the global automotive thermal management system component market, we held a market share of approximately 4.1% in terms of revenue in 2024, ranking fifth globally, according to Frost & Sullivan. In line with our mission to develop an intelligent, low-carbon economy and create a sustainable, quality living environment, we have been dedicated to the R&D, promotion and adoption of thermal management technology, providing customers across the globe with energy-efficient solutions through our industry-leading products of high quality.

With a global perspective, we have established a business that spans two major sectors: refrigeration and air-conditioning product components and automotive components. We are a key supplier of refrigeration and air-conditioning control components, which span valves, heat exchangers, pumps and controllers, among others, serving the global market for residential and commercial air-conditioning, commercial and industrial refrigeration and small household appliances, among others. Our 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. We also offer heat exchanger products, specifically micro-channel heat exchangers, pump products such as Omega pumps, and controller products, including inverter controllers and pressure sensors. Under our automotive component business, we offer a substantial range of products, including valve products, such as automotive electronic expansion valves, pump products, such as automotive electronic water pumps, heat exchanger products, such as battery coolers, and various types of integrated modules, among others. In 2024, our global market share of refrigeration and air-conditioning control components, measured by revenue, reached approximately 45.5%, surpassing the combined market share of the second and third largest manufacturers. In the same year, our automotive electronic expansion valves and integrated modules ranked first in their respective global markets in terms of revenue, with market shares of 48.9% and 64.6%, respectively. In addition, in the same year, our battery coolers and automotive electronic water pumps ranked third and fourth in their respective global markets in terms of revenue, with market shares of 5.9% and 5.5% respectively.

We achieved sustained growth in our revenue and profit during the Track Record Period. Our revenue increased by 15.0% from RMB21,347.6 million in 2022 to RMB24,557.8 million in 2023. Our revenue increased by 13.8% from RMB24,557.8 million in 2023 to RMB27,947.2 million in 2024. Our gross profit increased by 23.3% from RMB5,461.6 million in 2022 to RMB6,735.5 million in 2023. Our gross profit increased by 13.1% from RMB6,735.5 million in 2023 to RMB7,620.8 million in 2024. Our gross profit margin increased from 25.6% in 2022 to 27.4% in 2023 and remained relatively stable at 27.3% in 2024. In 2022, 2023 and 2024, our net profit amounted to RMB2,608.1 million, RMB2,933.7 million and RMB3,111.7 million, respectively, and during the same period, our net profit margin remained at a level of above 11.1%.

BASIS OF PREPARATION

Our Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS Accounting Standards**") issued by the International Accounting Standards Board ("**IASB**"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss ("**FVPL**").

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4 of the Accountant's Report in Appendix I to this prospectus.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by us consistently throughout the years/periods presented, unless prohibited by the relevant standard to apply retrospectively.

Other than the material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 39 of the Accountant's Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been, and will continue to be, materially affected by a number of factors, some of which are outside our control, including:

General Factors

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are beyond our control, including the following:

- development of macroeconomic conditions;
- government policies and regulations in relation to the refrigeration and air-conditioning product industry and the automotive industry;
- international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions;
- evolving consumption patterns and habits in China and globally;
- continuous growth and evolving competitive landscape of the refrigeration and air-conditioning product component industry and automotive component industries; and
- weather, natural disasters and climate change.

Specific Factors

The Development of the Industries Where We Operate

Our business focuses on the R&D, production and sales of refrigeration and air-conditioning product components and automotive components, which are widely used in the global market for residential and commercial air-conditioning, commercial and industrial refrigeration and small household appliances, among others and the automotive market, including both NEVs and ICEVs. Accordingly, our business is affected by changes in the demands and the performance of those markets.

According to Frost & Sullivan, the global market size of refrigeration and air-conditioning control components in terms of revenue increased from RMB27.5 billion in 2020 to RMB36.4 billion in 2024, with a CAGR of 7.4%. With the increasing demand for refrigeration and air-conditioning, the global market size of refrigeration and air-conditioning control components in terms of revenue is expected to reach RMB51.6 billion in 2029, representing a CAGR of 7.2% from 2024 to 2029.

The recent trend in the automotive market towards NEVs has also led to a sustained and substantial increase in the market demand for automotive thermal management systems. According to Frost & Sullivan, the global sales volume of NEVs reached 21.4 million units in 2024, and is expected to increase to 47.2 million units by 2029, representing a CAGR of 17.2% between 2024 and 2029. NEVs need more advanced thermal management systems than ICEVs to ensure the efficiency and safety of their batteries and motors. Consequently, the market size for automotive thermal management system components has correspondingly grown rapidly in line with the growth of NEV sales. According to the same source, the global sales volume of automotive electronic expansion valve, which is a key component within the automotive thermal management system, increased from 7.5 million units in 2020 to 38.5 million units in 2024, representing a CAGR of approximately 50.4%, and is further expected to reach 98.2 million units in 2029, representing a CAGR of 20.6% between 2024 and 2029. The global sales volume of integrated modules increased from 0.6 million units in 2020 to 5.2 million units in 2024, with a CAGR of 74.2%, and is expected to reach 18.9 million units in 2029, with a CAGR of 29.5%. The increased demand for NEVs drives technological advancements in thermal management systems and the growth in the market for automotive thermal management components.

Our revenue has consistently increased over the past several years and increased from RMB21,347.6 million in 2022 to RMB24,557.8 million in 2023 and further to RMB27,947.2 million in 2024, benefited from the growing demand in the refrigeration and air-conditioning product market and automotive market. In 2024, our four-way reversing valves, electronic expansion valves, micro-channel heat exchangers, service valves, solenoid valves, Omega pumps and ball valves ranked first in their respective global markets in terms of revenue, with market shares of 54.6%, 51.0%, 40.2%, 34.4%, 52.5%, 51.0% and 32.2%, respectively. In the same year, our pressure sensors ranked second in the global sensors market in terms of revenue, with a market share of 13.6%. In addition, in the same year, our automotive electronic expansion valves and integrated modules ranked first in their respective global markets in terms of revenue, with market shares of 48.9% and 64.6%, respectively. In addition, in the same year, our battery coolers and automotive electronic water pumps ranked third and fourth in their respective global markets in terms of revenue, with market shares of 6.9% and 4.7% respectively. We value R&D and innovation in technology and production processes, enabling us to continuously introduce new products and iterate existing ones, and to reliably offer customers high-quality products and solutions, forming a core component of our competitive advantages. Meanwhile, we maintain a robust global network encompassing R&D centers, production bases as well as sales offices, which is essential for securing and expanding our presence in international markets. We have stable partnerships with many internationally renowned enterprises. As a result, we are well-positioned to reinforce our market leadership and capitalize on emerging business opportunities by leveraging our strong brand recognition, diverse product mix, advanced technology, lean production and high-quality customer base.

Product Mix

During the Track Record Period, we have been dedicated to satisfying evolving market needs, sustaining product competitiveness and ensuring solid profitability through technological and product innovation as well as product mix optimization. We have a diverse product mix of products in two categories (i) refrigeration and air-conditioning product components and (ii) automotive components.

Our refrigeration and air-conditioning product components include a wide range of products such as electronic expansion valves, four-way reversing valve, solenoid valve, service valve and micro-channel heat exchanger. In 2022, 2023 and 2024, our revenue generated from sales of refrigeration and air-conditioning product components was RMB13,833.8 million, RMB14,644.1 million and RMB16,560.6 million, respectively, representing 64.8%, 59.6% and 59.3% of our total revenue, respectively, with gross profit margin of 25.7%, 27.0% and 27.1% for the same periods. Our automotive component products mainly include automotive electronic expansion valve, automotive electronic water pump, battery cooler and integrated modules. In 2022, 2023 and 2024, our revenue generated from sales of automotive components was RMB7,513.8 million, RMB9,913.7 million and RMB11,386.6 million, respectively, representing 35.2%, 40.4% and 40.7%, of our total revenue, respectively, with gross profit margin of 25.4%, 28.0% and 27.6% for the same periods.

The breadth and depth of our product mix enable us to offer our customers a variety of options to meet their various needs. The product upgrades and iterations also affect our results of operations. For instance, our integrated modules of automotive components have consistently gained market recognition and considerable market share through enhanced and diversified integration capabilities, significantly contributing to the growth of our automotive component business. During the Track Record Period, we have consistently diversified our product mix to form a comprehensive product matrix that provides our customers with one-stop service products. In addition, leveraging our extensive technological expertise and innovation in R&D, we are actively broadening our business boundaries into emerging fields, such as bionic robot electromechanical actuators. Our profitability has been and will continue to be affected by our product mix. The improvement and diversification of our product mix has resulted in more balanced growth of our business and revenue, and reduced the risk of our dependence on any individual product type.

Our Ability to Reinforce Product Competitiveness through Relentless Innovation, Effective Supply Chain Management and Continuous Productivity Enhancement

Our long-term and stable profitability relies on our ability to drive product competitiveness through relentless innovation, effective supply chain management and continuous productivity enhancement.

We consistently upgrade and iterate our products by incorporating innovative designs and utilizing new raw materials to enhance both performance and cost-efficiency, ensuring that our customers receive high-quality and competitively priced products.

Effective management of supply chain also contribute to our success. In 2022, 2023 and 2024, we incurred cost of revenue of RMB15,885.9 million, RMB17,822.3 million and RMB20,326.3 million, respectively, representing 74.4%, 72.6% and 72.7% of our revenue in the same periods. The majority of our cost of revenue is raw materials and consumables used, which primarily include copper and aluminum. Our cost of revenue is subject to fluctuations in the prices of raw materials and consumables used and the stability of the supply chain. To mitigate the impact of price fluctuation of raw materials and consumables used, we have employed a comprehensive risk management strategy, including our one-time pricing model or raw material price linkage mechanism in negotiations with our customers or suppliers, and our futures management process. Meanwhile, we persistently conduct R&D on new materials and develop new suppliers to maintain the flexibility to switch to alternative materials or suppliers in the event of severe shortages or price volatility of certain raw materials. To maintain the stability of our supply chain, we have established stable cooperation with various suppliers worldwide, ensuring that we can respond quickly to market demand and complete timely delivery of various large orders.

Efficient and stable production is crucial to our product quality and profitability. As of December 31, 2024, we had a total of 48 factories worldwide, including 13 overseas factories in the United States, Poland, Mexico, Turkey, Austria, Vietnam, Thailand and India. We coordinate and manage our global production bases and factories in a unified manner, providing the flexibility to swiftly respond to and meet the diverse needs of customers in different regions. In addition, we employ lean production methodologies and standardization to achieve high production volume, low consumption and seamless transitions. While ensuring efficient production, quality control is equally important for maintaining the safety and reliability of our products, as well as fostering customer trust and loyalty in our brand. As we continue to expand our production capacity, we will maintain our unified, lean production and strict quality control to deliver high-quality products to our customers and solidify our industry-leading position.

As we further expand our production, we will continue to iterate and upgrade our products through R&D, implement various cost control measures and maintain supply chain stability. We will also actively leverage synergies between different products to achieve centralized purchasing and further unleash economies of scale, thereby sustaining high revenue growth.

Our Continual Investment in R&D and Talent

The growth of our revenue depends on our ability to make technological advancements and develop products and solutions that meet the evolving needs of our customers. In 2022, 2023 and 2024, our R&D expenses amounted to RMB989.0 million, RMB1,096.8 million and RMB1,351.8 million, respectively, accounting for 4.6%, 4.5% and 4.8% of our revenue for the same periods, respectively. We have made, and will continue to make, significant investments in people, technology and R&D, to reinforce the leadership in our technology and gross profit margin, thereby solidifying our market leadership and providing great customer experience. We have established a comprehensive global R&D system, which we consider the key driver of our sales and profitability. Our R&D system consists of (i) one Research Center that focuses on strategic

R&D, (ii) six R&D bases that lead the innovation of applied R&D and (iii) technology departments that focus on the improvement on product performance and production efficiency. Our comprehensive and multi-level R&D system ensures full coverage of basic research, applied science and production technology. As of December 31, 2024, we employed over 3,500 R&D personnel, including global leading industry experts, and among which over 700 individuals held master's degrees or above. Through years of dedicated R&D, we have successfully transformed our R&D results into a series of proprietary technologies, including chain structure motor technology and full-stroke coaxiality technology, among others, which enables us to compete effectively. As of December 31, 2024, our R&D efforts had accumulated over 3,300 patents in China and over 800 patents in overseas jurisdictions. In addition, we had over 100 valid applications under the PCT. Going forward, we expect to continue to invest in R&D and recruit top technical talent, focusing on innovation strategies and emerging fields to enhance our competitiveness and deliver superior products and experiences to our customers.

Inventory Management

Effective inventory management is essential for maintaining the sustainability and flexibility of our production, as well as enabling us to swiftly respond to fluctuations in market demand. We formulate procurement strategies based on supply forecasts, market analysis, and the estimates of fluctuations in procurement periods and prices, and regularly monitor the inventory balance and consumption, enabling us to maintain a reasonable and safe inventory level to respond to changes in customer demand and raw material price fluctuations. In addition, the globalization of our supply chain, production bases and warehouses allow us to manage our inventory with flexibility and adaptability, thereby reducing overstocking costs and enhancing the efficiency of inventory management, which in turn enables us to respond swiftly to the needs of customers in different countries and regions. Our inventory turnover days in 2022, 2023 and 2024 was 92 days, 92 days and 89 days, respectively.

Our Management of Trade and Notes Receivables

Our capability to manage the level of trade and notes receivables will affect our cash level and liquidity as well as our financial condition. We value the managing of receivables and have established a comprehensive and effective system for management and tracking our trade and notes receivables, along with a corresponding customer credit management and assessment regime. For example, our senior management regularly reviews the recoverability of our outstanding balances, and we have a dedicated department responsible for continually monitoring the credit profiles as well as operating and financial condition of our customers. Over the years of operation, we have established deep trusted partnerships with various industry-leading customers by consistently exceeding their expectations for product quality, cost, delivery efficiency, as well as design and technological advancement, among others. As of December 31, 2024, we have established business relationships with all top ten largest refrigeration and air-conditioning manufacturers and automotive manufacturers in terms of revenue in 2023. We believe that as we continue to strengthen our customer partnerships and enhance our receivables management mechanisms, we will maintain efficient receivables management, thereby supporting our business liquidity.

Foreign Currency Fluctuations

To quickly meet local customer needs and gain deeper insight into different markets, we operate several production bases, factories, R&D bases and selling companies overseas. In 2022, 2023 and 2024, 46.5%, 45.4% and 44.7% of our revenue were generated from overseas. Due to our global presence, our operational results are influenced by foreign exchange rate movements on both translational and transactional bases. Translational effects occur mainly because our subsidiaries' financial results are measured in their respective local currencies and then translated into Renminbi for our consolidated financial statements, which will cause fluctuations in the Renminbi value of our non-Renminbi assets, liabilities, revenues and costs. Transactional effects arise when subsidiaries conduct transactions in currencies other than their local currencies. To manage these risks, our finance team uses hedging, asset-liability matching and foreign exchange block trade, while controlling the scale of foreign currency assets and liabilities. In 2022 and 2023, we had gains from hedging operations of RMB30.6 million and RMB43.6 million, respectively, and in 2024, we had losses from hedging operations of RMB51.2 million. Such historical performance may not be indicative of the future performance of our hedging operations, as market conditions and regulatory environments may change. There may also be a limited range of hedging instruments available to reduce our exposure to exchange rate fluctuations. The cost of these foreign exchange hedging instruments can vary significantly over time and may outweigh the potential benefits of reduced currency volatility. See "Risk Factors — Risks Relating to Our Business and Industry — Any hedging strategy may not adequately protect us from commodity price, foreign exchange rate and interest rate risks, and fluctuations in exchange rates could result in foreign currency exchange losses." In addition, we have established exchange rate settlement linkage mechanism with our suppliers and customers, such as foreign currency and futures contracts, to minimize the impact of fluctuations in foreign exchange rates on our business, financial condition and results of operations. See Note 3 of the Accountant's Report in Appendix I to this prospectus.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Revenue Recognition

We recognize revenue when (or as) a performance obligation is satisfied, i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to that which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer a good or service to the customer, we present the contract liability when the payment is made. A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

Sales of Goods

We are principally engaged in the R&D, production and sales, of refrigeration and air-conditioning product components and automotive components, which are widely used in the refrigeration and air-conditioning product market and the automotive market, including both NEVs and ICEVs.

Revenue from domestic sales of products shall be recognized based on the sales contracts, settlement vouchers and other documents upon completion of product delivery and the buyer's confirmation of the acceptance of the products. Upon confirming the acceptance, the buyer has the right to sell the products at its discretion, and takes the risks of any price fluctuation and obsolescence and loss of the products.

Revenue from overseas sales of products shall be recognized based on the sales contracts, customs declaration form, bill of lading and other documents upon completion of customs declaration or shipping out of the port and arriving at the named port or place of destination. Upon the completion of customs declaration or arrival at the named port or place of destination, the buyer has the right to sell the products at its discretion, and takes the risks of any price fluctuation and obsolescence and loss of the products.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. For inventory valued at actual cost, the month-end weighted average method or individual valuation method shall be used for issuing inventory. If priced according to planned costs, cost differences will be carried forward at the end of the month. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts.

Estimated Net Realizable Value of Inventories

In accordance with our accounting policy, we estimate net realizable value of inventories based on specific facts and circumstances. For different types of inventories, it requires the estimation of selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for executed sales contracts, management estimates the net realizable amount based on the contracted price. For raw materials and work in progress, management has established a model in estimating the net realizable amount at which the inventories can be realized in the normal course of business after considering the manufacturing cycles, production capacity and forecasts, estimated future conversion costs and selling prices. Management also takes into account the price or cost fluctuations and other related matters occurring after the end of the year which reflect conditions that existed at the end of each year.

It is reasonably possible that if there is a significant change in circumstances including our business and the external environment, outcomes would be significantly affected.

Allowance for Expected Credit Loss of Receivables

The loss allowances for receivables are based on assumptions about risk of default and expected loss rates to determine the expected loss. We use judgment in making these assumptions and selecting the inputs to the impairment calculation. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts on the ability of the customers to settle the receivables.

We take into account different macroeconomic scenarios in considering forward-looking information in China and overseas. We regularly monitor and review the key macroeconomic assumptions and parameters related to the calculation of expected credit losses. We have identified the Gross Domestic Product ("**GDP**") of the countries in which we sell our goods to be the most relevant factor, and accordingly adjust the historical loss rates based on expected changes in this factor.

Property, Plant and Equipment and Intangible Assets — Estimated Useful Lives and Residual Values

We determine the estimated useful lives and residual values (if applicable) and consequently the related depreciation/amortization charges for our property, plant and equipment and intangible assets. These estimates are based on the historical experience, anticipated change of technology, market conditions and the actual consumption of related assets. The depreciation/amortization charge will increase when useful lives are less than previously estimated. In addition, technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in change in useful lives and residual values and, therefore, change in depreciation/amortization expense in future periods.

Income Tax

We estimate our income tax provision and deferred taxation in accordance with the prevailing tax rules and regulations, taking into account any special approvals obtained from the relevant tax authorities and any preferential tax treatment to which we are entitled in each location or jurisdiction in which we operate. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on our income tax and deferred tax provisions in the period in which the determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences, such as the provision for impairment of receivables, inventories and property, plant and equipment and accruals of expenses not yet deductible for tax purposes, to the extent that it is probable that taxable profits will be available against which the tax losses and deductible temporary difference can be utilized. Significant estimation is required in determining the recoverability of deferred tax assets.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on our results or financial position.

Share-based Payments

Share-based payments can be distinguished into equity-settled share-based payments and cash-settled share-based payments. Equity-settled share-based payments are our transactions settled through the payment of shares.

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognizing services rendered during the period in relevant costs or expenses and crediting the capital reserve accordingly at the fair value on the date of grant according to the best estimates conducted by us at each date of the end of the reporting period during the Track Record Period. The fair value of the shares was determined on the basis of the single-day closing price of the circulating shares on the date when the equity instruments are granted, less the exercise price. See Note 32 of the Accountant's Report in Appendix I to this prospectus.

No expense is recognized for awards that do not ultimately vest due to non-fulfillment of non-market conditions and/or vesting conditions. For the market or non-vesting condition under the share-based payments agreement, it should be treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that other performance condition and/or vesting conditions are satisfied.

Where the terms of an equity-settled share-based payment are modified, as a minimum, services obtained are recognized as if the terms had not been modified. In addition, an expense is recognized for any modification which increases the total fair value of the instrument ranted or is otherwise beneficial to the employee as measured at the date of modification.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the period indicated. This information should be read together with our consolidated financial statements and related notes included in the Accountant's Report set out in the Accountant's Report in Appendix I to this prospectus. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage of revenue)					
Revenue	21,347,550	100.0	24,557,802	100.0	27,947,165	100.0
Cost of revenue	(15,885,938)	(74.4)	(17,822,314)	(72.6)	(20,326,346)	(72.7)
Gross profit	**5,461,612**	**25.6**	**6,735,488**	**27.4**	**7,620,819**	**27.3**
General and administrative expenses	(1,383,996)	(6.5)	(1,621,891)	(6.6)	(1,946,785)	(7.0)
Selling and marketing expenses	(496,334)	(2.3)	(601,409)	(2.4)	(726,437)	(2.6)
Research and development expenses	(988,954)	(4.6)	(1,096,834)	(4.5)	(1,351,799)	(4.8)
Net impairment losses on financial assets	(97,762)	(0.5)	(51,478)	(0.2)	(56,379)	(0.2)
Other income	260,185	1.2	291,162	1.2	292,301	1.0
Other gains/(losses), net	471,310	2.2	63,585	0.3	(83,795)	(0.3)
Operating profit	**3,226,061**	**15.1**	**3,718,623**	**15.1**	**3,747,925**	**13.4**
Finance income	53,136	0.2	56,238	0.2	67,221	0.2
Finance costs	(235,671)	(1.1)	(229,583)	(0.9)	(132,384)	(0.5)
Finance costs, net	(182,535)	(0.9)	(173,345)	(0.7)	(65,163)	(0.2)
Share of profit or loss of investments accounted for using the equity method	7,732	0.0	7,986	0.0	8,925	0.0
Profit before income tax	**3,051,258**	**14.3**	**3,553,264**	**14.5**	**3,691,687**	**13.2**
Income tax expenses	(443,206)	(2.1)	(619,549)	(2.5)	(579,961)	(2.1)
Profit for the year	**2,608,052**	**12.2**	**2,933,715**	**11.9**	**3,111,726**	**11.1**

Revenue

During the Track Record Period, our revenue was derived from the sales of (i) refrigeration and air-conditioning product components and (ii) automotive components. We experienced a steady revenue growth during the Track Record Period. In 2022, 2023 and 2024, our revenue was RMB21,347.6 million, RMB24,557.8 million and RMB27,947.2 million, respectively.

Revenue by Product Category

The following table sets forth a breakdown of our revenue by major product types under our two product categories for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in thousands, except for percentage)					
Refrigeration and air-conditioning product components						
Valves	8,812,275	41.3	9,834,606	40.0	10,702,920	38.3
Heat exchangers	2,057,745	9.6	2,121,123	8.6	2,693,826	9.6
Controllers	566,126	2.7	704,243	2.9	875,632	3.1
Pumps	580,250	2.7	514,399	2.1	554,762	2.0
Others[1]	1,817,390	8.5	1,469,764	6.0	1,733,465	6.2
Sub-total	13,833,786	64.8	14,644,135	59.6	16,560,605	59.3
Automotive components						
Integrated modules	2,362,963	11.1	3,361,041	13.7	4,262,920	15.3
Automotive valves	2,031,171	9.5	2,913,949	11.9	2,635,135	9.4
Automotive heat exchangers	1,187,226	5.6	1,554,219	6.3	1,670,952	6.0
Automotive pumps	1,128,587	5.3	1,413,572	5.8	1,622,634	5.8
Others[2]	803,817	3.8	670,886	2.7	1,194,919	4.3
Sub-total	7,513,764	35.2	9,913,667	40.4	11,386,560	40.7
Total	**21,347,550**	**100.0**	**24,557,802**	**100.0**	**27,947,165**	**100.0**

Notes:

(1) Others primarily include containers, filters, plastic components, heater components, motorized dampers, sight glasses, copper connectors, level switches, superconductive plates and pressure switches, among others.

(2) Others primarily include blocks, liquid receivers, resolvers and energy storage products, among others.

During the Track Record Period, our revenue growth was driven by sales of refrigeration and air-conditioning product components and automotive components.

- Our revenue generated from sales of refrigeration and air-conditioning product components was RMB13,833.8 million in 2022 and RMB14,644.1 million in 2023, with a year-on-year growth of 5.9%. Our revenue generated from sales of refrigeration and air-conditioning product components further increased by 13.1% from RMB14,644.1 million in 2023 to RMB16,560.6 million in 2024.

- Our revenue generated from sales of automotive components was RMB7,513.8 million in 2022 and RMB9,913.7 million in 2023, with a year-on-year growth of 31.9%. Following a rapid growth period, our automotive component business has entered a relatively stable development period with a slowing down growth rate. Our revenue generated from sales of automotive components increased by 14.9% from RMB9,913.7 million in 2023 to RMB11,386.6 million in 2024.

Revenue by Geographic Location

The following table sets forth our revenue by geographic location for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
China	11,415,857	53.5	13,403,443	54.6	15,446,506	55.3
North America	5,703,859	26.7	6,301,569	25.7	7,094,512	25.4
Europe	1,985,305	9.3	2,442,768	9.9	2,623,526	9.4
Asia (excluding China)	2,153,219	10.1	2,331,241	9.5	2,653,978	9.5
Others[(1)]	89,310	0.4	78,781	0.3	128,643	0.5
Total	**21,347,550**	**100.0**	**24,557,802**	**100.0**	**27,947,165**	**100.0**

Note:

(1) Others comprise South America, Oceania and Africa.

We recorded revenue from China and overseas. Throughout the Track Record Period, our revenue from both China and overseas has consistently increased, primarily due to our continuous penetration in the market in China and ongoing expansion of our global footprint.

Cost of Revenue

Our cost of revenue consists of (i) raw materials and consumables used, mainly including copper and aluminum, (ii) employee benefit expenses, (iii) depreciation and amortization, (iv) utility costs, (v) impairment losses on inventories, (vi) transportation and storage charges and (vii) other expenses. During the Track Record Period, our cost of revenue grew in line with our revenue. The following table sets forth our cost of revenue by nature for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Raw materials and consumables used	11,758,388	74.0	13,115,132	73.6	14,979,789	73.7
Employee benefit expenses	2,219,140	14.0	2,523,257	14.2	2,812,304	13.8
Depreciation and amortization	510,513	3.2	646,596	3.6	780,845	3.8
Transportation and storage charges	545,402	3.4	573,974	3.2	664,725	3.3
Utility costs	445,207	2.8	522,993	2.9	555,660	2.7
Impairment losses on inventories	93,592	0.6	41,206	0.2	35,254	0.2
Other expenses[1]	313,696	2.0	399,156	2.2	497,769	2.5
Total	**15,885,938**	**100.0**	**17,822,314**	**100.0**	**20,326,346**	**100.0**

Note:

(1) Other expenses primarily consist of piping and equipment maintenance costs.

During the Track Record Period, the proportion and fluctuation trends of our cost of revenue by product category were in line with the breakdown of revenue by product category. The following table sets forth our cost of revenue by product category for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Refrigeration and air-conditioning product components	10,283,327	64.7	10,683,415	59.9	12,078,850	59.4
Automotive components	5,602,611	35.3	7,138,899	40.1	8,247,496	40.6
Total	**15,885,938**	**100.0**	**17,822,314**	**100.0**	**20,326,346**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit was RMB5,461.6 million, RMB6,735.5 million and RMB7,620.8 million in 2022, 2023 and 2024, respectively. Our gross profit margin was 25.6%, 27.4% and 27.3% in 2022, 2023 and 2024, respectively. For details of the changes in our gross profit and gross profit margin during the Track Record Period, see "— Results of Operations."

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands, except for percentages)					
Refrigeration and air-conditioning product components	3,550,459	25.7	3,960,720	27.0	4,481,755	27.1
Automotive components	1,911,153	25.4	2,774,768	28.0	3,139,064	27.6
Total	**5,461,612**	**25.6**	**6,735,488**	**27.4**	**7,620,819**	**27.3**

In 2022, 2023 and 2024, we recorded gross profit of RMB3,550.5 million, RMB3,960.7 million and RMB4,481.8 million, respectively, for our refrigeration and air-conditioning product components, with gross profit margin of 25.7%, 27.0% and 27.1% for the same periods.

In 2022, 2023 and 2024, we recorded gross profit of RMB1,911.2 million, RMB2,774.8 million and RMB3,139.1 million, respectively, for our automotive components, with gross profit margin of 25.4%, 28.0% and 27.6% for the same periods.

General and Administrative Expenses

Our general and administrative expenses include (i) employee benefit expenses, (ii) office expenses, (iii) depreciation and amortization, (iv) tax and surcharges, (v) professional services and other consulting fees, (vi) conference, business development and traveling expenses, (vii) listing expenses and (viii) other expenses. In 2022, 2023 and 2024, our general and administrative expenses amounted to RMB1,384.0 million, RMB1,621.9 million and RMB1,946.8 million, respectively, accounting for 6.5%, 6.6% and 7.0% of our revenue for the same periods. The following table sets forth a breakdown of our general and administrative expenses by nature for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in thousands, except for percentages)					
Employee benefit expenses	786,531	56.8	935,312	57.7	1,084,797	55.7
Office expenses	144,353	10.4	163,045	10.1	185,452	9.5
Depreciation and amortization	90,505	6.5	120,114	7.4	175,024	9.0
Taxes and surcharges	110,068	8.0	139,816	8.6	171,277	8.8
Professional services and other consulting fees	89,347	6.5	92,177	5.7	111,425	5.7
Conference, business development and traveling expenses	30,081	2.2	65,274	4.0	49,986	2.6
Listing expenses	–	–	–	–	1,311	0.1
Other expenses[1]	133,111	9.6	106,153	6.5	167,513	8.6
Total	**1,383,996**	**100.0**	**1,621,891**	**100.0**	**1,946,785**	**100.0**

Note:

(1) Other expenses primarily consist of utility costs, vehicle usage expenses and low-value consumables.

Employee benefit expenses primarily include salaries, pension scheme contributions and other social welfare payments for our administrative staff. Depreciation and amortization primarily include depreciation of office buildings and office equipment. Taxes and surcharges primarily include city maintenance and construction tax, building tax, stamp tax and education surcharge. Professional services and other consulting fees primarily include consulting and professional services in relation to our financing activities.

Selling and Marketing Expenses

Our selling and marketing expenses include (i) employee benefit expenses, (ii) transportation and storage charges, (iii) marketing and traveling expenses, (iv) business development expenses and (v) other expenses. In 2022, 2023 and 2024, our selling and marketing expenses amounted to RMB496.3 million, RMB601.4 million and RMB726.4 million, respectively, accounting for 2.3%, 2.4% and 2.6% of our revenue for the same periods. The following table sets forth a breakdown of our selling and marketing expenses by nature for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Employee benefit expenses	269,412	54.3	331,565	55.1	410,977	56.6
Transportation and storage charges	96,810	19.5	101,518	16.9	101,491	14.0
Marketing and traveling expenses	48,028	9.7	67,991	11.3	79,631	11.0
Business development expenses	52,944	10.7	62,369	10.4	69,550	9.6
Other expenses[1]	29,140	5.9	37,966	6.3	64,788	8.9
Total	**496,334**	**100.0**	**601,409**	**100.0**	**726,437**	**100.0**

Note:

(1) Other expenses primarily consist of consulting and office expenses.

Research and Development Expenses

Our research and development ("**R&D**") expenses include (i) employee benefit expenses, (ii) raw materials and consumables used, (iii) professional services and other consulting fees, (iv) depreciation and amortization and (v) other expenses. In 2022, 2023 and 2024, our R&D expenses amounted to RMB989.0 million, RMB1,096.8 million and RMB1,351.8 million, respectively, accounting for 4.6%, 4.5% and 4.8% of our revenue for the same periods. The following table sets forth a breakdown of our R&D expenses by nature for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Employee benefit expenses	498,866	50.5	586,262	53.5	810,180	59.9
Raw materials and consumables used	352,329	35.6	345,458	31.5	343,893	25.4
Professional services and other consulting fees	52,347	5.3	60,300	5.5	65,733	4.9
Depreciation and amortization	39,472	4.0	42,223	3.8	50,675	3.7
Other expenses(1)	45,940	4.6	62,591	5.7	81,318	6.0
Total	**988,954**	**100.0**	**1,096,834**	**100.0**	**1,351,799**	**100.0**

Note:

(1) Other expenses primarily consist of utility costs, office expenses and traveling expenses.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets mainly include impairment losses for movement in loss allowance for trade and notes receivables at amortized cost, and movement in loss allowance for other receivables. In 2022, 2023 and 2024, our net impairment losses on financial assets amounted to RMB97.8 million, RMB51.5 million and RMB56.4 million, respectively.

Other Income

Our other income includes (i) government grants, (ii) interest income, (iii) additional deduction for VAT and (iv) others. In 2022, 2023 and 2024, our other income amounted to RMB260.2 million, RMB291.2 million and RMB292.3 million, respectively. The following table sets forth a breakdown of our other income by nature for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Government grants	123,748	47.6	149,108	51.2	205,283	70.2
Interest income	134,992	51.9	102,907	35.4	63,095	21.6
Additional deduction for VAT	–	–	37,270	12.8	21,948	7.5
Others	1,445	0.5	1,877	0.6	1,975	0.7
Total	**260,185**	**100.0**	**291,162**	**100.0**	**292,301**	**100.0**

Government grants mainly comprise (i) various forms of VAT refunds, (ii) R&D rewards, (iii) subsidies related to foreign trade policies and (iv) subsidies related to talent recruitment initiatives. The majority of these subsidies are recurring in nature.

Interest income mainly comprises interest income on our term deposits classified as financial assets at amortized cost calculated using the effective interest method.

Additional deduction for VAT represents the additional VAT deduction certain of our subsidiaries are entitled to. Pursuant to the relevant rules issued in 2023 by the competent authorities, advanced manufacturing enterprises such as us are eligible for a 5% additional VAT deduction based on deductible input VAT in the current year from January 1, 2023 to December 31, 2027.

Other Gains/(Losses), Net

Our other gains/(losses), net include (i) net losses on disposal of financial instruments, primarily comprising foreign exchange derivatives and futures derivatives (ii) net foreign exchange differences, (iii) fair value changes on derivative financial instruments, primarily representing changes of gains or losses on foreign exchange derivatives and futures derivatives, driven by fluctuations in exchange rates and futures prices, (iv) net gains/(losses) on disposal of property, plant and equipment and other long-term assets and (v) others. In 2022 and 2023, our other gain, net amounted to RMB471.3 million and RMB63.6 million, respectively. In 2024, our other losses, net amounted to RMB83.8 million. The following table sets forth a breakdown of our other gains/(losses), net by nature for the periods indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Net losses on disposal of financial instruments	(90,583)	(136,272)	(38,483)
Net foreign exchange differences	230,937	149,886	62,261
Fair value changes on derivative financial instruments	(107,344)	48,124	(90,734)
Net gains/(losses) on disposal of property, plant and equipment and other long-term assets	445,368	(1,157)	(14,595)
Others	(7,068)	3,004	(2,244)
Total	**471,310**	**63,585**	**(83,795)**

Finance Costs, Net

Our finance costs, net consists of (i) interest income from financial assets held for cash management purposes, (ii) interest expenses on borrowings, (iii) net exchange losses on foreign currency borrowings and (iv) interest expenses on lease liabilities. The following table sets forth a breakdown of our financial costs, net by nature for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Finance income						
Interest income from financial assets held for cash management purposes(1)	53,136	(29.1)	56,238	(32.4)	67,221	(103.2)
Finance costs						
Interest expenses on borrowings	(231,878)	127.0	(206,954)	119.3	(133,563)	205.0
Net exchange (losses)/gains on foreign currency borrowings	(2,459)	1.3	(17,502)	10.1	19,883	(30.5)
Interest expenses on lease liabilities	(1,334)	0.8	(5,127)	3.0	(18,704)	28.7
Finance costs, net	**(182,535)**	**100.0**	**(173,345)**	**100.0**	**(65,163)**	**100.0**

Note:

(1) Interest income from financial assets held for cash management purposes mainly represents interest income from demand deposit and short-term deposits.

Share of Profit or Loss of Investments Accounted for Using the Equity Method

Our share of profit or loss of investments accounted for using the equity method mainly includes our interests in a number of individually immaterial associates that are accounted for using the equity method. In 2022, 2023 and 2024, our share of profit or loss of investments accounted for using the equity method amounted to RMB7.7 million, RMB8.0 million and RMB8.9 million, respectively.

Income Tax Expenses

Our income tax expenses comprise current income tax and deferred income tax. In 2022, 2023 and 2024, our income tax expenses amounted to RMB443.2 million, RMB619.5 million and RMB580.0 million, respectively. We are subject to varying tax rates in different jurisdictions. See Note 11 of the Accountant's Report in Appendix I to this prospectus.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate.

PRC Corporate Income Tax

During the Track Record Period, certain of our subsidiaries 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 three years. Other subsidiaries established and operated in China are subject to the PRC corporate income tax at the rate of 25% for the years ended December 31, 2022, 2023 and 2024.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2022 onwards) of their research and development expenses incurred as tax-deductible expenses when determining their assessable profits for that year (the "**Super Deduction**").

In 2022, 2023 and 2024, our weighted average effective tax rate in China were 11.6%, 13.2% and 11.3%, respectively. The weighted average effective tax rate is calculated by dividing the sum of the income tax expenses of our Company and its subsidiaries in China by the sum of their profit before income tax during the respective periods.

US Corporate Income Tax

The applicable income tax rate of the United States where our subsidiaries have significant operations for the years ended December 31, 2022, 2023 and 2024 ranges from nil to 10% and 21%, which is a blended state and federal rate, respectively.

In 2022, 2023 and 2024, our weighted average effective tax rate were 17.0%, 12.8% and 16.9%, respectively. The weighted average effective tax rate is calculated by dividing the sum of the income tax expenses of each of our Company's subsidiaries in the United States by the sum of their respective profit before income tax during the respective periods.

Corporate Income Tax in Other Jurisdictions

The income tax rates of our subsidiaries in other jurisdictions, including Germany, Singapore, Mexico and Japan, had been calculated on the estimated assessable profit for the Track Record Period and the year ended December 31, 2023 and 2024 at the respective rates prevailing in the relevant jurisdictions.

OECD Pillar Two Model Rules

We are within the scope of the Global Anti-Base Erosion (GloBE) model rules (hereinafter referred to as "**the Pillar Two model rules**"). We have 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 of December 31, 2024, Pillar Two legislation has been enacted or substantively enacted and has taken effect from January 1, 2024, in nine jurisdictions where we operate.

We have evaluated our potential exposure based on the financial performance information. According to the assessment result, we expect to benefit from the transitional Country-by-Country Reporting (CbCR) safe harbour in the above nine jurisdictions where Pillar Two legislation has been enacted for 2024, with no top-up tax liabilities arising. Given that more jurisdictions are expected to enact or implement Pillar Two legislation in 2025 and beyond, we will continue to monitor relevant legislative developments in our operating jurisdictions to evaluate the potential future impact on our financial statements.

RESULTS OF OPERATIONS

Comparisons Between 2024 and 2023

Revenue

Our revenue increased by 13.8% from RMB24,557.8 million in 2023 to RMB27,947.2 million in 2024.

Our revenue from refrigeration and air-conditioning product components increased by 13.1% from RMB14,644.1 million in 2023 to RMB16,560.6 million in 2024, primarily due to (i) our continual product innovation and iteration, such as electronic expansion valves, driven by our initiatives to address strong consumer demand for upgrading to more energy-efficient products and (ii) our enhanced cooperation with existing customers.

Our revenue from automotive components increased by 14.9% from RMB9,913.7 million in 2023 to RMB11,386.6 million in 2024, mainly due to (i) our deeper penetration into the NEV market and continual expansion of customer base, driven by the growth of the NEV market and increasing demand for advanced thermal management systems, (ii) our continual product innovation and upgrading, such as integrated modules with more comprehensive features and better performance and (iii) our strengthened cooperation with existing customers through participation in the early development stages, such as design and R&D of thermal management system for their vehicle models.

Cost of Revenue

Our cost of revenue increased by 14.0% from RMB17,822.3 million in 2023 to RMB20,326.3 million in 2024, which was generally in line with our growth in revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 13.1% from RMB6,735.5 million in 2023 to RMB7,620.8 million in 2024. Our gross profit margin remained relatively stable at 27.4% in 2023 and 27.3% in 2024.

In particular:

- the gross profit margin of our refrigeration and air-conditioning product components remained relatively stable at 27.0% and 27.1% in 2023 and 2024, mainly due to (i) our diversified product mix, including continual iteration and upgrading of existing products and introduction of new products, (ii) effective cost control through our product design optimization and supply chain management and (iii) higher production efficiency resulting from (a) our efforts in improving production techniques and deepening the implementation of lean production management throughout our production network and (b) economies of scale brought by our consistent expansion efforts; and

- the gross profit margin of our automotive components remained relatively stable at 28.0% and 27.6% in 2023 and 2024, mainly due to (i) our diversified product mix, including continual introduction of competitive products and iteration and upgrading of existing products to enhance performance, thereby maintaining the attractiveness of our offerings to customers and customer loyalty, (ii) effective cost control through our product design optimization and supply chain management and (iii) higher production efficiency resulting from (a) our efforts in improving production techniques and deepening the implementation of lean production management throughout our production network and (b) economies of scale brought by our consistent expansion efforts.

General and Administrative Expenses

Our general and administrative expenses increased by 20.0% from RMB1,621.9 million in 2023 to RMB1,946.8 million in 2024, primarily due to (i) the increase in employee benefit expenses resulting from the increase in the number of administrative staff driven by our business expansion and (ii) the increase in depreciation and amortization driven by our new production facilities at our Mexico and Shaoxing Binhai production bases, reflecting our business expansion.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 20.8% from RMB601.4 million in 2023 to RMB726.4 million in 2024, primarily due to the increase in employee benefit expenses resulting from the increase in the number of the sales staff driven by our expanding business scale, promoting the growth of our sales team.

R&D Expenses

Our R&D expenses increased by 23.2% from RMB1,096.8 million in 2023 to RMB1,351.8 million in 2024, primarily due to the increase in the number of R&D staff to support our R&D activities, demonstrating our consistent and dedicated R&D efforts that support the expansion and innovation of product offerings and enhancement of product performance.

Other Income

Our other income remained relatively stable at RMB291.2 million and RMB292.3 million in 2023 and 2024, respectively, mainly due to the increase in government grants in relation to VAT refunds resulting from excess tax on certain products, partially offset by the decrease in interest income mainly resulting from the redemption of our deposit.

Other Gains/(Losses), Net

We recorded other gains, net of RMB63.6 million in 2023 and other losses, net of RMB83.8 million in 2024, mainly due to a decrease in forward settlement amounts and net exchange differences, resulting from more moderate exchange rate fluctuations.

Finance Costs, Net

Our finance costs, net decreased by 62.4% from RMB173.3 million in 2023 to RMB65.2 million in 2024, mainly due to the decrease in interest expenses on borrowings resulting from a lower average balance of borrowings as a result of the redemption of our convertible bonds in August 2023.

Income Tax Expense

Our income tax expense decreased by 6.4% from RMB619.5 million in 2023 to RMB580.0 million in 2024. Our income tax expense as a percentage of our profit before income tax decreased from 17.4% in 2023 to 15.7% in 2024.

Profit for the Year

As a result of the foregoing, our net profit increased by 6.1% from RMB2,933.7 million in 2023 to RMB3,111.7 million in 2024.

Comparisons Between 2023 and 2022

Revenue

Our revenue increased by 15.0% from RMB21,347.6 million in 2022 to RMB24,557.8 million in 2023.

Our revenue from refrigeration and air-conditioning product components increased by 5.9% from RMB13,833.8 million in 2022 to RMB14,644.1 million in 2023, primarily as a result of the increase in sales volume resulting from (i) our continual product innovation and iteration, such as electronic expansion valves, driven by our initiatives to address strong consumer demand for upgrading to more energy-efficient products and (ii) our enhanced cooperation with existing customers.

Our revenue from automotive components increased by 31.9% from RMB7,513.8 million in 2022 to RMB9,913.7 million in 2023, mainly due to the increase in sales volume resulting from (i) strong market demand for thermal management systems, driven by the robust performance of the NEV market and (ii) our continual expansion of customer base and enhancement of customer loyalty as more automobile companies recognize our brand and products.

Cost of Revenue

Our cost of revenue increased by 12.2% from RMB15,885.9 million in 2022 to RMB17,822.3 million in 2023, which was generally in line with our growth in revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 23.3% from RMB5,461.6 million in 2022 to gross profit of RMB6,735.5 million in 2023. Our gross profit margin increased from 25.6% in 2022 to 27.4% in 2023.

In particular:

- the gross profit margin of our refrigeration and air-conditioning product components increased from 25.7% in 2022 to 27.0% in 2023, mainly due to (i) our diversified product mix, including continual iteration and upgrading of existing products and introduction of new products, (ii) effective cost control through our product design optimization and supply chain management, (iii) higher production efficiency resulting from (a) our efforts in improving production techniques and deepening the implementation of lean production management throughout our production network and (b) economies of scale brought by our consistent expansion efforts and (iv) a decrease in average logistics costs, mainly benefited from the gradual normalization of the logistics industry, following the gradual lifting of restrictions measures on COVID-19 pandemic both domestically and globally; and

- the gross profit margin of our automotive components increased from 25.4% in 2022 to 28.0% in 2023, mainly due to (i) our diversified product, including the continual introduction of more competitive products and the upgrading of our existing products to enhance performance, thereby maintaining the attractiveness of our offerings to customers and customer loyalty, (ii) effective cost control through our product design optimization and supply chain management and (iii) higher production efficiency resulting from (a) our efforts in improving production techniques and deepening the implementation of lean production management throughout our production network and (b) economies of scale brought by our consistent expansion efforts.

General and Administrative Expenses

Our general and administrative expenses increased by 17.2% from RMB1,384.0 million in 2022 to RMB1,621.9 million in 2023, primarily due to (i) the increase in employee benefit expenses resulting from the increase in the number of administrative staff to support our business expansion, and (ii) the increase in depreciation and amortization driven by our new production facilities at our Xinchang production base. Our general and administrative expenses as a percentage of revenue remained relatively stable at 6.5% and 6.6% in 2022 and 2023, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 21.2% from RMB496.3 million in 2022 to RMB601.4 million in 2023, primarily due to the increases in employee benefit expenses and conference and traveling expenses, both driven by our expanding business scale, promoting the growth of our sales team and increase in sales and marketing activities.

R&D Expenses

Our R&D expenses increased by 10.9% from RMB989.0 million in 2022 to RMB1,096.8 million in 2023, mainly due to the increase in employee benefits expenses resulting from the increase in the number of R&D staff to support our R&D activities, demonstrating our consistent and dedicated R&D efforts that support the expansion and innovation of product offerings and enhancement of product performance.

Other Income

Our other income increased by 11.9% from RMB260.2 million in 2022 to RMB291.2 million in 2023, primarily due to the increase in addition deduction for VAT resulting from taxation rules issued in 2023. Pursuant to the relevant rules issued in 2023 by the competent authorities, advanced manufacturing enterprises such as us are eligible for a 5% additional VAT deduction based on deductible input VAT in the current year from January 1, 2023 to December 31, 2027.

Other Gains, Net

Our other gains, net decreased by 86.5% from RMB471.3 million in 2022 to RMB63.6 million in 2023, mainly due to relatively higher net gains of RMB445.4 million recorded in 2022 from the disposal of property, plant and equipment and other long-term assets, resulting from compensation for the transfer of a land use right owned by us, which was one-off in nature.

Finance Costs, Net

Our finance costs, net remained relatively stable at RMB182.5 million in 2022 and RMB173.3 million in 2023.

Income Tax Expense

Our income tax expense amounted to RMB443.2 million in 2022 and RMB619.5 million in 2023. Our income tax expense as a percentage of our profit before income tax increased from 14.5% in 2022 to 17.4% in 2023, mainly due to the increase in profit contribution from subsidiaries subject to higher income tax rates.

Profit for the Year

As a result of the foregoing, our net profit increased by 12.5% from RMB2,608.1 million in 2022 to RMB2,933.7 million in 2023.

DISCUSSION OF CERTAIN COMPONENTS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Non-current Assets and Non-current Liabilities

The following table sets forth the components of our non-current assets and non-current liabilities as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	7,532,216	9,944,907	12,274,558
Right-of-use assets	894,163	1,023,826	1,205,311
Intangible assets	45,826	52,954	36,520
Investment properties	8,204	8,166	7,053
Deferred tax assets	221,159	156,432	112,699
Investments accounted for using the equity method	32,438	37,924	40,600
Other non-current assets	471,504	594,836	376,825
Total non-current assets	**9,205,510**	**11,819,045**	**14,053,586**
Non-current liabilities			
Borrowings	4,578,338	1,030,801	2,045,773
Lease liabilities	202,028	221,295	237,913
Deferred tax liabilities	288,758	307,511	258,264
Other non-current liabilities	316,866	448,425	659,851
Total non-current liabilities	**5,385,990**	**2,008,032**	**3,201,801**

Property, Plant and Equipment

Our property, plant and equipment consist of (i) machinery and equipment, (ii) buildings, (iii) construction in progress, (iv) office equipment, (v) freehold land, (vi) leasehold improvement and (vii) motor vehicles. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Machinery and equipment	3,505,259	4,279,127	5,540,560
Buildings	2,744,652	3,290,904	4,086,238
Construction in progress	1,032,506	2,036,327	2,171,985
Office equipment	113,403	143,248	146,517
Freehold land	77,698	85,789	169,245
Leasehold improvement	45,671	91,089	138,873
Motor vehicles	13,027	18,423	21,140
Total	**7,532,216**	**9,944,907**	**12,274,558**

Our property, plant and equipment increased from RMB7,532.2 million as of December 31, 2022 to RMB9,944.9 million as of December 31, 2023, and further increased from RMB9,944.9 million as of December 31, 2023 to RMB12,274.6 million as of December 31, 2024, primarily due to the increase in construction in progress, machinery and equipment and buildings resulting from continuous business expansion.

Net Current Assets

	As of December 31,			As of April 30,
	2022	**2023**	**2024**	**2025**
	(RMB in thousands)			
				(unaudited)
Current assets				
Inventories	4,334,875	4,600,729	5,280,442	5,118,750
Trade and notes receivables	7,432,066	8,250,831	9,628,337	11,077,093
Prepayments and other receivables	844,529	361,586	417,039	302,102
Financial assets at fair value through profit or loss	108,965	22,636	6,237	4,541
Term deposits and restricted cash	3,827,915	2,959,729	1,805,065	1,844,604
Cash and cash equivalents	2,050,329	3,624,955	3,443,503	2,998,600
Other current assets	157,025	251,074	1,720,540	2,008,084
Total current assets	**18,755,704**	**20,071,540**	**22,301,163**	**23,353,774**
Current liabilities				
Borrowings	1,794,549	2,583,346	2,053,766	2,502,715
Trade and notes payables	6,464,878	7,866,652	9,777,262	9,921,672
Contract liabilities	57,955	51,789	49,462	55,656
Lease liabilities	67,661	68,898	90,574	93,572
Current income tax liabilities	115,276	262,732	174,168	100,228
Financial liabilities at fair value through profit or loss	48,671	14,219	79,678	33,675
Accrual and other payables	904,926	969,109	1,407,120	1,192,887
Other current liabilities	2,008	2,100	1,274	1,284
Total current liabilities	**9,455,924**	**11,818,845**	**13,633,304**	**13,901,689**
Net current assets	**9,299,780**	**8,252,695**	**8,667,859**	**9,452,085**

We had net current assets positions as of December 31, 2022, 2023, 2024 and April 30, 2025.

Our net current assets increased from RMB8,667.9 million as of December 31, 2024 to RMB9,452.1 million as of April 30, 2025, primarily due to (i) an increase of RMB1,448.8 million in trade and notes receivables reflecting our revenue growth and business expansion, and (ii) a decrease of RMB214.2 million in accruals and other payables as bonuses for the prior year were paid to employees before April 30, 2025, partially offset by (i) an increase of RMB448.9 million in borrowings and (ii) a decrease of RMB444.9 million in cash and cash equivalents.

Our net current assets increased from RMB8,252.7 million as of December 31, 2023 to RMB8,667.9 million as of December 31, 2024, primarily due to (i) an increase of RMB1,469.5 million in other currents assets, which is primarily attributable to our purchase of wealth management products mainly consisting of the principal- and interest-guaranteed income vouchers issued by the securities companies and reverse repurchase of government bond, and (ii) an increase of RMB1,377.5 million in trade and notes receivables reflecting our revenue growth and business expansion and the adjustments to credit policies for certain quality customers, partially off set by (i) an increase of RMB1,910.6 million in trade and notes payables reflecting our business expansion, and (ii) a decrease of RMB1,154.7 million in term deposits and restricted cash mainly resulting from maturity of term deposits and our liquidity management.

Our net current assets decreased from RMB9,299.8 million as of December 31, 2022 to RMB8,252.7 million as of December 31, 2023, primarily due to (i) an increase of RMB1,401.8 million in trade and notes payables reflecting our business expansion, (ii) a decrease of RMB868.2 million in term deposits and restricted cash mainly resulting from maturity of term deposits and our liquidity management and (iii) an increase of RMB788.8 million in borrowings, partially offset by (i) an increase of RMB1,574.6 million in cash and cash equivalents mainly resulting from an increase in net cash generated from operating activities and (ii) an increase of RMB818.8 million in trade and notes receivables, both reflecting our revenue growth and business expansion.

Inventories

Our inventories primarily consist of (i) finished goods, (ii) raw material, (iii) work in progress and (iv) contract fulfillment cost. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB in thousands)	
Finished goods	2,696,034	3,179,557	3,833,666
Raw material	1,050,007	932,170	774,517
Work in progress	711,593	596,410	787,733
Contract fulfillment cost	4,886	6,872	10,127
Less: provision for impairment	(127,645)	(114,280)	(125,601)
Total	**4,334,875**	**4,600,729**	**5,280,442**

Our inventories increased by 6.1% from RMB4,334.9 million as of December 31, 2022, to RMB4,600.7 million as of December 31, 2023, and further increased by 14.8% to RMB5,280.4 million as of December 31, 2024, primarily due to an increase in finished goods resulting from business growth.

During the Track Record Period, over 90% of our inventories were less than six months. The following is an aging analysis of our inventories:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB in thousands)	
Within 6 months	4,209,723	4,343,456	5,101,736
Between 6 months and 1 year	166,846	254,412	113,250
Between 1 and 2 years	50,763	89,293	138,045
Over 2 years	35,188	27,849	53,012
Total	**4,462,520**	**4,715,009**	**5,406,043**

We believe we have a comprehensive and adequate system in place for identifying and accounting for inventory risks and impairment provisions. We regularly review our inventories and recoverability to identify items with low sales or usage value and make impairment provisions accordingly. We further assess inventories based on the lower of cost or net realizable value to make any additional impairment provisions. In accordance with our accounting policy, we estimate net realizable value of inventories based on specific facts and circumstances. For different types of inventories, we require the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for executed sales contracts, we estimate the net realizable amount based on the contracted price. For raw materials and work in progress, we have established a model in estimating the net realizable amount at which the inventories can be realizable in the normal course of business after considering the manufacturing cycles, production capacity and forecasts, estimated future conversion costs and selling prices. We also take into account the price or cost fluctuations and other related matters occurring after the end of the year which reflect conditions that existed at the end of each year.

Our Directors are of the view that we have made sufficient impairment provision for inventories during the Track Record Period and we did not identify any material recoverability issue in respect of our inventories aged over one year, for the following reasons, (i) our inventories aged over one year mainly consist of metal products, including copper and aluminum, such as expansion valves and mainfold, which are highly stable, resistant to oxidation and deterioration, and have no shelf-life limitations, (ii) as of April 30, 2025, RMB45.9 million, or 24.0% of inventories aged over one year as of December 31, 2024, had been used, consumed or sold, and RMB51.8 million, or 27.1% of inventories aged over one year as of December 31, 2024, had been allocated to sales orders, (iii) we have implemented a robust inventory monitoring system involving regular inventory screening and inventory risk assessments, to ensure that our inventory level is properly managed, and (iv) we have established comprehensive inventory provision policies and have made sufficient provisions for any slow-moving or at-risk inventories identified under our inventory monitoring system.

The following table sets forth our inventory turnover days for the periods indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
Inventory turnover days[(1)]	92	92	89

Note:

(1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventories for a year divided by cost of revenue for the relevant year and multiplied by 365 days.

Our inventory turnover days remained relatively stable at 92 days, 92 days and 89 days in 2022, 2023 and 2024, reflecting our operational stability.

As of April 30, 2025, RMB5,050.9 million, or 93.4% of inventories as of December 31, 2024, had been used, consumed or sold.

Trade and Notes Receivables

The following table sets forth a breakdown of our trade and notes receivables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Trade receivables	5,508,846	6,085,908	7,317,720
Notes receivables	2,204,582	2,484,458	2,685,890
Less: credit loss allowance	(281,362)	(319,535)	(375,273)
Total	**7,432,066**	**8,250,831**	**9,628,337**

Our trade receivables and notes receivables mainly refer to outstanding amounts due from our customers and related parties for the purchase of goods we sold in the ordinary course of business, less credit loss allowance. Our notes receivables mainly represent bank acceptance notes from customers of refrigeration and air-conditioning product components and automotive components in China. Our trade and notes receivables increased by 11.0% from RMB7,432.1 million as of December 31, 2022 to RMB8,250.8 million as of December 31, 2023, and further increased by 16.7% to RMB9,628.4 million as of December 31, 2024, primarily reflecting (i) our revenue growth and business expansion and (ii) the adjustments to credit policies for certain quality customers. These adjustments were driven by the introduction of supply chain finance products by certain of our quality customers as part of their supply chain management optimization efforts, which to some extent, has extended their payment cycles to their suppliers.

We generally grant credit terms ranging from 60 days to 120 days to our customers. During the Track Record Period, the majority of our trade receivables were outstanding for less than three months. The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB in thousands)	
Up to 3 months	4,146,495	4,242,921	5,800,080
3 to 6 months	1,084,733	1,003,798	784,254
6 to 12 months	266,034	792,882	697,599
1 to 2 years	7,808	45,653	26,881
2 to 3 years	2,798	388	8,523
Over 3 years	978	266	383
Total	**5,508,846**	**6,085,908**	**7,317,720**

We seek to maintain strict control over our outstanding receivables. Our credit control department is responsible for minimizing credit risks. Our senior management regularly reviews the recoverability of our outstanding balances and, when appropriate, provides for impairment of these trade receivables. We apply the IFRS 9 simplified approach to measure expected credit losses ("**ECL**") which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and aging. We also made individual assessment on the recoverability of our trade receivables for certain customers based on historical settlement record. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with us and other indicators of severe financial difficulties.

We believe there is no recoverability issue for our trade receivables aged over one year, and we have made sufficient credit loss allowances, based on (i) our robust credit risk management system, which includes credit evaluations and tailored credit policies, (ii) stringent internal measures that enhance the collection and management of trade receivables. For example, the collection of trade receivables is factored in the monthly performance appraisal of our sales team and relevant management members, (iii) the reliability and track record of settlement from our customers, who are primarily well-known companies in the industry with long-standing and stable relationships with us, (iv) the fact that as of April 30, 2025, approximately RMB31.9 million or 89.1% of the trade receivables aged over one year as of December 31, 2024 had been settled, and (v) our strong customer relationships and the consistent payments we received from customers.

The following table sets forth our trade receivables turnover days for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Trade receivables turnover days[(1)]	79	86	88

Note:

(1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables (excluding credit loss allowance) for a year divided by revenue for the relevant year and multiplied by 365 days.

Our trade receivables turnover days increased from 79 days in 2022 to 86 days in 2023 and further increased to 88 days in 2024, primarily due to the higher revenue contribution from certain quality customers and the adjustments to credit policies for such customers.

As of April 30, 2025, RMB7,280.1 million, or 99.4% of our trade receivables as of December 31, 2024, had been settled.

Prepayments and Other Receivables

Our prepayments and other receivables consist of (i) prepayments for materials, (ii) tax refund receivables, (iii) deposits and warranties, (iv) others and (v) other receivables in relation to our land reserves. The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Prepayments:			
Prepayments for materials	117,887	133,793	158,980
Other receivables:			
Tax refund receivables	123,916	164,713	172,315
Deposits and warranty	36,247	45,695	58,761
Others	25,468	25,466	35,318
Other receivables in relation to our land reserves	546,217	–	–
Less: provision for impairment	(5,206)	(8,081)	(8,335)
Total	**844,529**	**361,586**	**417,039**

Our prepayments and other receivables decreased by 57.2% from RMB844.5 million as of December 31, 2022, to RMB361.6 million as of December 31, 2023, primarily due to other receivables in relation to our land reserves recorded in 2022 in relation to the compensation for the transfer of a land use right owned by us, which was one-off in nature. Our prepayments and other receivables increased by 15.3% from RMB361.6 million as of December 31, 2023 to RMB417.0 million as of December 31, 2024, primarily due to (i) the increase in prepayments for materials mainly resulting from revenue growth and business expansion and (ii) the increase in deposits and warranty mainly resulting from our business expansion.

As of April 30, 2025, RMB298.1 million, or 70.1% of our prepayments and other receivables as of December 31, 2024, had been settled.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss consist of derivative financial assets and wealth management products issued by the banks during the Track Record Period. We recorded RMB109.0 million, RMB22.6 million and RMB6.2 million of financial assets at fair value through profit or loss as of December 31, 2022, 2023 and 2024. The generally decrease from RMB109.0 million as of December 31, 2022 to RMB6.2 million as of December 31, 2024 primarily due to our redemption of wealth management products issued by the banks.

We engage in derivative transactions to mitigate the risks arising from fluctuations in foreign exchange rates and raw material prices and purchase wealth management products with high liquidity and low risk to increase the return of idle cash and bank balances. To monitor and control the risks associated with our financial assets, we have adopted a comprehensive set of internal policies and procedures that regulate our investment operations, particularly hedging activities. Our finance department is responsible for the overall management of our investment and hedging activities, which primarily encompasses proposing, analyzing and evaluating potential investments. All investment operations are subject to the supervision of our audit department. To further strengthen our management of hedging activities, enhance and optimize the operational procedures of forward contracts and other derivative products, and ensure the achievement of our production and operational objectives, we have set up a leading group, primarily comprising of our chairman of the board, chief financial officer and minister of audit department to regularly monitor and oversee our hedging operations. Any material investment decision is subject to the review and approval of our board and shareholders' meeting. Our management, including our finance department and audit department, have extensive experience in managing financial aspects of an enterprise's operations.

Our investment decisions are made after thorough consideration of a number of factors, which include but are not limited to, macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions and the expected profit or potential loss of the investment. We endeavor to further reduce risks and enhance compliance associated with investments, by, for example, (i) controlling the amount and scale of investments, (ii) ensuring investments are closely related to our business operations and financial needs and (iii) prohibiting hedging for speculative purposes, among others.

Upon Listing, we intend to continue our investments strictly in accordance with our internal policies and procedures, Articles of Association and compliance requirements under Chapter 14 of the Listing Rules.

Trade and Notes Payables

Our trade and notes payables consist of trade payables and notes payables, primarily representing payables to our suppliers for raw materials. The following table sets forth a breakdown of our trade payables and notes payables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB in thousands)	
Trade payables	3,884,603	4,449,940	5,985,427
Notes payables	2,580,275	3,416,712	3,791,835
Total	**6,464,878**	**7,866,652**	**9,777,262**

Our trade payables and notes payables increased by 21.7% from RMB6,464.9 million as of December 31, 2022 to RMB7,866.7 million as of December 31, 2023, and further increased by 24.3% to RMB9,777.2 million as of December 31, 2024, primarily reflecting an increase in our payables for raw materials and equipment which was in line with our business expansion.

The trade payables are normally settled within three months. The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB in thousands)	
Below 3 months	3,583,659	4,024,590	5,516,132
Between 3 and 6 months	185,067	259,112	137,789
Between 6 months and 1 year	82,957	121,525	225,306
Over 1 year	32,920	44,713	106,200
Total	**3,884,603**	**4,449,940**	**5,985,427**

The following table sets forth our trade payables turnover days for the Track Record Period:

	Year ended December 31,		
	2022	2023	2024
Trade payables turnover days[(1)]	82	85	94

Note:

(1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by cost of revenue used for the relevant year and multiplied by 365 days.

Our trade payables turnover days increased from 82 days in 2022 to 85 days in 2023 and further increase to 94 days in 2024, reflecting our effective cash flow management and stable supplier partnerships.

As of April 30, 2025, RMB5,279.1 million, or 88.2% of our trade payables as of December 31, 2024, had been settled.

Accruals and Other Payables

Our other payables and accruals primarily consist of (i) salaries, wages and benefits, (ii) restricted share repurchase obligation, (iii) dividend payables, (iv) taxes other than income tax payables, (v) deposits payables, (vi) warranty provisions, (vii) other accruals and (vii) accrued listing expenses. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Salaries, wages and benefits	475,157	598,801	726,001
Restricted shares repurchase obligation	214,660	118,010	354,074
Dividend payables	–	–	2,528
Taxes other than income tax payables	75,514	119,665	135,706
Deposits payables	13,673	41,717	40,069
Warranty provisions	15,271	19,371	22,692
Other accruals	110,651	71,545	116,808
Accrued listing expenses	–	–	9,242
Total	**904,926**	**969,109**	**1,407,120**

Our accruals and other payables remained relatively stable at RMB904.9 million as of December 31, 2022 and RMB969.1 million as of December 31, 2023. Our accruals and other payables increased by 45.2% to RMB1,407.1 million as of December 31, 2024, primarily due to (i) an increase in restricted shares repurchase obligation resulting from our restricted share incentive plan adopted in the first half of 2024 and (ii) an increase in salaries, wages and benefits, primarily due to growth in headcount and increased compensation level.

As of April 30, 2025, RMB998.5 million, or 71.0% of our accruals and other payables as of December 31, 2024, had been settled.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have historically funded our cash requirements principally from proceeds from our business operations, capital contributions from shareholders and bank borrowings. After the Global Offering, we intend to finance our future capital requirements through cash generated from our business operations and the net proceeds from the Global Offering. We do not anticipate any changes in the availability of financing to fund our operations in the future.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Net cash generated from operating activities	2,366,052	3,560,363	4,026,185
Net cash used in investing activities	(2,527,699)	(1,045,679)	(3,171,091)
Net cash used in financing activities	(596,874)	(1,091,850)	(955,299)
Cash and cash equivalents at beginning of year	2,690,002	2,050,329	3,624,955
Effect of exchange rate changes	118,848	151,792	(81,247)
Cash and cash equivalents at end of year	**2,050,329**	**3,624,955**	**3,443,503**

Net Cash Flows Generated from Operating Activities

Our cash flows generated from operating activities reflect our profit before taxation adjusted for: (i) non-cash and non-operating items (such as depreciation of non-current assets and interest income); (ii) the effects of movement in working capital (such as inventories, receivables and payables); and (iii) other cash items (such as income taxes paid).

In 2024, we had net cash generated from operating activities of RMB4,026.2 million, which mainly represents profit before income tax of RMB3,691.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation and amortization of non-current assets of RMB1,013.5 million and (ii) movements in working capital, mainly consisting of an increase in payables of RMB1,908.1 million, partially offset by an increase in receivables of RMB1,554.4 million.

In 2023, we had net cash generated from operating activities of RMB3,560.4 million, which mainly represents profit before income tax of RMB3,553.3 million, as adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation and amortization of non-current assets of RMB810.0 million and (ii) movements in working capital, mainly consisting of an increase in payables of RMB1,037.9 million, partially offset by an increase in receivables of RMB1,381.8 million.

In 2022, we had net cash generated from operating activities of RMB2,366.1 million, which mainly represents profit before income tax of RMB3,051.3 million, as adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation and amortization of non-current assets of RMB641.4 million and net losses on disposal of property, plant and equipment and other non-current assets of RMB445.4 million and (ii) movements in working capital, mainly consisting of an increase in payables of RMB1,616.3 million, partially offset by an increase in receivables of RMB1,663.7 million and an increase in inventories of RMB790.7 million.

Net Cash Flows Used in Investing Activities

In 2024, our net cash flow used in investing activities was RMB3,171.1 million, which was primarily attributable to (i) placement of term deposits and wealth management products of RMB7,131.7 million and (ii) payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB3,290.1 million, partially offset by withdrawal of term deposits and wealth management products of RMB6,907.4 million.

In 2023, our net cash flow used in investing activities was RMB1,045.7 million, which was primarily attributable to payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB2,745.5 million, partially offset by (i) withdrawal of term deposits and wealth management products of RMB1,212.0 million and (ii) proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets of RMB591.1 million.

In 2022, our net cash flow used in investing activities was RMB2,527.7 million, which was primarily attributable to payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB2,941.8 million, partially offset by withdrawal of term deposits and wealth management products of RMB679.7 million.

Net Cash Flows Used in Financing Activities

In 2024, our net cash flow used in financing activities was RMB955.3 million, primarily attributable to (i) repayments of borrowings of RMB1,852.9 million and (ii) dividends paid to the Company's shareholders of RMB1,299.7 million, partially offset by proceeds from borrowings of RMB2,390.7 million.

In 2023, our net cash flow used in financing activities was RMB1,091.9 million, primarily attributable to repayment of borrowings of RMB1,308.5 million and dividends paid to our Shareholders of RMB903.0 million, partially offset by proceeds from borrowings of RMB1,584.1 million.

In 2022, our net cash flow used in financing activities was RMB596.9 million, primarily attributable to repayment of borrowings of RMB2,670.2 million and dividends paid to our Shareholders of RMB894.0 million, partially offset by proceeds from borrowings of RMB3,001.2 million.

INDEBTEDNESS

As of December 31, 2022, 2023, 2024 and April 30, 2025, our indebtedness included borrowings and lease liabilities. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2022	2023	2024	2025
				(unaudited)
	(RMB in thousands)			
Current				
Borrowings	1,794,549	2,583,346	2,053,766	2,502,715
Lease liabilities	67,661	68,898	90,574	93,572
Sub-total	**1,862,210**	**2,652,244**	**2,144,340**	**2,596,287**
Non-current				
Borrowings	4,578,338	1,030,801	2,045,773	1,779,000
Lease liabilities	202,028	221,295	237,913	207,418
Sub-total	**4,780,366**	**1,252,096**	**2,283,686**	**1,986,418**
Total	**6,642,576**	**3,904,340**	**4,428,026**	**4,582,705**

Except for our indebtedness as disclosed above as of December 31, 2022, 2023 and 2024 and April 30, 2025, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits which were either guaranteed or unguaranteed, secured or unsecured.

As of the Latest Practicable Date, there was no restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that there has not been any material change in our indebtedness since April 30, 2025 and up to the date of this prospectus.

Borrowings

As of December 31, 2022, 2023 and 2024 and April 30, 2025, we had borrowings (including current and non-current portions) of RMB6,372.9 million, RMB3,614.1 million, RMB4,099.5 million and RMB4,281.7 million, respectively, mainly representing (i) our convertible bonds, which were converted and redeemed in full as of December 31, 2023, and as of the same date, the carrying value of our convertible bonds is nil, and (ii) secured and unsecured bank loans primarily to supplement our working capital. Our borrowings are primarily denominated in Renminbi. The effective interest rate on our bank loans ranged from 2.0% to 6.3% during the Track Record Period. See Note 26 of the Accountant's Report in Appendix I to this prospectus. As of the Latest Practicable Date, our unutilized banking facilities amounted to RMB7,335.0 million.

Lease Liabilities

As of December 31, 2022 and 2023, our total lease liabilities (including current and non-current portions) amounted to RMB269.7 million and RMB290.2 million, respectively, which remained relatively stable and mainly represented our leases for our manufacturing facilities, offices, warehouses, staff apartments and vehicles. Our lease liabilities increased from RMB290.2 million as of December 31, 2023 to RMB328.5 million as of December 31, 2024, primarily due to the increase in non-current lease liabilities mainly resulting from the increase in the number of our leased factories overseas. Our lease liabilities decreased from RMB328.5 million as of December 31, 2024 to RMB301.0 million as of April 30, 2025, primarily due to the decrease in non-current lease liabilities mainly following our rental payments for the first quarter of 2025.

CONTINGENT LIABILITIES

As of December 31, 2024, we did not have any material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of/Year ended December 31,		
	2022	**2023**	**2024**
Gross profit margin(1)	25.6%	27.4%	27.3%
Net profit margin(2)	12.2%	11.9%	11.1%
Gearing ratio(3)	48.6%	20.0%	21.0%

Notes:

(1) Gross profit margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.

(2) Net profit margin equals net profit for the year divided by revenue for the year and multiplied by 100%.

(3) Gearing ratio equals total debt, including its total borrowings, for the year divided by total equity for the year and multiplied by 100%.

Gross Profit Margin

See "— Results of Operations" for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Net Profit Margin

See "— Results of Operations" for a discussion of the factors affecting our net profit margin during the Track Record Period.

Gearing ratio

Our gearing ratio remained relatively stable at 20.0% and 21.0% in 2023 and 2024, after decreasing from 48.6% in 2022. The decrease of gearing ratio from 2022 to 2023 was primarily due to a decrease in total debt of approximately RMB2,758.7 million, which was primarily attributable to a decrease of our non-current borrowings resulting from the redemption of our convertible bonds in August 2023, alongside an increase in total equity of approximately RMB4,944.4 million.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures consisted of (i) construction in progress, (ii) freehold land, (iii) machinery and equipment, (iv) leasehold improvement, (v) building, (vi) office equipment, (vii) motor vehicles and (viii) land use right. The table below sets forth our capital expenditures for the periods indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
		(RMB in thousands)	
Construction in progress	1,837,241	2,572,024	3,541,790
Freehold land	14,369	3,275	94,965
Machinery and equipment	548,309	444,814	207,512
Leasehold improvement	24,626	56,088	81,084
Building	–	–	1,899
Office equipment	33,516	45,554	5,522
Motor vehicles	9,528	9,446	3,497
Land use right	67,496	117,870	178,711
Total	**2,535,085**	**3,249,071**	**4,114,980**

In 2022, 2023, 2024, our capital expenditures were RMB2,535.1 million, RMB3,249.1 million and RMB4,115.0 million, respectively. We funded these expenditures mainly with cash generated from our business operations.

Following the Global Offering, we will continue to incur capital expenditures to grow our business. We plan to fund our planned capital expenditures primarily with cash flows generated from our operations and the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds." We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

The following table sets forth details of our capital commitments as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Property and equipment commitments			
Contracted, but not provided for	752,899	1,457,415	1,525,863
Authorized, but not contracted	2,354,399	5,652,048	5,457,978
Total	**3,107,298**	**7,109,463**	**6,983,841**

The contracted commitments increased from RMB752.9 million as of December 31, 2022 to RMB1,457.4 million as of December 31, 2023 and RMB1,525.9 million as of December 31, 2024, primarily reflecting our ongoing construction of factories and R&D center in Zhongshan and Hangzhou.

The authorized, but not contracted commitments increased from RMB2,354.4 million as of December 31, 2022 to RMB5,652.0 million as of December 31, 2023 and RMB5,458.0 million as of December 31, 2024, primarily reflecting our ongoing construction plans of factories for automotive components, in particular, for NEVs, in Shaoxing, Zhongshan and Mexico.

RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 37 of the Accountant's Report in Appendix I to this prospectus.

Our Directors are of the view that each of the related party transactions set out in Note 37 of the Accountant's Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

TRANSFER PRICING ARRANGEMENT

We carry out intra-Group transactions among our subsidiaries in the PRC and overseas. We have engaged transfer pricing advisors to perform transfer pricing review on our cross-border intra-Group transactions during the Track Record Period to conduct benchmarking studies on the intra-Group transactions and ensure compliance with the relevant transfer pricing regulations and guidelines. To the best knowledge of our Directors, and based on the advice of our transfer pricing advisors, our Directors are of the view that we complied with the relevant transfer pricing regulations and guidelines during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL RISKS DISCLOSURE

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

Market Risk

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our subsidiaries. The functional currencies of us and our subsidiaries outside China are United States Dollar ("**USD**") and Euro ("**EUR**"), whereas the functional currency of our subsidiaries that operate in China is RMB. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures and try to minimize these exposures through natural hedges, wherever possible.

As of December 31, 2022, 2023 and 2024, our major monetary assets/liabilities exposed to foreign exchange risk, representing those monetary assets/liabilities denominated in USD and EUR and included in a group entity with a different functional currency were as set forth below:

	As of December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Financial assets denominated in:			
USD	2,028,058	1,903,309	2,756,203
EUR	643,364	761,423	562,268
Others	212,795	289,499	368,463

	As of December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
Financial liabilities denominated in:			
USD	736,187	570,284	757,069
EUR	678,887	1,190,444	831,178
Others	50,510	163,089	202,581

As shown in the table above, we are primarily exposed to changes in USD and EUR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and EUR-denominated financial instruments is set forth below:

	Year ended December 31,		
	2022	**2023**	**2024**
	(RMB in thousands)		
USD exchange rate –			
Increase 5%	64,594	66,651	99,957
Decrease 5%	(64,594)	(66,651)	(99,957)
EUR exchange rate –			
Increase 5%	(1,776)	(21,451)	(13,446)
Decrease 5%	1,776	21,451	13,446

Changes in other foreign currencies have no significant impact on foreign exchange risk.

Interest Rate Risk

Our interest rate risk primarily arises from interest-bearing borrowings and bonds. Borrowings issued at floating rates expose us to cash flow interest rate risk. Borrowings and bonds issued at fixed rates expose us to fair value interest rate risk. We determine the proportion of borrowings and bonds issued at floating rates and fixed rates based on the market environment.

As of December 31, 2022, 2023 and 2024, our total borrowings which were at floating rates amounted to approximately RMB2,665,903,000, RMB2,584,126,000 and RMB2,048,388,000, respectively.

If the interest rate had been 50 basis points higher or lower with all other variables held constant, the profit before tax would decrease/increase approximately RMB13,330,000, RMB12,921,000 and RMB10,242,000, for the years ended December 31, 2022, 2023 and 2024, respectively.

Considering the repricing or maturity date, the fair value interest rate risk arises from borrowings and bonds and bank balances carried at fixed rates is not significant for us.

Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash and term deposits, as well as trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

Credit Risk of Cash and Cash Equivalents, Restricted Cash and Term Deposits

Cash and cash equivalents, restricted cash and term deposits are mainly placed with reputable Chinese and international financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss was immaterial as of December 31, 2022, 2023 and 2024.

(i) Trade Receivables

We apply the IFRS 9 simplified approach to measure expected credit losses ("**ECL**") which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and aging. We also made individual assessment on the recoverability of our trade receivables for certain customers based on historical settlement records.

The historical loss rates are calculated based on the historical payment profiles of sales and the corresponding historical incurred credit losses. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts on the ability of customers to settle the receivables. We have identified the Gross Domestic Product ("**GDP**") of the countries in which we sell our goods to be the most relevant factor, and accordingly adjust the historical loss rates based on expected changes in this factor.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with us and other indicators of severe financial difficulties.

(ii) Notes Receivables

We measured provisions for impairment of notes receivables based on the lifetime ECL, and assessed that there was no significant credit risk associated with our bank acceptance notes as we did not expect that there would be any significant losses from non-performance by these reputable banks. For the commercial acceptance notes and finance company acceptance notes, which are usually settled within six months to one year from the respective issuance date, we provided for expected credit loss as of December 31, 2022, 2023 and 2024 amounting to RMB633,000, RMB7,619,000 and RMB8,620,000, respectively.

(iii) Other Receivables and other non-current assets

Other receivables and other no-current assets subject to credit risks at the end of each of the periods mainly comprise rental and other deposits, tax refund receivables and others. We consider the probability of default upon initial recognition of the assets and whether there has been significant increase in credit risk on an ongoing basis throughout each of the periods. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially, the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

- external credit rating of the counterparty;

- actual or expected significant changes in the operating results of the debtor; and

- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making a contractual payment.

Liquidity Risk

We intend to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, our policy is to regularly monitor our liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet our liquidity requirements.

The tables below analyze our non-derivative financial liabilities that will be settled into relevant maturity groupings based on the remaining period at each balance sheet date to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
			(RMB in thousands)		
As of December 31, 2022					
Trade and notes payables	6,464,878	–	–	–	6,464,878
Accrual and other payables (excluding non-financial liabilities)	354,255	–	–	–	354,255
Lease liabilities	69,566	54,385	95,795	55,281	275,027
Other current liabilities (excluding non-financial liabilities)	48,671	–	–	–	48,671
Borrowings	1,839,750	1,449,895	3,826,171	–	7,115,816
Other non-current liabilities (excluding non-financial liabilities)	–	2,898	1,933	–	4,831
	8,777,120	**1,507,178**	**3,923,899**	**55,281**	**14,263,478**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
			(RMB in thousands)		
As of December 31, 2023					
Trade and notes payables	7,866,652	–	–	–	7,866,652
Accrual and other payables (excluding non-financial liabilities)	250,643	–	–	–	250,643
Lease liabilities	81,555	47,143	112,002	57,439	298,139
Other current liabilities (excluding non-financial liabilities)	14,219	–	–	–	14,219
Borrowings	2,603,097	445,309	646,132	–	3,694,538
Other non-current liabilities (excluding non-financial liabilities)	–	11,291	–	–	11,291
	10,816,166	**503,743**	**758,134**	**57,439**	**12,135,482**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
			(RMB in thousands)		
As of December 31, 2024					
Trade and notes payables	9,777,262	–	–	–	9,777,262
Accrual and other payables (excluding non-financial liabilities)	545,413	–	–	–	545,413
Lease liabilities	99,889	76,905	159,312	18,637	354,743
Borrowings	2,081,072	1,456,197	689,987	–	4,227,256
	12,503,636	**1,533,102**	**849,299**	**18,637**	**14,904,674**

DIVIDENDS AND DIVIDEND POLICY

Pursuant to our Articles of Association, in principle, we distribute cash dividends once a year. Within any three consecutive years, our distributed cumulative profits in cash shall not be less than 30% of the average distributable profits realized in the latest three years. The specific dividend ratios shall be determined by our Board according to relevant regulations and our operating conditions, and shall be considered and resolved at our general meeting.

Future profit distributions may be paid in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends or other methods permitted by laws and regulations. We preferentially adopt the method of cash dividends. We shall adopt cash dividends for profit distribution provided that the conditions for cash distribution are satisfied. When distributing profits in the form of stock dividends, we will consider true and reasonable factors such as the growth of our Company and the dilution to net assets per share.

During the Track Record Period, we declared cash dividends to our Shareholders as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
		(RMB in thousands)	
Final dividends in respect of the previous year, declared and paid during the year	535,335	716,973	926,626
Interim dividends in respect of current year, declared and paid during the year	358,624	186,023	373,119
Total	**893,959**	**902,996**	**1,299,745**

See Note 12 of the Accountant's Report in Appendix I to this prospectus.

On March 25, 2025, the Board of Directors proposed a final dividend of RMB2.5 per 10 shares (tax inclusive), totaling RMB932.75 million, in respect of the year ended December 31, 2024. On April 16, 2025, the Shareholders' meeting approved the proposed final dividend for 2024. As of May 22, 2025, the dividends for the year ended December 31, 2024 have been fully paid to our Shareholders.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, operating cash flows, available financing facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

As of December 31, 2024, we had approximately RMB11,650.3 million of retained earnings available for distribution to our Shareholders.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately HK$139.8 million (assuming an Offer Price of HK$21.87 per Offer Share (being the mid-point of the indicative Offer Price range) and no exercise of the Offer Size Adjustment Option and the Over-allotment Option), representing 1.8% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB10.0 million, of which RMB1.3 million was charged to the consolidated statements of profit or loss as general and administrative expenses, and RMB8.7 million will be deducted from equity. We expect to incur listing expenses of approximately HK$139.8 million, of which approximately HK$9.4 million is expected to be recognized in the consolidated statements of profit or loss as general and administrative expenses and approximately HK$130.4 million is expected to be recognized as a deduction in equity directly upon the Listing. Our Directors do not expect such expenses to materially impact our results of operations in 2025. By nature, our listing expenses are composed of (i) underwriting commission of approximately HK$104.1 million and (ii) non-underwriting related expenses of approximately HK$35.7 million, which consist of fees and expenses of legal advisors and the Reporting Accountant of approximately HK$23.0 million and other fees and expenses of approximately HK$12.7 million.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Appendix II — Unaudited Pro Forma Financial Information."

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

No Material Adverse Change

Our Directors have confirmed that up to the date of this prospectus there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the end date of the periods reported in the Accountant's Report in Appendix I to this prospectus, and there is no event since December 31, 2024 that would materially affect the information as set out in the Accountant's Report in Appendix I to this prospectus.

Summary of Unaudited Financial Information for the three months ended March 31, 2025

As required by the Shenzhen Stock Exchange Listing Rules, we published our quarterly report on April 30, 2025, containing our unaudited consolidated financial statements as of and for the three months ended March 31, 2025 prepared under PRC GAAP. We have included our unaudited consolidated financial statements prepared in accordance with IAS 34 as of and for the three months ended March 31, 2025, in condensed form, in the unaudited interim financial report set forth in Appendix IA to this Listing Document. Our unaudited condensed consolidated financial statements have been reviewed by our reporting accountant in accordance with Hong Kong Standard on Review Engagements 2410. See "Appendix IA — Unaudited Interim Condensed Consolidated Financial Information."

Summary of Consolidated Statements of Profit or Loss

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated:

	Three months ended March 31,			
	2024		2025	
	Amount	%	Amount	%
	(RMB in thousands, except for percentage) (Unaudited)			
Revenue	6,439,559	100.0	7,669,450	100.0
Cost of revenue	(4,698,917)	(73.0)	(5,614,188)	(73.2)
Gross profit	**1,740,642**	**27.0**	**2,055,262**	**26.8**
General and administrative expenses	(457,175)	(7.1)	(504,010)	(6.6)
Selling and marketing expenses	(127,299)	(2.0)	(143,037)	(1.9)
Research and development expenses	(317,015)	(4.9)	(359,855)	(4.7)
Net impairment losses on financial assets	(48,569)	(0.8)	(46,316)	(0.6)
Other income	65,587	1.0	77,685	(1.0)
Other gains/(losses), net	(39,390)	(0.6)	54,665	(0.7)
Operating profit	**816,781**	**12.7**	**1,134,394**	**14.8**
Finance income	17,495	0.3	8,503	0.1
Finance costs	(34,676)	(0.5)	(37,252)	(0.5)
Finance costs, net	(17,181)	(0.3)	(28,749)	(0.4)
Share of profit or loss of investments accounted for using the equity method	1,252	0.0	2,414	0.0
Profit before income tax	**800,852**	**12.4**	**1,108,059**	**14.4**
Income tax expenses	(154,698)	(2.4)	(184,589)	(2.4)
Profit for the period	**646,154**	**10.0**	**923,470**	**12.0**
Attributable to:				
– Owners of the Company	647,743	10.1	903,416	11.8
– Non-controlling interests	(1,589)	(0.0)	20,054	0.3
	646,154	10.0	923,470	12.0

Revenue

Our revenue increased by 19.1% from RMB6,439.6 million for the three months ended March 31, 2024 to RMB7,669.5 million for the three months ended March 31, 2025. Specifically:

- our revenue from refrigeration and air-conditioning product components increased by 28.2% from RMB3,868.7 million for the three months ended March 31, 2024 to RMB4,960.1 million for the three months ended March 31, 2025, primarily due to (i) our continual product innovation and iteration, such as heat exchangers, driven by our initiatives to address strong consumer demand for upgrading to more energy-efficient products and (ii) our enhanced cooperation with existing customers.

- our revenue from automotive components increased by 5.4% from RMB2,570.8 million for the three months ended March 31, 2024 to RMB2,709.4 million for the three months ended March 31, 2025, primarily due to (i) our deeper penetration into the NEV market and continual expansion of customer base, driven by the growth of the NEV market and increasing demand for advanced thermal management systems, (ii) our continual product innovation and upgrading, such as integrated modules with more comprehensive features and better performance and (iii) our strengthened cooperation with existing customers through participation in the early development stages, such as design and R&D of thermal management system for their vehicle models.

Cost of Revenue

Our cost of revenue increased by 19.5% from RMB4,698.9 million for the three months ended March 31, 2024 to RMB5,614.2 million for the three months ended March 31, 2025, which was generally in line with our growth in the revenue.

Gross Profit and Gross Profit Margin

Our gross profit increased by 18.1% from RMB1,740.6 million for the three months ended March 31, 2024 to RMB2,055.3 million for the three months ended March 31, 2025. Our gross profit margin remained relatively stable at 27.0% and 26.8%, respectively, for the three months ended March 31, 2024 and 2025. Specifically:

- our gross profit margin of refrigeration and air-conditioning product components remained relatively stable at 26.9% and 26.5%, respectively, for the three months ended March 31, 2024 and 2025, mainly due to (i) our diversified product mix, including continual iteration and upgrading of existing products and introduction of new products, (ii) effective cost control through our product design optimization and supply chain management and (iii) higher production efficiency resulting from (a) our efforts in improving production techniques and deepening the implementation of lean production management throughout our production network and (b) economies of scale brought by our consistent expansion efforts; and

- our gross profit margin of automotive components remained relatively stable at 27.3% and 27.4%, respectively, for the three months ended March 31, 2024 and 2025, mainly due to (i) our diversified product mix, including continual introduction of competitive products and iteration and upgrading of existing products to enhance performance, thereby maintaining the attractiveness of our offerings to customers and customer loyalty, (ii) effective cost control through our product design optimization and supply chain management and (iii) higher production efficiency resulting from (a) our efforts in improving production techniques and deepening the implementation of lean production management throughout our production network and (b) economies of scale brought by our consistent expansion efforts.

General and Administrative Expenses

Our general and administrative expenses increased by 10.2% from RMB457.2 million for the three months ended March 31, 2024 to RMB504.0 million for the three months ended March 31, 2025, primarily due to the increase in the number of administrative staff driven by our business expansion.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 12.4% from RMB127.3 million for the three months ended March 31, 2024 to RMB143.0 million for the three months ended March 31, 2025, primarily due to the increase in employee benefit expenses resulting from the increase in the number of the sales staff driven by our expanding business scale, promoting the growth of our sales team.

Research and Development Expenses

Our research and development expenses increased by 13.5% from RMB317.0 million for the three months ended March 31, 2024 to RMB359.9 million for the three months ended March 31, 2025, primarily due to our expansion of R&D team and our continuous R&D efforts to upgrade the production techniques, partially offset by the decrease of raw materials and consumables used resulting from the optimization of R&D processes.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 42.9% from RMB646.2 million for the three months ended March 31, 2024 to RMB923.5 million for the three months ended March 31, 2025.

Summary of Consolidated Statements of Financial Position

The following table sets forth summary information from our consolidated statements of financial position as at the dates indicated:

	As of December 31, 2024	As of March 31, 2025
	(RMB in thousands)	
		(unaudited)
Total non-current assets	14,053,586	14,480,334
Total current assets	22,301,163	22,680,390
Total assets	**36,354,749**	**37,160,724**
Total non-current liabilities	3,201,801	2,940,383
Total current liabilities	13,633,304	13,746,866
Total liabilities	**16,835,105**	**16,687,249**
Net current assets	**8,667,859**	**8,933,524**
Total equity	**19,519,644**	**20,473,475**

Our net current assets increased from RMB8,667.9 million as of December 31, 2024 to RMB8,933.5 million as of March 31, 2025, mainly due to (i) an increase of RMB908.1 million in trade and notes receivables reflecting our revenue growth and business expansion, and (ii) a decrease of RMB313.6 million in accrual and other payables as bonuses for the prior year were paid to employees before March 31, 2025, partially offset by (i) an increase of RMB412.6 million in borrowings and (ii) a decrease of RMB340.2 million in cash and cash equivalents.

Our total equity increased from RMB19,519.6 million as of December 31, 2024 to RMB20,473.5 million as of March 31, 2025, mainly due to our profit of RMB923.5 million for the three months ended March 31, 2025.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	Three months ended March 31,	
	2024	2025
	(RMB in thousands) (unaudited)	
Net cash generated from operating activities	76,343	411,936
Net cash used in investing activities	(630,737)	(787,132)
Net cash generated from/(used in) financing activities	(147,284)	48,560
Cash and cash equivalents at beginning of the period	3,624,955	3,443,503
Exchange losses on cash and cash equivalents	(6,846)	(13,539)
Cash and cash equivalents at end of the period	**2,916,431**	**3,103,328**

We recorded net cash generated from operating activities of RMB411.9 million for the three months ended March 31, 2025, which primarily represents profit before income tax of RMB1,108.1 million, as adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation and amortization of non-current assets of RMB291.7 million and (ii) movements in working capital mainly consisting of a decrease of RMB201.2 million in inventories, partially offset by an increase in receivables of RMB685.7 million and a decrease in payables of RMB397.1 million.

In the three months ended March 31, 2025, our net cash used in investing activities was RMB787.1 million, which was primarily attributable to (i) payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB752.1 million and (ii) placement of term deposits and wealth management products of RMB675.5 million, partially offset by withdraw of term deposits and wealth management products of RMB591.3 million.

In the three months ended March 31, 2025, our net cash generated from financing activities was RMB48.6 million, primarily attributable to proceeds from borrowings of RMB958.8 million, partially offset by repayments of borrowings of RMB829.1 million.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased for an aggregate amount of approximately US$562.0 million (or approximately HK$4,408.8 million, calculated based on an exchange rate of US$1.00 to HK$7.8448) exclusive of brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee) (the "**Cornerstone Placing**").

Based on the Offer Price of HK$22.53 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 195,684,000. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital
54.31	4.78	47.22	4.72	47.22	4.72	41.06	4.65

Based on the Offer Price of HK$21.87 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 201,589,900. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital
55.95	4.93	48.65	4.86	48.65	4.86	42.30	4.79

Based on the Offer Price of HK$21.21 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 207,862,500. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital
57.69	5.08	50.16	5.01	50.16	5.01	43.62	4.94

We believe that the Cornerstone Placing demonstrates our Cornerstone Investors' confidence in our Company and its business prospect, and that leveraging on the Cornerstone Investors' investment or industry experience, the Cornerstone Placing will help to raise the profile of our Company. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the Group's business network or through introduction by the Company's Overall Coordinators.

The Cornerstone Placing will form part of the International Offering, and, save as otherwise obtained consent from the Stock Exchange, the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through qualified domestic institutional investor ("**QDII**"), the QDIIs) and their respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through QDII, the QDIIs) will rank *pari passu* in all respects with the fully paid H

Shares in issue following the Global Offering of the Company and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company; and none of the Cornerstone Investors and their close associates will become a substantial Shareholder of our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights under each of their respective Cornerstone Investment Agreements, as compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

To the best knowledge of the Company, among the Cornerstone Investors, Schroders, GIC, MSIP, Jane Street and Mega Prime are either existing minority Shareholders or their respective close associates. The Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix F1 to the Listing Rules and paragraph 17 of Chapter 4.15 of the Guide for New Listing Applicants to permit H Shares in the International Offering to be placed to certain existing minority Shareholders. For further details, see "Waivers from Strict Compliance with the Listing Rules — Allocation of H Shares to Existing Minority Shareholders and/or Their Close Associates".

Save for certain Cornerstone Investors who are either existing minority Shareholders or their respective close associates, to the best knowledge of our Company, each of the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through a QDII, each of such QDIIs) is (i) not accustomed to take instructions from our Company or any of our Directors, Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them; (ii) not financed by our Company or any of our Directors, Supervisors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iii) independent of the other Cornerstone Investors, our Group, our connected persons and their respective associates, and is not an existing Shareholder or a close associate of our Group.

To the best knowledge of the Company and Overall Coordinators, and based on the indicative interest of investment of the Cornerstone Investors and/or their close associates as of the date of this prospectus, certain Cornerstone Investors and/or their close associates may participate in the International Offering as placees and subscribe for further Offer Shares in the Global Offering. The Company will seek the Stock Exchange's consent and/or waiver to allow the Cornerstone Investors and/or their close associates to participate in the International Offering as placees pursuant to Chapter 4.15 of the Guide for New Listing Applicants. Whether such Cornerstone Investors and/or their close associates will place orders in the International Offering are uncertain and will be subject to the final investment decisions of such investors and the terms and conditions of the Global Offering.

To the best knowledge of our Company and as confirmed by each of the Cornerstone Investors, each of the Cornerstone Investors is independent from each other and make independent investment decisions, and their subscription under the Cornerstone Placing would be financed by its own internal financial resources or the assets managed for its investors (in the case of Cornerstone Investors which are funds or investment managers) and/or external financing (as applicable) and it has sufficient funds to settle its respective investment under the Cornerstone Placing. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the relevant Cornerstone Placing.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's H Shares commence on the Stock Exchange. Some of the Cornerstone Investor have agreed that our Company and Overall Coordinators in their sole discretion may defer the delivery of all or part of the Offer Shares such Cornerstone Investors will subscribe to on a date later than the Listing Date. Where delayed delivery takes place, each of such Cornerstone Investors that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares before the Listing.

The total number of Offer Shares to be subscribed by the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through QDII, the QDIIs) may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering. If the total demand for H shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus, our Company and Overall Coordinators have the absolute discretion, but not obliged, to deduct the number of Offer Shares to be subscribed by the Cornerstone Investors on a *pro rata* basis under the Hong Kong Public Offering pursuant to Practice Note 18 of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around June 20, 2025.

THE CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

			Assuming an Offer Price of HK$21.21 per H Share (being the low-end of the Offer Price range)							
			Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Cornerstone Investor	Subscription amount[(1)]	Number of Offer Shares[(2)]	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the issued share capital[(3)]	Approximate % of the Offer Shares	Approximate % of the issued share capital[(3)]	Approximate % of the Offer Shares	Approximate % of the issued share capital[(3)]	Approximate % of the Offer Shares	Approximate % of the issued share capital[(3)]
	(USD in millions)									
Schroders	142.00	52,520,700	14.58	1.28	12.67	1.27	12.67	1.27	11.02	1.25
GIC	90.00	33,287,700	9.24	0.81	8.03	0.80	8.03	0.80	6.99	0.79
HK Greenwoods	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18
Shanghai Greenwoods and HTCI (in connection with the Greenwoods OTC Swaps)	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18
Green Better	30.00	11,095,900	3.08	0.27	2.68	0.27	2.68	0.27	2.33	0.26
Verition	30.00	11,095,900	3.08	0.27	2.68	0.27	2.68	0.27	2.33	0.26
Eastern Bell Capital VIII	30.00	11,095,900	3.08	0.27	2.68	0.27	2.68	0.27	2.33	0.26
Mirae Securities	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18
ICBC Wealth	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18
PSBC Wealth	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18
Taikang Life	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18
Mega Prime	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18
Wind Sabre	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18
Martis Fund	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18
MSIP	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18
Jane Street	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18
3W Fund	20.00	7,397,200	2.05	0.18	1.79	0.18	1.79	0.18	1.55	0.18

			Assuming an Offer Price of HK$21.87 per H Share (being the mid-point of the Offer Price range)							
			Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Cornerstone Investor	Subscription amount(1)	Number of Offer Shares(2)	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
	(USD in millions)		Approximate % of the Offer Shares	Approximate % of the issued share capital(3)	Approximate % of the Offer Shares	Approximate % of the issued share capital(3)	Approximate % of the Offer Shares	Approximate % of the issued share capital(3)	Approximate % of the Offer Shares	Approximate % of the issued share capital(3)
Schroders	142.00	50,935,700	14.14	1.24	12.29	1.23	12.29	1.23	10.69	1.21
GIC	90.00	32,283,200	8.96	0.79	7.79	0.78	7.79	0.78	6.77	0.77
HK Greenwoods	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17
Shanghai Greenwoods and HTCI (in connection with the Greenwoods OTC Swaps)	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17
Green Better	30.00	10,761,000	2.99	0.26	2.60	0.26	2.60	0.26	2.26	0.26
Verition	30.00	10,761,000	2.99	0.26	2.60	0.26	2.60	0.26	2.26	0.26
Eastern Bell Capital VIII	30.00	10,761,000	2.99	0.26	2.60	0.26	2.60	0.26	2.26	0.26
Mirae Securities	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17
ICBC Wealth	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17
PSBC Wealth	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17
Taikang Life	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17
Mega Prime	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17
Wind Sabre	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17
Martis Fund	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17
MSIP	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17
Jane Street	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17
3W Fund	20.00	7,174,000	1.99	0.18	1.73	0.17	1.73	0.17	1.51	0.17

			Assuming an Offer Price of HK$22.53 per H Share (being the high-end of the Offer Price range)							
			Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Cornerstone Investor	Subscription amount[(1)]	Number of Offer Shares[(2)]	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the issued share capital[(3)]	Approximate % of the Offer Shares	Approximate % of the issued share capital[(3)]	Approximate % of the Offer Shares	Approximate % of the issued share capital[(3)]	Approximate % of the Offer Shares	Approximate % of the issued share capital[(3)]
	(USD in millions)									
Schroders	142.00	49,443,600	13.72	1.21	11.93	1.19	11.93	1.19	10.38	1.17
GIC	90.00	31,337,400	8.70	0.77	7.56	0.76	7.56	0.76	6.58	0.74
HK Greenwoods	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17
Shanghai Greenwoods and HTCI (in connection with the Greenwoods OTC Swaps)	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17
Green Better	30.00	10,445,800	2.90	0.26	2.52	0.25	2.52	0.25	2.19	0.25
Verition	30.00	10,445,800	2.90	0.26	2.52	0.25	2.52	0.25	2.19	0.25
Eastern Bell Capital VIII	30.00	10,445,800	2.90	0.26	2.52	0.25	2.52	0.25	2.19	0.25
Mirae Securities	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17
ICBC Wealth	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17
PSBC Wealth	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17
Taikang Life	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17
Mega Prime	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17
Wind Sabre	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17
Martis Fund	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17
MSIP	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17
Jane Street	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17
3W Fund	20.00	6,963,800	1.93	0.17	1.68	0.17	1.68	0.17	1.46	0.17

Notes:

(1) Exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy, and to be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus;

(2) Subject to rounding down to the nearest whole board lot of 100 Offer Shares. Calculated based on the exchange rate set out in the section headed "Information about this Prospectus and the Global Offering — Currency Translations".

(3) The calculation of the percentage includes 2,707,721 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 0.075% of the total number of A Shares in issue as of the Latest Practicable Date.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Schroders

Schroder Investment Management Limited ("**SIML**"), Schroder Investment Management (Singapore) Ltd ("**SIMSL**") and Schroder Investment Management (Hong Kong) Limited ("**SIMHK**"), each acting as a discretionary investment manager for and on behalf of a total of 28 funds and/or segregated accounts focusing on areas including but not limited to global emerging markets and asian equities, have entered into the cornerstone investment agreement with the Company. To the best of Schroders' knowledge, no single ultimate beneficial owner holds 30% or more interest in the participating accounts of such funds/accounts, and each of such fund/account is an Independent Third Party.

SIML is a company incorporated in England and Wales. SIMSL is a company incorporated in Singapore. SIMHK is a company incorporated in Hong Kong. Each of SIML, SIMSL and SIMHK is ultimately wholly owned by Schroders plc, whose ordinary shares are listed on the London Stock Exchange (LON: SDR).

There is no individual person who is the "ultimate controlling shareholder" of Schroders plc. The interests of some members of the Schroder family, are spread across a number of parties, who are collectively known as the Principal Shareholder Group (PSG).

GIC

GIC Private Limited ("**GIC**") is a leading global investment firm established in 1981 to secure Singapore's financial future. As the manager of Singapore's foreign reserves, GIC takes a long-term, disciplined approach to investing, and are uniquely positioned across a wide range of asset classes and active strategies globally. These include equities, fixed income, real estate, private equity, venture capital, and infrastructure. GIC's long-term approach, multi-asset capabilities, and global connectivity enable us to be an investor of choice. GIC seeks to add meaningful value to its investments. Headquartered in Singapore, GIC has a global talent force of over 2,300 people in 11 key financial cities and have investments in over 40 countries.

HK Greenwoods

Greenwoods Asset Management Hong Kong Limited ("**HK Greenwoods**") is a private fund management company incorporated in Hong Kong with limited liability. Established in 2005, Greenwoods is one of the largest and earliest China-focused asset managers mainly specializing in investing into companies in the Greater China region. HK Greenwoods focuses on fundamental research, value investments, and local due diligence. Investors of funds and accounts managed by HK Greenwoods includes institutional investors and high-net-worth individuals professional investors. Mr. Jiang Jinzhi is the chairman, a major shareholder and an ultimate beneficial owner of HK Greenwoods. As confirmed by HK Greenwoods, the subscription of the Offer Shares as a cornerstone investor will be made by HK Greenwoods in its capacity as the investment manager of Golden China Master Fund and no single ultimate beneficial owner holds 30% or more interests in Golden China Master Fund. HK Greenwoods and Shanghai Greenwoods are affiliate of each other.

Shanghai Greenwoods and HTCI (in connection with the Greenwoods OTC Swaps)

Huatai Capital Investment Limited ("**HTCI**") and Huatai Securities Company Limited ("**HTSC**") will enter into a series of cross border delta-one OTC swap transactions (collectively, the "**Greenwoods OTC Swaps**") with each other and their ultimate clients (the "**HTCI Ultimate Clients (Greenwoods)**"), pursuant to which HTCI will hold the Offer Shares on a non-discretionary basis to hedge the Greenwoods OTC Swaps while the economic risks and returns of the underlying Offer Shares are passed to the HTCI Ultimate Clients (Greenwoods), subject to customary fees and commissions. The Greenwoods OTC Swaps will be fully funded by the HTCI Ultimate Clients (Greenwoods). During the terms of the Greenwoods OTC Swaps, all economic returns of the Offer Shares subscribed by HTCI will be passed to the HTCI Ultimate Clients (Greenwoods) and all economic loss shall be borne by the HTCI Ultimate Clients (Greenwoods) through the Greenwoods OTC Swaps, and HTCI will not take part in any economic return or bear any economic loss in relation to the Offer Shares. The Greenwoods OTC Swaps are linked to the Offer Shares and the HTCI Ultimate Clients (Greenwoods) may, after expiration of the lock-up period beginning from the date of the cornerstone agreement entered into between HTCI and the Company and ending on the date which is six months from the Listing Date, request to early terminate the Greenwoods OTC Swaps at their own discretions, upon which HTCI may dispose of the Offer Shares and settle the Greenwoods OTC Swaps in cash in accordance with the terms and conditions of the Greenwoods OTC Swaps. Despite that HTCI will hold the legal title of the Offer Shares by itself, it will not exercise the voting rights attaching to the relevant Offer Shares during the terms of the Greenwoods OTC Swaps according to its internal policy. To the best of HTCI's knowledge having made all reasonable inquiries, each of the HTCI Ultimate Clients (Greenwoods) is an independent third party of HTCI, Huatai and the companies which are members of the same group of Huatai Financial Holdings (Hong Kong) Limited ("**Huatai**"), and no single ultimate beneficial owner holds 30% or more interests in each of the HTCI Ultimate Clients (Greenwoods).

Both HTCI and Huatai, one of the Joint Sponsors, Overall Coordinators and Underwriters of the Global Offering , are indirect wholly-owned subsidiaries of HTSC, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601688), the H shares of which are listed on the Stock Exchange (stock code: 6886), and the global depositary receipts of which are listed on the London Stock Exchange (LON: HTSC). HTCI is a connected client (as defined under Appendix F1 to the Listing Rules) of Huatai, holding securities on a non-discretionary basis on behalf of independent third parties. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, its consent under paragraph 5(1) of Appendix F1 to the Listing Rules to permit us to allocate the Offer Shares to HTCI. See "Waivers from Strict Compliance with the Listing Rules — Waiver in relation to Allocation of Offer Shares to a Connected Client".

The HTCI Ultimate Clients (Greenwoods) are certain domestic private funds (including a total of no more than four funds) managed by Shanghai Greenwoods Asset Management Co., Ltd (上海景林資產管理有限公司) ("**Shanghai Greenwoods**") in its capacity as fund manager. Shanghai Greenwoods is a private fund management company with the registration under the Asset Management Association of China (AMAC). Shanghai Greenwoods is one of the largest and earliest PRC domestic asset managers mainly specializing in investing into companies in the Greater China region. Shanghai Greenwoods focuses on fundamental research, value investments, and local due diligence. Investors of funds managed by Shanghai Greenwoods include institutional investors and high-net-worth individuals professional investors. Mr. Jiang Jinzhi is the chairman, a major shareholder and an ultimate beneficial owner of Shanghai Greenwoods. No other shareholder holds 30% or more interest in Shanghai Greenwoods. As confirmed by Shanghai Greenwoods, the subscription of the Offer Shares as cornerstone investor will be made by Shanghai Greenwoods in its capacity as the fund manager of domestic private funds through total return swap mechanism.

According to our PRC Legal Advisors, the aforementioned transaction structure does not violate the PRC laws and regulations.

Green Better

Green Better Limited ("**Green Better**") is an investment company incorporated in the British Virgin Islands. Green Better is a wholly-owned subsidiary of Xiaomi Corporation, a company listed on the Stock Exchange (stock code: 1810). Xiaomi Corporation is an investment holding company principally engaged in the research, development and sales of smartphones, Internet of things and lifestyle products, the provision of Internet services, the development, manufacturing and sales of smart electric vehicles and investment business in China and other countries or regions.

Verition

Verition Multi-Strategy Master Fund Ltd. is managed by Verition Fund Management LLC ("**Verition**"), an investment firm incorporated in 2008. Verition is a subsidiary of Verition Fund Management NY, Inc., which owns the majority of Verition's equity interest and is owned by Mr. Nicholas Maounis and related entities. Verition manages a multi-strategy, multi-manager hedge fund focused on global investment strategies including Credit, Fixed Income & Macro, Convertible & Volatility Arbitrage, Event-Driven, Equity Long/Short & Capital Markets Trading, and Quantitative Strategies. As part of its investment activities, Verition seeks to construct a diversified portfolio with low correlation to traditional and alternative asset classes and consistently attractive risk adjusted returns. Capital is allocated dynamically across the strategies based on the market view and opportunity set for each individual investment team. As of April 1, 2025, the assets under management of Verition and its affiliates is approximately US$12.6 billion. Verition employs approximately 700 people and has offices in New York, Greenwich, Norwalk, London, Singapore, Hong Kong and Dubai. Verition Multi-Strategy Master Fund Ltd. has two feeder funds, Verition International Multi-Strategy Fund Ltd. and Verition Multi-Strategy Fund LLC. As of the date of this prospectus, there is no natural person who is an ultimate beneficial owner who owns more than 30% of Verition Multi-Strategy Master Fund Ltd.

Eastern Bell Capital VIII

Eastern Bell Capital VIII Investment Limited ("**Eastern Bell Capital VIII**") is a company incorporated in Hong Kong. Eastern Bell Capital VIII is a wholly owned subsidiary of Eastern Bell Capital Fund II, LP, a limited partnership formed under the laws of the Cayman Islands ("**Eastern Bell Capital Fund II**"). The general partner of Eastern Bell Capital Fund II is Eastern Bell Capital II Limited ("**Eastern Bell Capital II**"). Eastern Bell Capital II is a leading investor focusing on early and growth stage investments and manages US$800 million. There is no individual limited partner investor who holds an economic interest or limited partnership interest of 30% or more in Eastern Bell Capital Fund II.

Mirae Securities

Mirae Asset Securities Co., Ltd ("**Mirae Securities**") is one of the largest investment banks incorporated in the Republic of Korea, providing a comprehensive range of financial services including brokerage, wealth management, investment banking, sales & trading, and principle investments. The company is ultimately controlled by Mirae Asset Capital Co., Ltd., a financial investment company incorporated in the Republic of Korea. The company engages primarily in corporate lending, structured finance, and strategic investments to support the broader Mirae Asset Financial Group. Mirae Securities is listed on the Korea Exchange under stock code 006800.KS.

ICBC Wealth

ICBC Wealth Management Co., Ltd. ("**ICBC Wealth**") was established in May 2019 in Beijing, with a registered capital of RMB16 billion. It is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited, a company listed on the Shanghai Stock Exchange (stock code: 601398) and the Stock Exchange (stock code: 1398). The business scope of ICBC Wealth is public issuance of wealth management products to the general public, investment and management of entrusted assets for investors; non-public issuance of wealth management products to qualified investors, investment and management of entrusted assets for investors; wealth management advisory and consulting services; and other businesses as approved by the banking regulatory authority under the State Council.

PSBC Wealth

PSBC Wealth Management Co., Ltd. ("**PSBC Wealth**") was established on December 18, 2019, with a registered capital of RMB8.0 billion, in which Postal Savings Bank of China Co., Ltd. (stock code: 1658) holds a 100% stake and is ultimately controlled by China Post Group Corporation Limited. Its business scope is public issuance of wealth management products to the general public, investment and management of entrusted assets for investors; non-public issuance of wealth management products to eligible investors, investment and management of entrusted assets for investors; financial advisory and consulting services, etc. PSBC Wealth remained firmly committed to balanced development of scale, quality and profitability, aimed at fostering core competitiveness, deepened investment analysis, marketing, internal control, operational reforms and digital transformation, and continued to improve the rule-based, specialized and market-oriented development of wealth management business.

Taikang Life

Taikang Life Insurance Co., Ltd, ("**Taikang Life**"), a company incorporated in China, is a wholly owned subsidiary of Taikang Insurance Group Inc. There is no shareholder holding 30% or more in Taikang Insurance Group Inc. Taikang Life provides a full range of personal security and investment and wealth management products and services for individuals and families. The products on offer correspond to the different requirements of customers in terms of market segments such as the children and teenagers, females and high-income population groups. They also meet multidimensional demands regarding health care and accident cover, pensions and wealth management, among others. Taikang Insurance Group Inc is an insurance and financial service conglomerate focused on insurance, asset management and health and elderly care as main businesses. The Beijing-headquartered company consists of several subsidiaries including Taikang Life, Taikang AMC, Taikang Pension, Taikang Healthcare, Taikang Health, Taikang Dental, and TK.CN. Its product offering covers life insurance, internet based financial insurance, enterprise annuity, asset management, health and elderly care, health management and commercial real estate, among others.

Mega Prime

Mega Prime Development Limited ("**Mega Prime**") is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of GBA Homeland Limited, which in turn is wholly owned by Greater Bay Area Homeland Investments Limited ("**GBAHIL**"). GBAHIL is a company incorporated in Hong Kong with limited liability and is jointly owned by a number of international large-scale industrial institutions, financial institutions and new economic enterprises, each of which holds less than 15% equity interest therein.

GBAHIL's business encompasses investment, investment holding and the establishment or management of private equity funds through its subsidiaries to grasp the historical opportunities of the development of Guangdong-Hong Kong-Macao Greater Bay Area, and the construction of an international innovation and technology hub, focusing on technological innovation, industrial upgrading, quality of life, smart city and all other related industries. Mega Prime subscribes for the Offer Shares through the account managed by Greater Bay Area Development Fund Management Limited (大灣區發展基金管理有限公司), a company wholly owned by GBAHIL and licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities in Hong Kong.

Wind Sabre

Wind Sabre Fund SPC on behalf of Wind Sabre Opportunities Fund SP ("**Wind Sabre**") is a fund established in the Cayman Islands. Wind Sabre Fund SPC is a Segregated Portfolio Company incorporated in the Cayman Islands with limited liabilities and is an independent third party, and Wind Sabre Opportunities Fund SP is a segregated portfolio of Wind Sabre Fund SPC. Wind Sabre Fund SPC is controlled by Wind Sabre Capital Limited as the investment manager, which is a company incorporated in Hong Kong and licensed to carry out type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. Well Smart Developments Limited, which is wholly owned by Chow Tai Fook (Nominee) Limited, an Independent Third Party, is the only investor who holds over 30% interest in the fund. No single ultimate beneficial owner holds 30% or more interest in Chow Tai Fook (Nominee) Limited.

Wind Sabre may obtain external financing from a prime broker to finance its subscription of H Shares. The loan(s), if obtained, will be on normal commercial terms after arm's length negotiations. The H Shares to be subscribed for by Wind Sabre will not be charged to such prime broker as security for such loan(s).

Martis Fund

Martis Fund, L.P. ("**Martis Fund**") is an exempted limited partnership registered under the laws of Cayman Islands, focusing on healthcare, telecommunication, media, technology and consumer industries investment. The general partner of Martis Fund is Pulsating Star GP Limited, which is 100% ultimately controlled by Eric Li. No limited partner holds more than 30% partnership interest in Martis Fund.

MSIP

Morgan Stanley & Co. International plc ("**MSIP**") is a company incorporated in the United Kingdom. The ultimate parent undertaking and controlling entity is Morgan Stanley. Morgan Stanley together with its subsidiary undertakings forms the "Morgan Stanley Group". Morgan Stanley is a global financial services firm authorized as a Financial Holding Company and regulated by the Board of Governors of the Federal Reserve System in the United States of America. The Morgan Stanley Group operates within the financial services industry and is subject to extensive supervision and regulation.

The principal activity of the Morgan Stanley Group is the provision of financial services to a global client base consisting of corporations, governments and financial institutions. Financial services include investment banking, sales and trading, and other services to clients.

Jane Street

Jane Street Asia Trading Limited ("**Jane Street**") is incorporated in Hong Kong with limited liability and engages in securities investment and trading activities. It is wholly owned by Jane Street Group, LLC, a limited liability company formed in the State of Delaware of the U.S. There is no single investor who holds 30% or more in Jane Street from a beneficial ownership perspective.

3W Fund

3W Fund Management Limited ("**3W Fund**") is incorporated in Hong Kong with limited liability and licensed by the Hong Kong SFC to carry out type 9 (asset management) regulated activity. 3W Fund is wholly owned by Mr. Weiwei WU, an Independent Third Party. 3W Fund has agreed to procure the Investor Fund, namely 3W Global Fund, over which 3W Fund has discretionary investment management power, to subscribe for such number of the Investor Shares. The Investor Fund pursues to maximize absolute return and seek long-term capital growth primarily through fundamental investment principle with value approach.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor or each QDII (as applicable) to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things and as applicable, the following closing conditions:

(a) the Underwriting Agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid Underwriting Agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and Overall Coordinators (for themselves and on behalf of the underwriters of the Global Offering);

(c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective acknowledgements, representations, warranties, undertakings and confirmations of relevant Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months from (and inclusive of) the Listing Date (the "**Lock-up Period**"), dispose of, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

FUTURE PLANS

See "Business — Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming that the Offer Size Adjustment and the Over-allotment Option are not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$21.87 per Share (being the mid-point of the indicative Offer Price range of HK$21.21 and HK$22.53), we estimate that we will receive net proceeds of approximately HK$7,740.6 million from the Global Offering. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 30% of the net proceeds, or HK$2,322.2 million, will be used for continuous global R&D and innovation of our product mix, including our technologies, our existing products, new products and emerging business, to consolidate our existing strength and achieve consistent growth over the next three years. We will expand our R&D team around the world, mainly in China, the United States and Germany, as well as the R&D teams at our various factories. We plan to attract and retain R&D talents with excellent academic backgrounds and extensive industry experience by offering competitive compensation packages.

    - approximately 20% of the net proceeds, or HK$1,548.1 million, will be used for (i) the R&D of technologies, and the iteration and upgrading of our existing products across **Eight Key Dimensions** to consolidate our existing strength, see "Business — Our Strategies", (ii) the R&D of new materials to further enhance product performance and reduce costs and (iii) the R&D of new products and technologies to create products that embody energy saving, environmental protection and intelligent control. In particular, we plan to recruit approximately 500 R&D talents by 2028, of whom over 330 are expected to have master's or above degrees. We plan to allocate approximately HK$232.2 million, HK$464.4 million, HK$464.4 million and HK$387.0 million, respectively, in the second-half of 2025 and each year in 2026, 2027 and 2028, of the net proceeds for such purpose; and

    - approximately 10% of the net proceeds, or HK$774.1 million, will be used for technological R&D in bionic robots and its related segments. To seize emerging business opportunities in bionic robot industry, we plan to invest in R&D of key components of bionic robots such as electromechanical actuators. In particular, we plan to recruit approximately 200 R&D talents by 2028, of whom around 170 are expected to have master's or above degrees. We plan to allocate approximately HK$270.9 million, HK$270.9 million, HK$116.1 million and HK$116.1 million, respectively, in the second-half of 2025 and each year in 2026, 2027 and 2028, of the net proceeds for such purpose.

- approximately 30% of the net proceeds, or HK$2,322.2 million, will be used to further enhance our production capabilities and efficiencies, through expanding and establishing production facilities and increasing the production automation level in China over the next three years. We plan to (i) expand and establish five to seven factories and (ii) upgrade our automated production equipment to increase our annual production capacity in China for automotive components and refrigeration and air-conditioning product components by approximately 19 million pieces and 56 million pieces, respectively, by the end of 2028. The expansion is expected to incur capital expenditures of approximately RMB2,100 million, RMB2,000 million and RMB1,800 million in 2026, 2027 and 2028, respectively. Other than net proceeds, we will raise funds from other sources, including banking facilities and operating cash flow.

  - o approximately 25% of the net proceeds, or HK$1,935.2 million, will be used to expand and upgrade our factories and automated production equipment for automotive components. Driven by the rapid development of the NEV industry, the sales volume of automotive components in China, such as automotive electronic expansion valves and integrated modules, is expected to sustain rapid growth from 2024 to 2029. In response to the growing demand in such markets, we plan to further expand our production capacities prudently and efficiently. In particular, we plan to:

    - ■ expand or establish factories in Hangzhou, Shaoxing, Shenyang, Zhongshan and Tianjin, allowing us to improve operation efficiency and increase production capacities of automotive components, and recruit approximately 1,400 employees by 2028, including around 1,100 manufacturing personnel with mechanical operations skills; and

    - ■ purchase and upgrade equipment and machinery for the improvement of automated production lines at our factories, such as welding equipment, automated assembly equipment and testing equipment.

  - o approximately 5% of the net proceeds, or HK$387.0 million, will be used to expand and upgrade our factories and automated production equipment for our refrigeration and air-conditioning product components. Driven by increasing demands for enhanced product performance, the sales volume of refrigeration and air-conditioning product components in China is expected to grow steadily from 2024 to 2029. In response to the growing demand in such markets, we plan to further expand our production capacities prudently and efficiently. In particular, we plan to:

    - ■ expand our existing factories and establish new factories in Shaoxing for increasing our production capacities of refrigeration and air-conditioning product components, and recruit approximately 400 employees by 2028, including around 380 manufacturing personnel with mechanical operations skills; and

- purchase and upgrade equipment and machinery for the improvement of automated production lines at our factories, such as welding equipment, automated assembly equipment and testing equipment.

The table below sets forth details of our proposed allocation of net proceeds for the expansion of our production capacity in China:

	Intended allocation of net proceeds from the Global Offering				Total
	2025H2	2026	2027	2028	
	(HK$ in millions)				
Automotive components	483.8	774.1	483.8	193.5	1,935.2
Refrigeration and air-conditioning product components	96.8	154.8	96.8	38.7	387.0
Total	**580.5**	**928.9**	**580.5**	**232.2**	**2,322.2**

- approximately 25% of the net proceeds, or HK$1,935.2 million, will be used to deepen our global layout by expanding our overseas production capabilities, which is expected to enable us to seize emerging business opportunities globally and deepen the implementation of supply chain localization strategies over the next three years. We plan to (i) expand and establish five to six factories and (ii) upgrade our automated production equipment to increase our overseas annual production capacity for automotive components and refrigeration and air-conditioning product components by approximately 15 million pieces and 25 million pieces, respectively, by the end of 2028. The expansion is expected to incur capital expenditures of approximately RMB1,000 million, RMB1,000 million and RMB800 million in 2026, 2027 and 2028, respectively. Other than net proceeds, we will raise funds from other sources, including banking facilities and operating cash flow.

  o approximately 20% of the net proceeds, or HK$1,548.1 million, will be used to increase the production capacities of our production bases in emerging markets where we currently have operation, such as Thailand and Vietnam, to strengthen our global presence. In particular, we plan to (i) establish new factories, (ii) expand our existing factories, (iii) recruit approximately 440 employees by 2028, including around 360 manufacturing personnel with mechanical operations skills, and (iv) purchase and upgrade equipment and machinery for the improvement of automated production lines at our factories, such as welding equipment, automated assembly equipment and testing equipment; and

- o approximately 5% of the net proceeds, or HK$387.0 million, will be used to increase the production capacities, mainly for automotive components, of our production bases in Europe and North America where we currently have operation, such as Poland and Mexico. We believe these initiatives would allow us to swiftly respond to and better serve the requests of customers across America and Europe and other international markets while also enhancing our resilience to geopolitical challenges. In particular, we plan to (i) expand our existing factories, (ii) establish new factories, (iii) recruit approximately 190 employees by 2028, including around 140 manufacturing personnel with mechanical operations skills, and (iv) purchase and upgrade equipment and machinery for the improvement of automated production lines at our factories, such as welding equipment, automated assembly equipment and testing equipment.

The table below sets forth details of our proposed allocation of net proceeds for the expansion of our production capacity overseas:

	Intended allocation of net proceeds from the Global Offering				Total
	2025H2	**2026**	**2027**	**2028**	
	(HK$ in millions)				
In emerging markets, such as Thailand and Vietnam	309.6	464.4	464.4	309.6	1,548.1
In Europe and the America, such as Mexico and Poland	116.1	154.8	77.4	38.7	387.0
Total	**425.7**	**619.2**	**541.8**	**348.3**	**1,935.2**

- approximately 5% of the net proceeds, or HK$387.0 million, will be used to enhance our digital intelligence infrastructure over the next three years, improving our digitalization capabilities across various business processes such as supply chain management, R&D, production, quality control, sales and operations. We believe this initiative will allow us to improve production efficiency, rigorously control product quality and boost operational efficiency. For instance, we will (i) continue to advance the application of the smart energy IoT platform to enhance energy utilization, thereby promoting environmental sustainability and (ii) extend our SRM System to more suppliers to facilitate better collaboration along the supply chain, optimize procurement processes and reduce procurement costs. In particular, we plan to (i) purchase hardware equipment, (ii) develop or purchase software systems and (iii) recruit and train specialist personnel; and

- approximately 10% of the net proceeds, or HK$774.1 million, will be used as working capital and for general corporate uses.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus.

If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the net proceeds that we will receive will be approximately HK$10,248.3 million, assuming an Offer Price of HK$21.87 per Share (being the mid-point of the indicative Offer Price range). In the event that the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, we intent to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may deposit such funds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions) for so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would hinder the development of any of our projects, or the occurrence of force majeure events, the Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited

Huatai Financial Holdings (Hong Kong) Limited

ABCI Securities Company Limited

BOCI Asia Limited

Caitong International Securities Co., Limited

GF Securities (Hong Kong) Brokerage Limited

Zheshang International Financial Holdings Co., Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 25,223,100 Hong Kong Offer Shares and the International Offering of initially 335,106,900 International Offer Shares, subject to, in each case, reallocation on the basis as described in the section headed "Structure of the Global Offering" as well as the Offer Size Adjustment Option and the Over-allotment Option (applicable only to the International Offering).

UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We have entered into the Hong Kong Underwriting Agreement with, among others, the Hong Kong Underwriters on June 12, 2025. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on, and subject to, the terms and conditions set out in this prospectus, the Hong Kong Underwriting Agreement and on the designated website at **www.eipo.com.hk**.

Subject to (a) the Listing Committee granting listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering (including additional H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) and the listing and permission not having been revoked; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally (but not jointly) to subscribe for, or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares being offered but which are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the Hong Kong Underwriting Agreement and on the designated website at **www.eipo.com.hk**.

If, for any reason, the Offer Price is not agreed between us and the Overall Coordinators (on behalf of the Underwriters) by 12:00 noon on Thursday, June 19, 2025, the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been entered into, becoming unconditional and not having been terminated.

Grounds for Termination

The Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole and absolute discretion and upon giving notice in writing to our Company, the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

(i) there develops, occurs, exists or comes into force:

(a) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, national, regional or international emergency or war, calamity, crisis, political change, industry action, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, economic sanctions, strikes, labour disputes, lock outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, rebellion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to our Group (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**");

(b) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

(d) any general moratorium on commercial banking activities in the PRC (imposed by the People's Bank of China), Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other Authority), London, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by any relevant competent authority) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(e) any new law or regulation or any change or development involving a prospective change in existing Laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any other Authority in or affecting any of the Relevant Jurisdictions;

(f) the imposition of sanctions under any sanctions laws or regulations, in whatever form, directly or indirectly, by or for any of the Relevant Jurisdictions or relevant to the business operations of our Company or any member of our Group;

(g) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, the Hong Kong dollar or RMB against any foreign currencies or a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;

(h) other than with the prior written consent of the Overall Coordinators, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus, the offering circular, the CSRC filings or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;

(i) any demand by creditors for repayment of indebtedness or an order or petition for the winding up or liquidation of any Major Subsidiary of our Company or any composition or arrangement made by any Major Subsidiary of our Company with its creditors or a scheme of arrangement entered into by any Major Subsidiary of our Company or any resolution for the winding-up of any Major Subsidiary of our Company or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any Major Subsidiary of our Company or anything analogous thereto occurring in respect of any Major Subsidiary of our Company;

(j) any chief executive officer, chief financial officer, any Director, Supervisors or any member of the senior management of our Company is vacating his or her office;

(k) any litigation, dispute, proceeding, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any Major Subsidiary, any Director, Supervisor or any member of the senior management of our Company;

(l) any contravention by any Major Subsidiary or any Director or any member of the senior management of our Company of any applicable laws and regulations, including the Listing Rules, the Companies Ordinance, the Companies (WUMP) Ordinance and the PRC Company Law; or

(m) any non-compliance of this prospectus or the CSRC filings (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares or any aspect of the Global Offering) with the Listing Rules or any other applicable laws and regulations (including, without limitation, the Listing Rules, the Companies Ordinance, the Companies (WUMP) Ordinance and the relevant rules of the CSRC);

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

1) has or will have or is likely to have a material adverse effect;

2) has or will have or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications for or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of indications of interest under the International Offering;

3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the Global Offering to proceed, or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Global Offering Documents;

4) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting the Hong Kong Public Offering) incapable or impracticable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of the Joint Sponsors and the Overall Coordinators that

(a) any statement contained in any of this prospectus, the formal notice, the post hearing information pack, the Disclosure Package (as defined in the International Underwriting Agreement), the preliminary offering circular, the final offering circular and any other announcement, document, materials, communications or information made, issued, given, released, arising out of or used in connection with or in relation to the contemplated offering and sale of the Offer Shares or otherwise in connection with the Global Offering (the "**Offering Documents**"), the CSRC filings and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of our

Company in connection with the Global Offering (including any supplement or amendment thereto) (the "**Global Offering Documents**") was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respect or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any such documents, was, (including any supplement or amendment thereto) was, when it was issued, or has become, not fair and honest or not based on reasonable assumptions with reference to the facts and circumstances then subsisting;

(b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in, or omission from, any Global Offering Document;

(c) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the representations or warranties given by our Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(d) there is a material breach of any of the obligations imposed upon our Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto);

(e) there is an event, act or omission which gives rise or is likely to give rise to any liability of any of the Indemnifying Parties pursuant to the indemnities given by the Indemnifying Parties in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto);

(f) there is any material adverse effect;

(g) that the approval by the listing committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including pursuant to any exercise of the Offer Size Adjustment Option and the Over-allotment Option), other than subject to any applicable conditions, is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, revoked or withheld;

(h) (A) the notice of acceptance of the CSRC filings issued by the CSRC and/or the results of the CSRC filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated; or (B) other than with the prior written consent of the Overall Coordinators, the issue or requirement to issue by our Company of a supplement or amendment to the CSRC filings pursuant to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and supporting guidelines issued by the CSRC or the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) (the "**CSRC Rules**") or upon any requirement or request of the CSRC; or (C) any non-compliance of the CSRC filings with the CSRC Rules or any other applicable laws;

(i) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(j) our Company withdraws this prospectus (and/or any other documents used in connection with the Global Offering) or the Global Offering;

(k) there is a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including pursuant to any exercise of the Offer Size Adjustment Option and the Over-Allotment Option) pursuant to the terms of the Global Offering;

(l) any Director, Supervisor or member of senior management of our Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking a directorship of a company, or there is a commencement by any Authority of any investigation or other action against any Director, Supervisor or member of senior management of our Company in his or her capacity as such or any member of our Group or an announcement by any Authority that it intends to commence any such investigation or take any such action; or

(m) there is an order or petition for the winding-up of any major subsidiary of our Group or any composition or arrangement made by any Major Subsidiary of our Group with its creditors or a scheme of arrangement entered into by any Major Subsidiary of our Group or any resolution for the winding-up of any Major Subsidiary of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any Major Subsidiary of our Group or anything analogous thereto occurring in respect of any Major Subsidiary of our Group,

then, in each case, the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole and absolute discretion and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

The Hong Kong Underwriters' Interests in Us

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested directly or indirectly in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of our Group.

The Hong Kong Underwriters and their affiliates may, subject to applicable laws and regulations and in their ordinary and usual course of business, (i) provide financing in connection with the subscription for, or purchase of, our securities with security interests over all or part of such securities subscribed or purchased, and/or (ii) participate in or facilitate the subscription for, or purchase of, our securities.

Lock up Arrangement

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Undertakings by Our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our controlling shareholders has undertaken to the Hong Kong Stock Exchange and us that, except pursuant to the Global Offering or the Sanhua Green Energy Exchangeable Bonds, the shareholder will not and will procure that the relevant registered holder(s) will not (without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules):

(i) in the period commencing on the date by reference to which disclosure of the shareholder's holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), directly or indirectly dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares (or our other securities) in respect of which the shareholder is shown in this prospectus to be the beneficial owner; or

(ii) in the period of six months from the expiry of the First Six-month Period (the "**Second Six-month Period**"), directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (i) above if, immediately following the disposal or upon the exercise or enforcement of the options, rights, interests or encumbrances, the shareholder would cease to be our controlling shareholder.

In addition, pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our controlling shareholders has undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of the shareholder holding of our Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, the shareholder will and will procure that the relevant registered holder(s) will:

(i) when the shareholder pledges or charges any Shares (or our other securities) beneficially owned by the shareholder in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of Shares (or our other securities) so pledged or charged; and

(ii) when the shareholder receives indications, either verbal or written, from the pledgee or chargee of Shares (or our other securities) that those pledged or charged Shares (or our other securities) will be disposed of (including the A Shares pledged to the pledge agent pursuant to the Sanhua Green Energy Exchangeable Bonds), immediately inform us of the indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters by any of our controlling shareholders and disclose those matters by way of an announcement as required under the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertaking by us

Pursuant to the Hong Kong Underwriting Agreement, our Company hereby undertakes to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Offer Size Adjustment Options and the Over-allotment Option) and the employee incentive plans of our Company which are disclosed in this prospectus, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six Month Period**"), it will not, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (including pursuant to the exceptions set out in Rule 10.08 of the Listing Rules):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or any legal or beneficial interest in the H Shares or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any H Shares or other equity securities of our Company, or any interest in any of the foregoing, as applicable), or deposit any H Shares or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts;

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of the H Shares or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any equity securities which are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company, or any interest in any of the foregoing);

(c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

(d) offer to or contract to or agree to announce, or publicly disclose that our Company will or may enter into any transaction described in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of H Shares or such other equity securities of our Company, in cash or otherwise (whether or not the issue of such H shares or other equity securities will be completed within the First Six Month Period).

Our Company further agrees that, in the event our Company is allowed to enter into any of the transactions described in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the "**Second Six Month Period**"), it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any Shares or other securities of our Company.

International Offering

International Underwriting Agreement

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Offer Size Adjustment Option and the Over-allotment Option, the International Underwriters would, subject to certain conditions, severally (but not jointly) agree to purchase or procure purchasers for the International Offer Shares initially offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on grounds similar to those contained in the Hong Kong Underwriting Agreement. See the subsection headed "Structure of the Global Offering — The International Offering" for further details.

Over-allotment Option

We intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part, at the sole and absolute discretion of the Overall Coordinators on behalf of the International Underwriters from the Listing Date until 30 days from the last day permitted for the making of applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an aggregate of 54,049,500 H Shares, representing not more than 15.0% of the number of Offer Shares initially available under the Global Offering (assuming the Offer Size adjustment Option is not exercised at all) or up to an aggregate of 62,156,900 H Shares, representing not more than 15.0% of the number of Offer Shares available under the Global Offering (assuming the Offer Size Adjustment Option is exercised in full), at the Offer Price to cover over-allocations in the International Offering, if any. See the subsection headed "Structure of the Global Offering — Over-allotment Option" for details.

Offer Size Adjustment Option

The Company has an Offer Size Adjustment Option under the Hong Kong Underwriting Agreement, exercisable by the Company with the prior written agreement between the Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before the time of execution of the Price Determination Agreement and will lapse immediately thereafter. Upon the exercise of the Offer Size Adjustment Option, the Company may issue up to 54,049,500 additional Offer Shares (being 15.0% of the Offer Shares initially available under the Global Offering) at the Offer Price. The Offer Size Adjustment Option provides flexibility to increase the number of Offer Shares available for purchase under the Global Offering to cover additional market demand.

The exercise of the Offer Size Adjustment Option is also subject to the reallocation arrangement as described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation."

COMMISSION AND EXPENSES

The Capital Market Intermediaries will receive an underwriting commission of 0.8% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option). The Capital Market Intermediaries may receive a discretionary incentive fee of up to 0.6% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid to the International Underwriters.

Assuming full payment of the discretionary incentive fee, the fixed fees and the discretionary fees payable to the Underwriters represent approximately 34.3% and 65.7%, respectively, of the aggregate fees payable to the Capital Market Intermediaries in total in connection with the Global Offering.

Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised at all, and based on an Offer Price of HK$21.87 per H Share (being the mid-point of the indicative Offer Price Range), the aggregate commissions and fees (exclusive of any discretionary incentive fee), together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by the Company are estimated to amount to approximately HK$139.8 million in aggregate.

JOINT SPONSOR'S FEE

A fee of USD400,000 is payable by the Company as sponsor fees to each Joint Sponsor.

JOINT SPONSOR'S INDEPENDENCE

Each Joint Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY UNDERWRITERS

Each of the Underwriters and their respective affiliates may individually undertake a variety of activities which do not form part of the underwriting or stabilizing process.

The Underwriters and their respective affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their business activities, the Underwriters and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. These investment and trading activities may involve or relate to our assets, securities and/or instruments and/or persons and entities with relationships with us and may also include swaps and other financial instruments entered into for hedging purposes in connection with our loans and other debt.

In relation to our H Shares, the activities of the Underwriters and their respective affiliates may include acting as agent for buyers and sellers of our H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of our H Shares (whose financing may be secured by our H Shares) in the Global Offering, proprietary trading in our H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our H Shares, which may have a negative impact on the trading price of our H Shares. All such activities may take place in Hong Kong and elsewhere in the world and may result in the Underwriters and their respective affiliates holding long and/or short positions in our H Shares, in baskets of securities or indices including our H Shares, in units of funds that may purchase our H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Underwriters or their respective affiliates of any listed securities having our H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our H Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering". Such activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares and the volatility of the price of our H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Underwriters and their respective affiliates will be subject to certain restrictions, including the following:

(a) the Underwriters and their respective affiliates (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Underwriters and their respective affiliates must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Some of the Underwriters or their respective affiliates have provided from time to time and are expected to provide to our Group investment banking and other services in the future for which the Underwriters or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Underwriters or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

The Global Offering consists of (subject to reallocation, Offer Size Adjustment Option and the Over-allotment Option as described below):

(a) the Hong Kong Public Offering of initially 25,223,100 H Shares (subject to reallocation and the Offer Size Adjustment Option) as described below under "— The Hong Kong Public Offering"; and

(b) the International Offering of initially 335,106,900 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option) outside the United States (including to professional and institutional investors in Hong Kong) in offshore transactions in reliance on Regulation S and in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, as described below under the subsection headed "— The International Offering".

Investors may either apply for our H Shares under the Hong Kong Public Offering; or apply for or indicate an interest, if qualified to do so, for our H Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 8.81% of the total Shares in issue immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 10.0% of the enlarged issued share capital of our Company (assuming the Offer Size Adjustment Option is not exercised at all) or approximately 11.3% of the enlarged issued share capital of our Company (assuming the Offer Size Adjustment option is exercised in full) immediately following the completion of the Global Offering.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in "— The Hong Kong Public Offering — Reallocation" below.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between us and the Overall Coordinators (on behalf of the Underwriters) on or around the Price Determination Date and subject to the other conditions set out in the subsection headed "— Conditions of the Global Offering".

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date.

The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting".

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 25,223,100 H Shares at the Offer Price for subscription by the public in Hong Kong, representing approximately (i) 7.0% of the 360,330,000 H Shares initially made available under the Global Offering and (ii) 0.62% of the total Shares in issue immediately following the completion of the Global Offering (in each case, subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in "— Conditions of the Global Offering" below.

Allocation

Allocation of H Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: Pool A and Pool B (with any odd lots being allocated to pool A).

- **Pool A**: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total price of HK$5 million or less (excluding the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Hong Kong Stock Exchange trading fee).

- **Pool B**: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total price of more than HK$5 million and up to the total value of Pool B (excluding the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Hong Kong Stock Exchange trading fee).

For the purpose of the immediately preceding paragraph only, the "price" for the Hong Kong Offer Shares means the price payable on application. See the subsection headed "— Pricing — Price Payable on Application".

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 12,611,500 Hong Kong Offer Shares (being 50% of the H Shares initially made available under the Hong Kong Public Offering assuming the Offer Size Adjustment Option is not exercised) will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to a certain percentage of the total number of Offer Shares offered under the Global Offering when certain prescribed total demand levels are reached under the Hong Kong Public Offering.

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules to the effect as further described below.

25,223,100 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 7.0% of the Offer Shares initially available for subscription under the Global Offering. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 14 times or more but less than 46 times, (b) 46 times or more but less than 93 times and (c) 93 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of the reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 36,033,000 Offer Shares (approximately 10.0% in the case of (a)), 48,644,600 Offer Shares (approximately 13.5% in the case of (b)) and 95,487,500 Offer Shares (approximately 26.5% in the case of (c)) (of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Offer Size

Adjustment Option and the Over-allotment Option)). In each case, the number of Offer Shares to be allocated to the International Offering will be correspondingly reduced and the additional Offer Shares will be allocated between Pool A and Pool B in such manner as the Overall Coordinators deems appropriate.

The Overall Coordinators may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B in accordance with the guidance in Chapter 4.14 of the Guide for New Listing Applicants as follows:

If: (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 14 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, provided that the Offer Price would be set at (or no higher than) the minimum Offer Price, up to 25,223,100 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering following such reallocation will be increased to 50,446,200 Offer Shares, representing twice the number of the Offer Shares initially available under the Hong Kong Public Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option).

In addition, the Overall Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, in such proportions as the Overall Coordinators may, in its sole and absolute discretion, determine.

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators may reallocate all or some unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators may, in its sole and absolute discretion, determine.

Applications

Each applicant under the Hong Kong Public Offering must give an undertaking and confirmation in the application submitted by that applicant that he/she/it and any person(s) for whose benefit the applicant is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and that applicant's application is liable to be rejected if either or both of the undertaking and confirmation are breached or untrue (as the case may be) or the applicant has been or will be placed or allocated International Offer Shares under the International Offering.

THE INTERNATIONAL OFFERING

Number of H Shares Initially Offered

We are initially offering 335,106,900 H Shares at the Offer Price for subscription or sale under the International Offering (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option), representing approximately 93.0% of the 360,330,000 H Shares initially made available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of H Shares initially offered under the International Offering will represent approximately 8.2 % of the total Shares in issue immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States in accordance with Rule 144A as well as institutional and professional investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Allocation of Offer Shares under the International Offering will be effected in accordance with the "book-building" process described in the subsection headed "— Pricing — Determining the Offer Price" and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that that investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the Listing. This basis of allocation is intended to result in a distribution of the Offer Shares which is likely to lead to the establishment of a solid and stable professional and institutional shareholder base to the benefit of our Group and our Shareholders as a whole.

The Overall Coordinators (on behalf of the Underwriters) may require an investor who has been offered (or has indicated an interest for) Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement and/or any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering as described in the subsection headed "— The Hong Kong Public Offering — Reallocation", and the exercise of the Offer Size Adjustment Option and the Over-allotment Option in whole or in part as described in the subsections headed "— Offer Size Adjustment Option" and "— Over-allotment Option".

PRICING

Offer Price Range

The Offer Price will be not more than HK$22.53 per H Share and is expected to be not less than HK$21.21 per H Share, unless otherwise announced, as explained below.

Price Payable on Application

Applicants for Hong Kong Offer Shares may be required to pay, on application (subject to application channel), the maximum Offer Price per Hong Kong Offer Share plus the brokerage fee of 1.0%, the SFC transaction levy of 0.0027%, the AFRC transaction levy of 0.00015% and the Hong Kong Stock Exchange trading fee of 0.00565%, amounting to a total of HK$2,275.72 for one board lot of 100 H Shares. **Applicants should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price.**

If the Offer Price is less than the maximum Offer Price, appropriate refund payments (including the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants. See the subsection headed "How to Apply for the Hong Kong Offer Shares — Despatch/Collection of H Share Certificates and Refund of Application Monies".

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our H Shares in the International Offering. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, but to cease on or around, the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (on behalf of the Underwriters) and us, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or before Thursday, June 19, 2025 (Hong Kong time) and, in any event, not later than 12:00 noon on Thursday, June 19, 2025 (Hong Kong time).

Reduction in Offer Price Range and/or Number of Offer Shares

The Overall Coordinators (on behalf of the Underwriters) may, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with our consent, reduce the Offer Price Range and/or the number of Offer Shares below that stated in this prospectus at any time on or before the morning of the last day for making applications under the Hong Kong Public Offering. In this case, we will as soon as practicable after the decision to make the reduction (and no later than the morning of the last day for making applications under the Hong Kong Public Offering) publish on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **https://zjshc.com** notice of the reduction, the cancellation of the Global Offering and the relaunch of the Global Offering at the revised number of Offer Shares and/or the revised Offer Price. This notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as set out in this prospectus, as well as any other financial information which may change as a result of the reduction.

We will, as soon as practicable following the decision to make the reduction, in addition to publishing the notice, issue a supplemental prospectus containing details in relation to the change in the number of Offer Shares being offered and/or the Offer Price Range. The Global Offering will be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before making applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price Range and/or number of Offer Shares may not be made until the day which is the last day for making applications under the Hong Kong Public Offering.

In the absence of a notice of reduction, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon between us and the Overall Coordinators (on behalf of the Underwriters), will not be set outside the indicative Offer Price Range.

Announcement of the Offer Price and Basis of Allocations

The Offer Price, level of applications in the Hong Kong Public Offering, level of indications of interest in the International Offering, and basis of allocations of the Hong Kong Offer Shares are expected to be made available through a variety of channels in the manner described in the subsection headed "How to Apply for the Hong Kong Offer Shares — Publication of Results".

OFFER SIZE ADJUSTMENT OPTION

In order to provide the Company with the flexibility to increase the number of Offer Shares available under the Global Offering to cover additional demand, the Company has an Offer Size Adjustment Option which will allow the Company to issue up to 54,049,500 additional Offer Shares (representing 15.0% of the Offer Shares initially being offered under the Global Offering) (the "**Offer Size Adjustment Option Shares**") at the Offer Price.

The Offer Size Adjustment Option is contained in the Hong Kong Underwriting Agreement and is exercisable by the Company with the prior written agreement between the Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before the time of the execution of the Price Determination Agreement. If it is not exercised by such time, then the Offer Size Adjustment Option will lapse. In considering whether to exercise the Offer Size Adjustment Option, the Company and the Overall Coordinators will take into account a number of factors, including, among other things:

i. whether the level of interest expressed by prospective professional and institutional investors during the book-building process under the International Offering is sufficient to cover:

   a. the total number of Offer Shares, which represents the aggregate of the Offer Shares initially available under the Global Offering and the additional Offer Shares upon any exercise of the Offer Size Adjustment Option; and

   b. the corresponding number of H Shares under the Over-allotment Option;

ii. the prices at which prospective professional and institutional investors have indicated they would be prepared to acquire the Offer Shares in the course of the book-building process;

iii. the quality of investors, with a view to establishing a solid professional institutional and investor shareholder base to the benefit of the Company and its Shareholders as a whole;

iv. the level of subscriptions by the valid applications in the Hong Kong Public Offering; and

v. general market conditions.

These Offer Size Adjustment Option Shares, if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering, and the Overall Coordinators shall allocate additional H Shares to be offered by our Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality, i.e., the initial proportion of 7.0%:93.0% between the Hong Kong Public Offering and the International Offering, except for the scenario where excess additional Offer Shares are not taken up by retail investors under the Hong Kong Public Offering and will then be reallocated to International Offering to satisfy excess demand in the International Offering as described in details below, in which case the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 7.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

Furthermore, the Company and the Overall Coordinators will only exercise the Offer Size Adjustment Option to the extent that the Offer Size Adjustment Option Shares to be allocated to the International Offering in order to maintain the initial proportionality between the Hong Kong Public Offering and the International Offering will be fully subscribed to ensure no Offer Size Adjustment Option Shares allocated to the International Offering will be reallocated to the Hong Kong Public Offering.

In the event that the Offer Size Adjustment Option is exercised in full:

a. if the Hong Kong Public Offering is oversubscribed by at least 0.15 time (being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares), the additional Offer Shares will be allocated so as to maintain the initial proportionality between the Hong Kong Public Offering and the International Offering;

b. if the Hong Kong Public Offering is oversubscribed by less than 0.15 time, the additional Offer Shares will first be allocated to maintain, to the extent possible, the initial proportion of 7.0%:93.0% between the Hong Kong Public Offering and the International Offering. Any excess additional Offer Shares not taken up by retail investors under the Hong Kong Public Offering will then be reallocated to International Offering to satisfy excess demand in the International Offering. In such a case, the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 7.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

In the event that the Offer Size Adjustment Option is exercised in part:

a. if the Hong Kong Public Offering is oversubscribed by at least the relevant multiple (being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares), the additional Offer Shares will be allocated so as to maintain the initial proportionality between the Hong Kong Public Offering and the International Offering;

b. if the Hong Kong Public Offering is oversubscribed by less than the relevant multiple (being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares), the additional Offer Shares will first be allocated to maintain, to the extent possible, the initial proportion of 7.0%:93.0% between the Hong Kong Public Offering and the International Offering. Any excess additional Offer Shares not taken up by retail investors under the Hong Kong Public Offering will then be reallocated to International Offering to satisfy excess demand in the International Offering. In such a case, the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 7.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

In the event that the Hong Kong Public Offering is undersubscribed, all the additional Offer Shares will be allocated to the International Offering. In such a case, the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 7.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

The table below sets out the final allocation of Offer Shares between the Hong Kong Public Offering and the International Offering for illustration purpose only. The actual final allocation will depend on the actual additional number of Offer Shares to be issued upon the exercise of the Offer Size Adjustment Option.

In the event that the Offer Size Adjustment Option is exercised in full, so that 54,049,500 additional Offer Shares (representing in aggregate up to 15.0% of the initial number of Offer Shares available for subscription under the Global Offering) will be issued at the Offer Price[(2)]

If the Hong Kong Public Offering is oversubscribed by	At least 14 times	At least 0.15[(1)] time but less than 14 times	Less than 0.15[(1)] time	The Hong Kong Public Offering is undersubscribed
Final allocation of Offer Shares between International Offering and Hong Kong Public Offering	If the oversubscription is at least 14 times, the clawback arrangement will be triggered. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the applicable clawback ratio (90.0:10.0 or 86.5:13.5 or 73.5:26.5) as described in the "— The Hong Kong Public Offering — Reallocation."	If the oversubscription is less than 14 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 93.0:7.0 ratio.[(3)]	If the oversubscription is less than 0.15 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 93.0:7.0 ratio. However, as the demand in the Hong Kong Public Offering is insufficient to take up all the additional Offer Shares, the excess additional Offer Shares will be reallocated to the International Offering only. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 7.0% of the total number of Offer Shares. If the Hong Kong Public Offering is fully subscribed with no over-subscription, the additional Offer Shares pursuant to the Offer Size Adjustment Option will all be allocated to the International offering due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be approximately 6.1% of the total number of Offer Shares.	The unsubscribed Offer Shares under the Hong Kong Public Offering will be reallocated to the International Offering. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated to the International Offering only due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 7.0% of the total number of Offer Shares.

In the event that the Offer Size Adjustment Option is exercised in half, so that 27,024,750 additional Offer Shares (representing in aggregate up to 7.5% of the initial number of Offer Shares available for subscription under the Global Offering) will be issued at the Offer Price[(2)]

If the Hong Kong Public Offering is oversubscribed by	At least 14 times	At least 0.075[(1)] time but less than 14 times	Less than 0.075[(1)] time	The Hong Kong Public Offering is undersubscribed
Final allocation of Offer Shares between International Offering and Hong Kong Public Offering	If the oversubscription is at least 14 times, the clawback arrangement will be triggered. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the applicable clawback ratio (90.0:10.0 or 86.5:13.5 or 73.5:26.5) as described in the "— The Hong Kong Public Offering — Reallocation."	If the oversubscription is less than 14 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 93.0:7.0 ratio.[(3)]	If the oversubscription is less than 0.075 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 93.0:7.0 ratio. However, as the demand in the Hong Kong Public Offering is insufficient to take up all the additional Offer Shares, the excess additional Offer Shares will be reallocated to the International Offering only. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 7.0% of the total number of Offer Shares. If the Hong Kong Public Offering is fully subscribed with no over-subscription, the additional Offer Shares pursuant to the Offer Size Adjustment Option will all be allocated to the International offering due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be approximately 6.5% of the total number of Offer Shares.	The unsubscribed Offer Shares under the Hong Kong Public Offering will be reallocated to the International Offering. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated to the International Offering only due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 7.0% of the total number of Offer Shares.

Notes:

(1) being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares.

(2) assuming the Over-allotment Option is not exercised.

(3) assuming the reallocation pursuant to Chapter 4.14 of the Guide for New Listing Applicants as described in "— The Hong Kong Public Offering — Reallocation" is not exercised.

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.30% of our enlarged issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The dilution effect of the Offer Size Adjustment Option (assuming the Over-allotment Option is not exercised) is set out below:

Number of H Shares issued under the Global Offering before the exercise of the Offer Size Adjustment Option (the "Original Subscribers")	Approximate percentage of total issued share capital held by the Original Subscribers before the exercise of the Offer Size Adjustment Option	Number of H Shares issued under the Global Offering after the exercise of the Offer Size Adjustment Option in full	Approximate percentage of total issued share capital held by the Original Subscribers after the exercise of the Offer Size Adjustment Option in full
360,330,000	8.8%	414,379,500	8.7%

The Offer Size Adjustment Option will not be used for price stabilization purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-allotment Option.

The Company will disclose in its allotment results announcement if and to what extent the Offer Size Adjustment Option has been exercised, the final allocation of Offer Shares between the Hong Kong Public Offering and the International Offering and the use of the additional proceeds received, or will confirm that if the Offer Size Adjustment Option has not been exercised by the Price Determination Date, it will lapse and cannot be exercised at any future date.

OVER-ALLOCATION

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover the over-allocation by exercising the Over-allotment Option in full or in part, or by using H Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we may grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators in its sole and absolute discretion on behalf of the International Underwriters.

Pursuant to the Over-allotment Option (if granted), the International Underwriters have the right, exercisable by the Overall Coordinators (in its sole and absolute discretion on behalf of the International Underwriters) at any time from the Listing Date until 30 days from the last day for the making of applications under the Hong Kong Public Offering (being the last day for the exercise of the Over-allotment Option, which is Friday, July 18, 2025), to require us to allot and issue up to an aggregate of 54,049,500 H Shares, representing not more than 15.0% of the number of Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option is not exercised at all) or up to an aggregate of 62,156,900 H Shares, representing not more than 15.0% of the number of Offer Shares available under the Global Offering (assuming the Offer Size Adjustment Option is exercised in full), at the Offer Price, to cover over-allocations in the International Offering, if any.

If the Offer Size Adjustment Option is not exercised and the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.3% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering. If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the additional Offer Shares to be issued pursuant to the Over-allotment Option will represent approximately 1.48% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard, and if possible, prevent a decline in the market price of the securities below the Offering Price. These transactions may be effected in jurisdictions where it is permitted to do so, in each case in compliance with all applicable laws and regulatory requirements, including those in Hong Kong. In Hong Kong, the price at which stabilization is effected cannot exceed the offer price of shares.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market. However, there is no obligation on the Stabilizing Manager to conduct any stabilizing activity. Stabilizing actions, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as being in our best interest, (b) may be discontinued at any time and (c) is required to end within 30 days of the last day for making applications under the Hong Kong Public Offering.

Stabilizing activities permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) include (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (b) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (c) subscribing, or agreeing to subscribe, for our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b), (d) purchasing, or agreeing to purchase, our H Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares, (e) selling or agreeing to sell our H Shares to liquidate a long position held as a result of those purchases and (f) offering or attempting to do anything described in (b), (c), (d) or (e).

Specifically, applicants for and investors in the Offer Shares should note that:

(a) as a result of effecting transactions to stabilize or maintain the market price of our H Shares, the Stabilizing Manager (or any person acting for it) may maintain a long position in our H Shares;

(b) the size of the long position, and the period for which the Stabilizing Manager (or any person acting for it) will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain;

(c) liquidation of any long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of our H Shares;

(d) stabilizing action by the Stabilizing Manager (or any person acting for it) is not permitted to support the price of our H Shares for longer than the stabilizing period, which begins on the Listing Day and ends on Friday, July 18, 2025 (being the 30th day after the last day for making applications under the Hong Kong Public Offering). As a result, demand for our H Shares, and their market price, may fall after the end of the stabilizing period;

(e) stabilizing activities by the Stabilizing Manager (or any person acting for it) may stabilize, maintain or otherwise affect the market price of our H Shares. This means the price of our H Shares may be higher than the price that otherwise might exist in the open market;

(f) there is no assurance that the price of our H Shares can stay at or above the Offer Price by the taking of any stabilizing action either during or after the stabilizing period; and

(g) bids for or market purchases of our H Shares by the Stabilizing Manager (or any person acting for it) may be made at a price at or below the Offer Price and therefore at or below the price paid for our H Shares by purchasers.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 54,049,500 H Shares, representing not more than 15.0% of the number of Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option is not exercised at all) or up to an aggregate of 62,156,900 H Shares, representing not more than 15.0% of the number of Offer Shares available under the Global Offering (assuming the Offer Size Adjustment Option is exercised in full), through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid on the Listing Date. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Offering agrees to the delayed delivery arrangements, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-allotment Option will not be exercised.

We will make an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) within seven days of the expiration of the stabilizing period.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of applications for the Hong Kong Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) as described in this prospectus and the approval not having been revoked;

(b) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date;

(c) the Offer Price having been agreed between us and the Overall Coordinators (on behalf of the Underwriters); and

(d) the obligations of the Underwriters under both the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than Monday, June 23, 2025.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among others, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived before the dates and times specified, the Global Offering will not proceed and will lapse, and the Hong Kong Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Hong Kong Public Offering on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **https://zjshc.com** on the next Business Day following the lapse. In this case, all application monies will be returned, without interest, on the terms set out in the subsection headed "How to Apply for the Hong Kong Offer Shares — Despatch/Collection of H Share Certificates and Refund of Application Monies". In the meantime, the application monies will be held in separate accounts with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

If, for any reason, we and the Overall Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price by 12:00 noon on the Price Determination Date, the Global Offering will not proceed and will lapse.

H Share certificates for the Offer Shares are expected to be issued on Friday, June 20, 2025, but they will only become valid evidence of title at 8:00 a.m. on Monday, June 23, 2025, provided the Global Offering has become unconditional in all respects at or before that time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, June 23, 2025, it is expected that dealings in our H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Monday, June 23, 2025.

Our H Shares will be traded in board lots of 100 H Shares each and the stock code of our H Shares will be 2050.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at https://zjshc.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

APPLICATIONS FOR THE HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address (for the **White Form eIPO** service only);
- are outside the United States (within the meaning of Regulation S), and are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person (except qualified domestic institutional investors) of the People's Republic of China.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing holder or beneficial owner of our Shares and/or a substantial shareholder of any of our subsidiaries;
- are our director, supervisor or chief executive officer of ours and/or any of our subsidiaries;
- are a close associate of any of the above persons;
- are our connected person or will become our connected person immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Friday, June 13, 2025 and end at 12:00 noon on Wednesday, June 18, 2025 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	www.eipo.com.hk	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Friday, June 13, 2025 to 11:30 a.m., Wednesday, June 18, 2025, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Wednesday, June 18, 2025, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is an HKSCC Participant will submit **electronic application instructions** on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

Only one application may be made for the benefit of any person. If you are suspected of making more than one application through the **White Form eIPO** service or any other channel, all of your applications are liable to be rejected.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)[(2)] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[(2)] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

(1) If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

(2) The applicant's full name as shown on their identity document must be used and the surname, given name, middle and other names (if any) must be input in the same order as shown on the identity document. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card (including both Hong Kong Residents and Hong Kong Permanent Residents), the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

(3) If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

(4) The maximum number of joint applicants on FINI is capped at four in accordance with market practice.

(5) If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

(6) If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	100 H Shares
Permitted Number of Hong Kong Offer Shares for application and amount payable on application/successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below. The maximum Offer Price is HK$22.53 per H Share.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Amount payable[2] on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application HK$
100	2,275.72	4,000	91,028.86	150,000	3,413,582.26	2,000,000	45,514,430.10
200	4,551.44	5,000	113,786.07	200,000	4,551,443.01	3,000,000	68,271,645.16
300	6,827.16	6,000	136,543.29	250,000	5,689,303.77	4,000,000	91,028,860.20
400	9,102.88	7,000	159,300.51	300,000	6,827,164.51	5,000,000	113,786,075.26
500	11,378.61	8,000	182,057.72	350,000	7,965,025.27	6,000,000	136,543,290.30
600	13,654.32	9,000	204,814.93	400,000	9,102,886.02	7,000,000	159,300,505.36
700	15,930.05	10,000	227,572.15	450,000	10,240,746.78	8,000,000	182,057,720.40
800	18,205.78	20,000	455,144.31	500,000	11,378,607.53	9,000,000	204,814,935.46
900	20,481.50	30,000	682,716.45	750,000	17,067,911.29	10,000,000	227,572,150.50
1,000	22,757.21	40,000	910,288.60	1,000,000	22,757,215.06	12,611,500[1]	287,002,617.61
2,000	45,514.44	50,000	1,137,860.76	1,250,000	28,446,518.81		
3,000	68,271.64	100,000	2,275,721.50	1,500,000	34,135,822.58		

Notes:

(1) Maximum number of Hong Kong Offer Share you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "— Applications for Hong Kong Offer Shares — Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

6. Terms and Conditions of an Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(a) undertake to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators (or its agents or nominees), as our agent, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(b) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** Service Provider (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(c) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(d) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(e) confirm that you have read this prospectus and any supplement to it and have only relied on the information and representations contained therein in making your application (or as the case may be, causing your application to be made), and will not rely on any other information or representations, except those contained in any supplement to this prospectus;

(f) agree that none of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

(g) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, receiving bank(s), the H Share Registrar, HKSCC, HKSCC Nominees, the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "— Personal Data — Purposes" and "— Personal Data — Transfer of personal data" in this section;

(h) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(i) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "— Publication of Results" in this section;

(j) confirm that you are aware of the situations specified in the paragraph headed "— Circumstances in which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(k) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(l) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association, the PRC Companies Law and laws of any other place that apply to your application, and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(m) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;

(n) warrant that the information you have provided is true and accurate;

(o) confirm that you understand that we, our Directors and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(p) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(q) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(r) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(s) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor have participated in the International Offering;

(t) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

(u) (if you are making the application for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or through the **White Form eIPO** service or by any one as your agent or by any other person;

(v) (if you are making the application as an agent for the benefit of another person) warrant that: (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving application instructions to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent; and

(w) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all these laws and none of us nor any Relevant Person will breach any of these laws as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus.

PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through **White Form eIPO** service or HKSCC EIPO channel:		
Website	The designated results of allocation at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function.	24 hours, from 11:00 p.m., Friday, June 20, 2025 to 12:00 midnight, Thursday, June 26, 2025 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**).	
	The Hong Kong Stock Exchange's website at **www.hkexnews.hk** and our website at **https://zjshc.com** which will provide links to the above mentioned web sites of the H Share Registrar.	No later than 11:00 p.m. on Friday, June 20, 2025 (Hong Kong time).
Telephone	+852 2862 8555 — the allocation results telephone enquiry line provided by the H Share Registrar	Between 9:00 a.m. and 6:00 p.m., from Monday, June 23, 2025 to Thursday, June 26, 2025 (Hong Kong time) on a business day

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m., Thursday, June 19, 2025 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m., Thursday, June 19, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Hong Kong Stock Exchange's website at **www.hkexnews.hk** and our website at **https://zjshc.com** by no later than 11:00 p.m. on Friday, June 20, 2025 (Hong Kong time).

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which no Hong Kong Offer Shares will be allocated to you or the person(s) for whose benefit you are applying for:

1. **If your application is revoked:**

   Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. **If we or our agents exercise discretion to reject your application:**

   We, the Overall Coordinators, the H Share Registrar and our/their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. **If the allocation of Hong Kong Offer Shares is void:**

   The allocation of Hong Kong Offer Shares will be void if the Hong Kong Stock Exchange does not grant permission to list our Shares either:

   - within three weeks from the closing date of the application lists; or
   - within a longer period of up to six weeks if the Hong Kong Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. **If:**

   - you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "— Applications for the Hong Kong Offer Shares — 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
   - your application instruction is incomplete;

- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated; or
- we or the Overall Coordinators believe that by accepting your application, we or they would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the H Share certificate will be deposited into CCASS as described below).

We will not issue: (i) temporary document of title in respect of our H Shares; or (ii) receipt for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on Monday, June 23, 2025 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service	**HKSCC EIPO channel**
Despatch/collection of H Share certificate		
For physical share certificates of 1,000,000 or more Offer Shares issued under your own name	Collection in person from our H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. **Time:** from 9:00 a.m. to 1:00 p.m. on Monday, June 23, 2025 (Hong Kong time) If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. **Note:** If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account. No action by you is required.

	White Form eIPO service	HKSCC EIPO channel
For physical share certificates of less than 1,000,000 Offer Shares issued under your own name	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk. **Time:** Friday, June 20, 2025	
Refund mechanism for surplus application monies paid by you		
Date	Monday, June 23, 2025	Subject to the arrangement between you and your broker or custodian
Responsible party	H Share Registrar	Your broker or custodian
Application monies paid through single bank account	Any refund will be despatched to the bank account in the form of **White Form** e-Refund payment instructions	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be dispatched to the address as specified in your application instructions by ordinary post at your own risk	

Except in the event of any Severe Weather Signals (as defined below) in force in Hong Kong on the business day before the Listing Date rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— Severe Weather Arrangements" in this section.

SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Wednesday, June 18, 2025 if, there is (are):

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- an "extreme conditions" announcement issued after a super typhoon ("**Extreme Conditions**"),

(collectively, "**Severe Weather Signals**")

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 18, 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have any of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the Listing Date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Hong Kong Stock Exchange's website at **www.hkexnews.hk** and our website at **https://zjshc.com** of the revised timetable.

If any of those warnings is hoisted on Friday, June 20, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository's service counter so that they would be available for trading on Monday, June 23, 2025.

If any of those warnings is hoisted on Friday, June 20, 2025, for physical share certificates of less than 1,000,000 Hong Kong Offer Shares issued under your own name which are initially scheduled for despatch on Friday, June 20, 2025, despatch will be made by ordinary post when the post office re-opens after any of those warnings is lowered or canceled (e.g. in the afternoon of Friday, June 20, 2025 or Monday, June 23, 2025).

If any of those warnings is hoisted on Monday, June 23, 2025, for physical share certificates of equal to or more than 1,000,000 Hong Kong Offer Shares issued under your own name which are initially scheduled for collection at the H Share Registrar's office from 9:00 a.m. to 1:00 p.m. on Monday, June 23, 2025, you may pick them up from the H Share Registrar's office after any of those warnings is lowered or canceled (e.g. in the afternoon of Monday, June 23, 2025 or Tuesday, June 24, 2025).

Prospective investors should be aware that if they choose to receive physical share certificates issued in their own name, there may be a delay in receiving the share certificates.

ADMISSION OF OUR H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our H Shares and we comply with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by us, the Relevant Persons, the H Share Registrar and the receiving bank(s) about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of ours and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to us or our agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for the Hong Kong Offer Shares being rejected, or in the delay or the inability of us or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform us and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our register of members;
- verifying identities of applicants for and holders of our H Shares and identifying any duplicate applications for our H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of our H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from us and our subsidiaries;
- compiling statistical information and profiles of the holder of our H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and the H Share Registrar to discharge our or their obligations to applicants and holders of our H Shares and/or regulators and/or any other purposes to which the applicants and holders of the H Shares may from time to time agree.

Transfer of Personal Data

Personal data held by us and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential, but we and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisers, receiving bank(s) and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the H Share Registrar in connection with their respective business operation;

- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations including for the purpose of the Hong Kong Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and

- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

Retention of Personal Data

We and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Access to and Correction of Personal Data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether we or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us and the H Share Registrar, at our and their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, Confucius International CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

PAN-CHINA 天健國際會計師事務所有限公司
Confucius International CPA Limited Certified Public Accountants

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ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Zhejiang Sanhua Intelligent Controls Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-121, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and the consolidated statements of profit or loss, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2022, 2023 and 2024 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-121 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 13 June 2025 (the "**Prospectus**") in connection with the initial listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the Company's and the Group's financial position as at December 31, 2022, 2023 and 2024 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

Confucius International CPA Limited
Certified Public Accountants
Hong Kong
13 June 2025

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Confucius International CPA Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**the Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended December 31, 2022 RMB'000	2023 RMB'000	2024 RMB'000
Revenue	5	21,347,550	24,557,802	27,947,165
Cost of revenue	8	(15,885,938)	(17,822,314)	(20,326,346)
Gross profit		**5,461,612**	**6,735,488**	**7,620,819**
General and administrative expenses	8	(1,383,996)	(1,621,891)	(1,946,785)
Selling and marketing expenses	8	(496,334)	(601,409)	(726,437)
Research and development expenses	8	(988,954)	(1,096,834)	(1,351,799)
Net impairment losses on financial assets	3.2	(97,762)	(51,478)	(56,379)
Other income	6	260,185	291,162	292,301
Other gains/(losses), net	7	471,310	63,585	(83,795)
Operating profit		**3,226,061**	**3,718,623**	**3,747,925**
Finance income	10	53,136	56,238	67,221
Finance costs	10	(235,671)	(229,583)	(132,384)
Finance costs, net		(182,535)	(173,345)	(65,163)
Share of profit or loss of investments accounted for using the equity method	14	7,732	7,986	8,925
Profit before income tax		**3,051,258**	**3,553,264**	**3,691,687**
Income tax expenses	11	(443,206)	(619,549)	(579,961)
Profit for the year		**2,608,052**	**2,933,715**	**3,111,726**
Attributable to:				
– Owners of the Company		2,573,344	2,920,993	3,099,165
– Non-controlling interests		34,708	12,722	12,561
		2,608,052	**2,933,715**	**3,111,726**
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)				
• Basic	13	0.72	0.81	0.84
• Diluted	13	0.72	0.81	0.84

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	**2,608,052**	**2,933,715**	**3,111,726**
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss in subsequent periods, net of tax:			
– Currency translation differences of foreign operations	120,868	123,300	(253,120)
Other comprehensive income/(expenses) for the year, net of tax	**120,868**	**123,300**	**(253,120)**
Total comprehensive income for the year	**2,728,920**	**3,057,015**	**2,858,606**
Attributable to:			
– Owners of the Company	2,694,212	3,044,293	2,846,045
– Non-controlling interests	34,708	12,722	12,561
	2,728,920	**3,057,015**	**2,858,606**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2022	2023	2024
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	16	7,532,216	9,944,907	12,274,558
Investment properties	19	8,204	8,166	7,053
Right-of-use assets	17	894,163	1,023,826	1,205,331
Deferred tax assets	21	221,159	156,432	112,699
Intangible assets	18	45,826	52,954	36,520
Investments accounted for using the equity method	14	32,438	37,924	40,600
Other non-current assets	23	471,504	594,836	376,825
Total non-current assets		**9,205,510**	**11,819,045**	**14,053,586**
Current assets				
Inventories	24	4,334,875	4,600,729	5,280,442
Prepayments and other receivables	23	844,529	361,586	417,039
Trade and notes receivables	22	7,432,066	8,250,831	9,628,337
Financial assets at fair value through profit or loss	3.6	108,965	22,636	6,237
Term deposits and restricted cash	25	3,827,915	2,959,729	1,805,065
Cash and cash equivalents	25	2,050,329	3,624,955	3,443,503
Other current assets	23	157,025	251,074	1,720,540
Total current assets		**18,755,704**	**20,071,540**	**22,301,163**
Total assets		**27,961,214**	**31,890,585**	**36,354,749**

	Notes	As at December 31, 2022	2023	2024
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	26	4,578,338	1,030,801	2,045,773
Lease liabilities	17	202,028	221,295	237,913
Deferred tax liabilities	21	288,758	307,511	258,264
Other non-current liabilities	29	316,866	448,425	659,851
Total non-current liabilities		**5,385,990**	**2,008,032**	**3,201,801**
Current liabilities				
Borrowings	26	1,794,549	2,583,346	2,053,766
Trade and notes payables	27	6,464,878	7,866,652	9,777,262
Contract liabilities	5	57,955	51,789	49,462
Lease liabilities	17	67,661	68,898	90,574
Current income tax liabilities		115,276	262,732	174,168
Financial liabilities at fair value through profit or loss	3.6	48,671	14,219	79,678
Accruals and other payables	28	904,926	969,109	1,407,120
Other current liabilities	29	2,008	2,100	1,274
Total current liabilities		**9,455,924**	**11,818,845**	**13,633,304**
Total liabilities		**14,841,914**	**13,826,877**	**16,835,105**
EQUITY				
Equity attributable to owner of the Company				
– Share capital	30	3,590,869	3,732,616	3,732,390
– Other reserves	34	1,137,583	4,582,315	4,296,916
– Treasury shares	31	(330,023)	(423,469)	(381,848)
– Equity reserves – convertible bonds	26	409,545	–	–
– Retained earnings	33	8,133,336	10,002,942	11,650,312
		12,941,310	17,894,404	19,297,770
Non-controlling interests		177,990	169,304	221,874
TOTAL EQUITY		**13,119,300**	**18,063,708**	**19,519,644**
TOTAL LIABILITIES AND EQUITY		**27,961,214**	**31,890,585**	**36,354,749**

COMPANY'S STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*16*	1,629,639	1,679,037	1,754,409
Right-of-use assets	*17*	142,126	136,623	128,793
Deferred tax assets	*21*	33,318	5,587	–
Intangible assets	*18*	12,091	14,878	22,812
Investments accounted for using the equity method	*14*	28,958	33,316	34,628
Investments in subsidiaries	*15*	7,513,700	8,846,817	9,121,409
Other non-current assets	*23*	42,604	114,000	80,435
Total non-current assets		**9,402,436**	**10,830,258**	**11,142,486**
Current assets				
Inventories	*24*	719,679	772,429	1,109,270
Prepayments and other receivables	*23*	660,263	2,277,093	551,294
Trade and notes receivables	*22*	1,912,937	1,997,098	1,184,885
Financial assets at fair value through profit or loss	*3.6*	103,780	1,463	6,237
Term deposits and restricted cash	*25*	2,456,612	1,961,904	1,077,255
Cash and cash equivalents	*25*	996,657	1,793,207	204,567
Other current assets	*23*	–	–	1,318,633
Total current assets		**6,849,928**	**8,803,194**	**5,452,141**
Total assets		**16,252,364**	**19,633,452**	**16,594,627**

	Notes	2022	2023	2024
		As at December 31,		
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	26	4,578,338	1,030,801	2,045,773
Lease liabilities		8,472	5,571	1,719
Deferred tax liabilities	21	85,516	81,604	40,768
Other non-current liabilities	29	49,179	47,332	56,310
Total non-current liabilities		**4,721,505**	**1,165,308**	**2,144,570**
Current liabilities				
Borrowings	26	700,209	1,573,580	1,132,674
Trade and notes payables	27	1,895,542	2,024,802	1,768,810
Contract liabilities		155	121	224
Lease liabilities		3,141	2,072	1,613
Current income tax liabilities		23,782	13,501	–
Financial liabilities at fair value through profit or loss	3.6	12	–	446
Accruals and other payables	28	1,985,681	4,541,608	1,151,050
Total current liabilities		**4,608,522**	**8,155,684**	**4,054,817**
Total liabilities		**9,330,027**	**9,320,992**	**6,199,387**
EQUITY				
– Share capital	30	3,590,869	3,732,616	3,732,390
– Other reserves	34	1,916,257	5,235,099	5,207,773
– Treasury shares	31	(330,023)	(423,469)	(381,848)
– Equity reserves – convertible bonds	26	409,545	–	–
– Retained earnings	33	1,335,689	1,768,214	1,836,925
TOTAL EQUITY		**6,922,337**	**10,312,460**	**10,395,240**
TOTAL LIABILITIES AND EQUITY		**16,252,364**	**19,633,452**	**16,594,627**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital *RMB'000* *(Note 30)*	**Treasury shares** *RMB'000* *(Note 31)*	**Other reserves** *RMB'000* *(Note 34)*	**Equity reserves – convertible bonds** *RMB'000*	**Retained earnings** *RMB'000* *(Note 33)*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at January 1, 2022	**3,591,090**	**(411,950)**	**945,793**	**409,685**	**6,615,690**	**11,150,308**	**102,282**	**11,252,590**
Profit for the year	–	–	–	–	2,573,344	2,573,344	34,708	2,608,052
Other comprehensive income	–	–	120,868	–	–	120,868	–	120,868
Total comprehensive income for the year	**–**	**–**	**120,868**	**–**	**2,573,344**	**2,694,212**	**34,708**	**2,728,920**
Capital injection	–	–	–	–	–	–	49,000	49,000
Appropriations to statutory reserves	–	–	161,739	–	(161,739)	–	–	–
Conversion of convertible bonds *(Note 26)*	48	–	1,021	(140)	–	929	–	929
Share-based payment *(Note 34)*	(269)	186,505	(91,838)	–	–	94,398	–	94,398
Dividends declared *(Note 12)*	–	–	–	–	(893,959)	(893,959)	(8,000)	(901,959)
Repurchase of shares *(Note 31(i))*	–	(104,578)	–	–	–	(104,578)	–	(104,578)
Balance at December 31, 2022	**3,590,869**	**(330,023)**	**1,137,583**	**409,545**	**8,133,336**	**12,941,310**	**177,990**	**13,119,300**

	Attributable to owners of the Company							
	Share capital *RMB'000* *(Note 30)*	Treasury shares *RMB'000* *(Note 31)*	Other reserves *RMB'000* *(Note 34)*	Equity reserves – convertible bonds *RMB'000*	Retained earnings *RMB'000* *(Note 33)*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2023	**3,590,869**	**(330,023)**	**1,137,583**	**409,545**	**8,133,336**	**12,941,310**	**177,990**	**13,119,300**
Profit for the year	–	–	–	–	2,920,993	2,920,993	12,722	2,933,715
Other comprehensive income	–	–	123,300	–	–	123,300	–	123,300
Total comprehensive income for the year	**–**	**–**	**123,300**	**–**	**2,920,993**	**3,044,293**	**12,722**	**3,057,015**
Capital injection	–	–	–	–	–	–	7,091	7,091
Appropriations to statutory reserves	–	–	148,391	–	(148,391)	–	–	–
Conversion of convertible bonds *(Note 26)*	141,926	–	3,104,717	(409,545)	–	2,837,098	–	2,837,098
Share-based payment *(Note 34)*	(179)	96,649	68,324	–	–	164,794	–	164,794
Dividends declared *(Note 12)*	–	–	–	–	(902,996)	(902,996)	(25,692)	(928,688)
Repurchase of shares *(Note 31(i))*	–	(190,095)	–	–	–	(190,095)	(2,807)	(192,902)
Balance at December 31, 2023	**3,732,616**	**(423,469)**	**4,582,315**	**–**	**10,002,942**	**17,894,404**	**169,304**	**18,063,708**

	Attributable to owners of the Company						
	Share capital *RMB'000* *(Note 30)*	Treasury shares *RMB'000* *(Note 31)*	Other reserves *RMB'000* *(Note 34)*	Retained earnings *RMB'000* *(Note 33)*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2024	**3,732,616**	**(423,469)**	**4,582,315**	**10,002,942**	**17,894,404**	**169,304**	**18,063,708**
Profit for the year	–	–	–	3,099,165	3,099,165	12,561	3,111,726
Other comprehensive income	–	–	(253,120)	–	(253,120)	–	(253,120)
Total comprehensive income for the year	**–**	**–**	**(253,120)**	**3,099,165**	**2,846,045**	**12,561**	**2,858,606**
Capital injection	–	–	–	–	–	50,835	50,835
Appropriations to statutory reserves	–	–	152,050	(152,050)	–	–	–
Share-based payment *(Note 34)*	(226)	341,599	(179,627)	–	161,746	–	161,746
Dividends declared *(Note 12)*	–	–	–	(1,299,745)	(1,299,745)	(15,528)	(1,315,273)
Repurchase of shares *(Note 31(i))*	–	(299,978)	–	–	(299,978)	–	(299,978)
Transaction with non-controlling interests	–	–	(4,702)	–	(4,702)	4,702	–
Balance at December 31, 2024	**3,732,390**	**(381,848)**	**4,296,916**	**11,650,312**	**19,297,770**	**221,874**	**19,519,644**

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from operations	*35(a)*	2,674,147	3,854,532	4,643,925
Interest received		53,136	56,238	67,221
Income tax paid		(361,231)	(350,407)	(684,961)
Net cash generated from operating activities		**2,366,052**	**3,560,363**	**4,026,185**
Cash flows from investing activities				
Proceeds from disposal of investments in associates		1,250	–	–
Proceeds from return on investments		4,682	2,671	13,273
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets		84,636	591,068	109,300
Withdraw of term deposits and wealth management products		679,732	1,212,037	6,907,449
Government grant received in relation to assets		127,123	163,601	277,351
Payments for purchase of investments		(5,938)	(3,500)	(10,382)
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		(2,941,807)	(2,745,462)	(3,290,148)
Placement of term deposits and wealth management products		(370,000)	(150,000)	(7,131,657)
Payments for settlement of derivative financial instruments		(95,837)	(138,025)	(43,616)
Others		(11,540)	21,931	(2,661)
Net cash used in investing activities		**(2,527,699)**	**(1,045,679)**	**(3,171,091)**

	Note	Year ended December 31, 2022 RMB'000	2023 RMB'000	2024 RMB'000
Cash flows from financing activities				
Proceeds from share schemes *(Note 31(ii))*		175,850	–	292,693
Capital contributions from the non-controlling interests		49,000	7,091	44,682
Proceeds from borrowings		3,001,232	1,584,076	2,390,679
Repayments of borrowings		(2,670,214)	(1,308,453)	(1,852,949)
Principal elements of lease payments		(62,191)	(98,683)	(105,305)
Interests paid		(120,972)	(143,269)	(150,575)
Dividends paid to the Company's shareholders		(893,959)	(902,996)	(1,299,745)
Dividends paid to the non-controlling interests		(8,000)	(25,692)	(13,000)
Payments for repurchase of shares		(106,447)	(191,668)	(302,102)
Payments for listing expenses		–	–	(796)
Others		38,827	(12,256)	41,119
Net cash used in financing activities		**(596,874)**	**(1,091,850)**	**(955,299)**
Net (decrease)/increase in cash and cash equivalents		**(758,521)**	**1,422,834**	**(100,205)**
Cash and cash equivalents at beginning of the year		2,690,002	2,050,329	3,624,955
Effects of exchange rate changes on cash and cash equivalents		118,848	151,792	(81,247)
Cash and cash equivalents at the end of the year	*25*	**2,050,329**	**3,624,955**	**3,443,503**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Zhejiang Sanhua Intelligent Controls Co., Ltd. (hereinafter referred to as "**the Company**") is a joint stock company with limited liability incorporated in the People's Republic of China (the "**PRC**"). The former entity of the Company, Sanhua-Fujikoki Co., Ltd., (三花不二工機有限公司), was incorporated as a Sino-Japanese joint venture on September 10, 1994. On December 19, 2001, the Company was established through converting Sanhua-Fujikoki Co., Ltd., to a joint stock company, which later changed its name to Zhejiang Sanhua Intelligent Controls Co., Ltd. The registered office and principal place of business of the Company is located at No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang Province PRC. The Company is listed on the Shenzhen Stock Exchange (stock code: 002050) on June 7, 2005. The parent and the ultimate holding company of the Company is Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) (hereinafter referred to as "**the Holding Company**"), which is also incorporated in the PRC.

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

The Company's principal subsidiaries during the Track Record Period and as at the date of this report are set out in Note 15.

The Historical Financial Information are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands (RMB'000) except when otherwise indicated.

The statutory consolidated financial statements of the Company for the years ended December 31, 2022, 2023 and 2024 prepared in accordance with the relevant accounting principles in the PRC were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)) which was the certified public accountants registered in the PRC.

2. BASIS OF PREPARATION

The Historical Financial Information of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS Accounting Standards**") issued by the International Accounting Standards Board ("**IASB**"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss ("**FVPL**").

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 39 to this Historical Financial Information.

2.1 New Standards and Amendments to Standards Not Yet Adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards and amendments	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined
Amendments to IAS 21 'Lack of Exchangeability'	January 1, 2025
Amendments to IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments'	January 1, 2026
Amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature-dependent Electricity'	January 1, 2026
Annual Improvements – Volume 11 IFRS accounting standards	January 1, 2026
IFRS 18 'Presentation and Disclosure in Financial Statements'	January 1, 2027

The Group has already commenced an assessment of the impact of these new standards and amendments and no significant impact on the financial performance and positions of the Group is expected when they become effective.

3. FINANCIAL RISK MANAGEMENT

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

3.1 Market Risk

(a) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's subsidiaries. The functional currencies of the subsidiaries outside Mainland China are mainly United States Dollar ("**USD**") and Euro ("**EUR**") whereas functional currency of the subsidiaries operate in Mainland China is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible.

As at December 31, 2022, 2023 and 2024, the Group's major financial assets/liabilities exposed to foreign exchange risk, representing those financial assets/liabilities denominated in USD and EUR and included in a group entity with different functional currency:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets denominated in:			
USD	2,028,058	1,903,309	2,756,203
EUR	643,364	761,423	562,268
Others	212,795	289,499	368,463

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities denominated in:			
USD	736,187	570,284	757,069
EUR	678,887	1,190,444	831,178
Others	50,510	163,089	202,581

As shown in the table above, the Group is primarily exposed to changes in USD and EUR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and EUR denominated financial instruments is as below:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
USD/RMB exchange rate –			
Increase 5%	64,594	66,651	99,957
Decrease 5%	(64,594)	(66,651)	(99,957)
EUR/RMB exchange rate –			
Increase 5%	(1,776)	(21,451)	(13,446)
Decrease 5%	1,776	21,451	13,446

Other foreign currencies of changes have no significant impact on foreign exchange risk.

(b) ***Interest Rate Risk***

The Group's interest rate risk primarily arises from interest-bearing borrowings and bonds. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings and bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings and bonds issued at floating rates and fixed rates based on the market environment.

As at December 31, 2022, 2023 and 2024, total borrowings of the Group which were bearing at floating rates amounted to approximately RMB2,665,903,000, RMB2,584,126,000 and RMB2,048,388,000 respectively.

If interest rate had been 50 basis points higher or lower with all other variables held constant, the profit before tax would decrease/increase approximately RMB13,330,000, RMB12,921,000 and RMB10,242,000, for the years ended December 31, 2022, 2023 and 2024, respectively.

Considering the repricing or maturity date, the fair value interest rate risk arises from borrowings, bonds and bank balances carried at fixed rates is not significant for the Group.

3.2 Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash and term deposits, as well as trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(a) Risk Management

To manage this risk, cash and cash equivalents as well as restricted cash and term deposits are mainly placed with state-owned or reputable financial institutions which are all high-credit-quality financial institutions.

To manage risk from trade and notes receivables as well as other receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

(b) Impairment of Financial Assets

The Group has three types of financial assets that are subject to the expected credit loss model:

– Cash and cash equivalents, restricted cash and term deposits;

– Trade and notes receivables; and

– Other receivables.

Credit risk of cash and cash equivalents, restricted cash and term deposits

Cash and cash equivalents, restricted cash and term deposits are mainly placed with reputable Chinese and international financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss was immaterial as at December 31, 2022, 2023 and 2024.

Credit risk of trade and notes receivables

(i) Trade Receivables

The Group applies the IFRS 9 simplified approach to measure expected credit loss ("**ECL**") which uses a lifetime expected loss allowance for all trade receivables.

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and aging. The Group also made individual assessment on the recoverability of its trade receivables for certain customers based on historical settlement record.

The historical loss rates are calculated based on the historical payment profiles of sales and the corresponding historical incurred credit losses. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("**GDP**") of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group and other indicators of severe financial difficulties.

On that basis, the loss allowance as at December 31, 2022, 2023 and 2024 was determined as follows for trade receivables:

As at December 31, 2022, the loss allowance of individually impaired trade receivables and grouped trade receivables are determined as follows:

Assess individually:

	Trade receivables	ECL rate	Loss allowance	Reason
	RMB'000		*RMB'000*	
Trade receivables	4,642	100%	4,642	Financial difficulty

Assessed based on grouping:

Domestic refrigeration and air-conditioning product components grouping

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	2.43%	5.39%	10.78%	31.12%	53.56%	100.00%	
Gross carrying amount	930,885	764,786	212,766	553	9	125	1,909,124
Loss allowance	**22,592**	**41,230**	**22,941**	**172**	**5**	**125**	**87,065**

Overseas refrigeration and air-conditioning product components grouping

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	4.85%	9.69%	19.38%	31.45%	73.08%	100.00%	
Gross carrying amount	1,344,217	54,753	13,329	104	17	–	1,412,420
Loss allowance	**65,136**	**5,306**	**2,583**	**33**	**12**	**–**	**73,070**

Domestic automotive components grouping

	Up to 3 months *RMB'000*	3 to 6 months *RMB'000*	6 to 12 months *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Expected loss rate	4.12%	8.23%	16.46%	31.12%	53.56%	100.00%	
Gross carrying amount	1,252,571	190,702	10,800	57	225	323	1,454,678
Loss allowance	**51,553**	**15,698**	**1,778**	**18**	**121**	**323**	**69,491**

Overseas automotive components grouping

	Up to 3 months *RMB'000*	3 to 6 months *RMB'000*	6 to 12 months *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Expected loss rate	4.96%	9.92%	19.84%	35.69%	78.55%	100.00%	
Gross carrying amount	618,724	74,460	29,139	4,507	718	434	727,982
Loss allowance	**30,688**	**7,386**	**5,781**	**1,608**	**564**	**434**	**46,461**

As at December 31, 2023, the loss allowance of individually impaired trade receivables and grouped trade receivables are determined as follows:

Assess individually:

	Trade receivables *RMB'000*	ECL rate	Loss allowance *RMB'000*	Reason
Trade receivables	5,691	100%	5,691	Financial difficulty

Assessed based on grouping:

Domestic refrigeration and air-conditioning product components grouping

	Up to 3 months *RMB'000*	3 to 6 months *RMB'000*	6 to 12 months *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Expected loss rate	2.62%	5.29%	10.57%	31.33%	57.93%	100.00%	
Gross carrying amount	1,007,088	580,785	440,335	2,131	31	129	2,030,499
Loss allowance	**26,343**	**30,703**	**46,556**	**668**	**18**	**129**	**104,417**

Overseas refrigeration and air-conditioning product components grouping

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	4.01%	8.02%	16.04%	30.80%	78.47%	100.00%	
Gross carrying amount	1,180,447	38,831	8,660	24,864	309	20	1,253,131
Loss allowance	**47,323**	**3,113**	**1,389**	**7,659**	**242**	**20**	**59,746**

Domestic automotive components grouping

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	3.13%	6.26%	12.52%	31.33%	53.67%	100.00%	
Gross carrying amount	1,449,715	323,432	322,572	827	30	117	2,096,693
Loss allowance	**45,370**	**20,243**	**40,380**	**259**	**16**	**117**	**106,385**

Overseas automotive components grouping

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	3.93%	7.86%	15.72%	30.78%	53.39%	100.00%	
Gross carrying amount	605,671	60,750	21,315	12,140	18	–	699,894
Loss allowance	**23,804**	**4,775**	**3,351**	**3,737**	**10**	**–**	**35,677**

As at December 31, 2024, the loss allowance of individually impaired trade receivables and grouped trade receivables are determined as follows:

Assess individually:

	Trade receivables	**ECL rate**	**Loss allowance**	**Reason**
	RMB'000		*RMB'000*	
Trade receivables	13,188	39.66%	5,231	Financial difficulty or delay of payment

Assessed based on grouping:

Domestic refrigeration and air conditioning product components grouping

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	2.38%	5.77%	11.54%	31.24%	63.52%	100.00%	
Gross carrying amount	1,619,360	407,150	417,850	2,558	1,069	146	2,448,133
Loss allowance	**38,501**	**23,486**	**48,207**	**799**	**679**	**146**	**111,818**

Overseas refrigeration and air conditioning product components grouping

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	3.83%	7.65%	15.30%	30.78%	86.24%	100.00%	
Gross carrying amount	1,480,915	105,472	16,280	16,023	792	126	1,619,608
Loss allowance	**56,656**	**8,070**	**2,491**	**4,932**	**683**	**126**	**72,958**

Domestic automotive components grouping

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	3.50%	7.01%	14.01%	31.47%	53.55%	100.00%	
Gross carrying amount	1,978,094	222,948	232,781	143	409	98	2,434,473
Loss allowance	**69,294**	**15,620**	**32,618**	**45**	**219**	**98**	**117,894**

Overseas automotive components grouping

	Up to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	6.10%	12.21%	24.42%	30.77%	77.36%	100.00%	
Gross carrying amount	721,249	46,648	28,247	5,684	477	13	802,318
Loss allowance	**44,029**	**5,695**	**6,897**	**1,749**	**369**	**13**	**58,752**

The loss allowances for trade receivables for the years ended December 31, 2022, 2023 and 2024 reconcile to the opening loss allowances are as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance	**187,394**	**280,729**	**311,916**
Loss allowance recognized, net	93,612	40,940	54,918
Receivables written off	(277)	(9,753)	(181)
Closing loss allowance	**280,729**	**311,916**	**366,653**

(ii) Notes Receivables

The Group measured provisions for impairment of notes receivables based on the lifetime ECL and assessed that there was no significant credit risk associated with its bank acceptance notes as the Group did not expect that there would be any significant losses from non-performance by these reputable banks. For the commercial acceptance notes and finance company acceptance notes, which are usually settled within 6 months to 1 year from the respective issuance date, the Group provided the expected credit loss as at December 31, 2022, 2023 and 2024 amounting to RMB633,000, RMB7,619,000 and RMB8,620,000, respectively.

Movements on the provision of ECL for notes receivables at amortized cost are as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance	**689**	**633**	**7,619**
Loss allowance (reversed)/ recognized, net	(56)	6,986	1,001
Closing loss allowance	**633**	**7,619**	**8,620**

(iii) Other Receivables and other non-current assets

Other receivables and other non-current assets subject to credit risks at the end of each of the periods are mainly comprised of rental and other deposits, tax refund receivables and others. The Group considers the probability of default upon initial recognition of the assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each of the periods. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- external credit rating of the counterparty;
- actual or expected significant changes in the operating results of the debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making a contractual payment.

If the credit risk of the asset is in line with original expectations, the Group categorizes the asset as performing and recognizes 12 months expected credit losses (Stage 1). If a significant credit risk of the asset has occurred compared to original expectations or the credit is impaired, the asset is categorized as underperforming or non-performing and lifetime expected credit losses are recognized (Stages 2 and 3):

Assessed based on grouping:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2022				
Expected loss rate	0.24%	10.00%	37.65%	
Gross carrying amount	715,697	9,279	6,872	731,848
Loss allowance	**1,691**	**928**	**2,587**	**5,206**
December 31, 2023				
Expected loss rate	1.06%	10.00%	42.46%	
Gross carrying amount	216,294	7,806	11,774	235,874
Loss allowance	**2,301**	**781**	**4,999**	**8,081**
December 31, 2024				
Expected loss rate	1.14%	10.00%	42.89%	
Gross carrying amount	249,247	10,421	10,845	270,513
Loss allowance	**2,848**	**1,042**	**4,651**	**8,541**

The loss allowances for other receivables and other non-current assets subject to credit risks for the years ended December 31, 2022, 2023 and 2024 reconcile to the opening loss allowances are as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance	**3,309**	**5,206**	**8,081**
Loss allowance recognized, net	4,206	3,552	460
Receivables written-off	(2,309)	(677)	–
Closing loss allowance	**5,206**	**8,081**	**8,541**

3.3 Liquidity Risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet the Group's liquidity requirements.

The tables below analyze the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at each balance sheet date to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2022					
Trade and notes payables	6,464,878	–	–	–	6,464,878
Accruals and other payables (excluding non-financial liabilities)	354,255	–	–	–	354,255
Lease liabilities	69,566	54,385	95,795	55,281	275,027
Other current liabilities (excluding non-financial liabilities)	48,671	–	–	–	48,671
Borrowings	1,839,750	1,449,895	3,826,171	–	7,115,816
Other non-current liabilities (excluding non-financial liabilities)	–	2,898	1,933	–	4,831
	8,777,120	**1,507,178**	**3,923,899**	**55,281**	**14,263,478**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023					
Trade and notes payables	7,866,652	–	–	–	7,866,652
Accruals and other payables (excluding non-financial liabilities)	250,643	–	–	–	250,643
Lease liabilities	81,555	47,143	112,002	57,439	298,139
Other current liabilities (excluding non-financial liabilities)	14,219	–	–	–	14,219
Borrowings	2,603,097	445,309	646,132	–	3,694,538
Other non-current liabilities (excluding non-financial liabilities)	–	11,291	–	–	11,291
	10,816,166	**503,743**	**758,134**	**57,439**	**12,135,482**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2024					
Trade and notes payables	9,777,262	–	–	–	9,777,262
Accruals and other payables (excluding non-financial liabilities)	545,413	–	–	–	545,413
Lease liabilities	99,889	76,905	159,312	18,637	354,743
Borrowings	2,081,072	1,456,197	689,987	–	4,227,256
	12,503,636	**1,533,102**	**849,299**	**18,637**	**14,904,674**

3.4 Price Risk

The Group is exposed to commodity price risk related to price volatility of raw materials. The Group uses derivative financial instruments, including commodity futures contracts, to manage a portion of such risk. Based on the dynamic study and judgement of the market, combined with the resource demand and production and operation plan, the Group evaluates and monitors the market risk exposure caused by transaction positions, and continuously manages and hedges the risk of commodity price fluctuation caused by market changes. As at December 31, 2022, 2023 and 2024, the Group had certain commodity contracts. However, the financial impact is not material.

3.5 Capital Management

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

The Group manages its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022, 2023 and 2024.

The Group monitors capital on the basis of the debt to asset ratio as at December 31, 2022, 2023 and 2024 are as follows:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	27,961,214	31,890,585	36,354,749
Total liabilities	14,841,914	13,826,877	16,835,105
Debt to asset ratio	53.1%	43.4%	46.3%

3.6 Fair Value Estimation

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group

As at December 31, 2022	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
– Derivative financial assets	6,254	2,685	–	8,939
– Wealth management products issued by the banks	–	100,026	–	100,026
	6,254	102,711	–	108,965
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	461	44,710	–	45,171
– Contingent considerations	–	–	3,500	3,500
	461	44,710	3,500	48,671

As at December 31, 2023	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
– Derivative financial assets	1,757	20,879	–	22,636
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	–	10,719	–	10,719
– Contingent considerations	–	–	3,500	3,500
	–	10,719	3,500	14,219

As at December 31, 2024	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
– Derivative financial assets	6,237	–	–	6,237
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	2,819	76,859	–	79,678

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

The Company

As at 31 December 2022	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
– Derivative financial assets	3,754	–	–	3,754
– Wealth management products issued by the banks	–	100,026	–	100,026
	3,754	100,026	–	103,780
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	12	–	–	12

As at December 31, 2023	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
– Derivative financial assets	1,463	–	–	1,463

As at December 31, 2024	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
– Derivative financial assets	6,237	–	–	6,237
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	446	–	–	446

(b) Valuation Inputs and Relationships to Fair Value

The contingent considerations were generated from the business combination of Zhejiang Sanhua Board Replacement Technology Co., Ltd (浙江三花板換科技有限公司) ("**Sanhua Board Replacement**") in 2021. Pursuant to the purchase agreement, if Sanhua Board Replacement achieved a net profit of RMB6,400,000 in 2022, the Group would need to pay an additional consideration of RMB3,500,000. If Sanhua Board Replacement achieved a net profit of RMB8,000,000 in 2023, the Group would need to pay another RMB3,500,000 consideration. Therefore, the fair value of the contingent considerations was estimated based on the likelihood of the acquiree achieving the profits target.

(c) The Group's Valuation Process

For the financial assets and financial liabilities, including level 3 fair values, the Group's finance department performs the valuations for financial reporting purpose. The finance department reports the valuation results to the management.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

(a) Allowance for Expected Credit Loss of Receivables

The loss allowances for receivables are based on assumptions about the risk of default and expected loss rates to determine the expected loss. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables.

The Group takes into account different macroeconomic scenarios in considering forward looking information in mainland China and overseas. The Group regularly monitors and reviews the key macroeconomic assumptions and parameters related to the calculation of expected credit losses. The Group has identified the Gross Domestic Product ("**GDP**") of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(b) Estimated Net Realizable Value of Inventories

In accordance with the Group's accounting policy, the Group estimates net realizable value of inventories based on specific facts and circumstances. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for executed sales contracts, management estimates the net realizable amount based on the contracted price. For raw materials and work in progress, management has established a model in estimating the net realizable amount at which the inventories can be realizable in the normal course of business after considering the manufacturing cycles, production capacity and forecasts, estimated future conversion costs and selling prices. Management also takes into account the price or cost fluctuations and other related matters occurring after the end of the year which reflect conditions that existed at the end of each year.

It is reasonably possible that if there is a significant change in circumstances including the Group's business and the external environment, outcomes would be significantly affected.

(c) Property, Plant and Equipment and Intangible Assets – Estimated Useful Lives and Residual Values

The Group determines the estimated useful lives and residual values (if applicable) and consequently the related depreciation/amortization charges for its property, plant and equipment and intangible assets (excluding freehold land and goodwill). These estimates are based on the historical experience, anticipated change of technology, market condition and the actual consumptions of related assets. The depreciation/amortization charge will increase when useful lives are less than previously estimated. In addition, technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in change in useful lives and residual values and therefore change in depreciation/amortization expense in future periods.

(d) Income Tax

The Group estimates its income tax provision and deferred taxation in accordance with the prevailing tax rules and regulations, taking into account any special approvals obtained from the relevant tax authorities and any preferential tax treatment to which it is entitled in each location or jurisdiction in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provisions in the period in which the determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences, such as the provision for impairment of receivables, inventories and property, plant and equipment and accruals of expenses not yet deductible for tax purposes, to the extent that it is probable that taxable profits will be available against which the tax losses and the deductible temporary differences can be utilized. Significant estimation is required in determining the recoverability of deferred tax assets.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on the Group's results or financial position.

5. OPERATING SEGMENT INFORMATION

(a) Description of Segments and Principal Activities

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("**CODM**"). The executive directors assess the financial performance and position of the Group and makes strategic decisions. The executive directors, which has been identified as being the CODM, consists of the chief executive officer, the chief financial officer and the managers for each business unit. The CODM review 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, 2022, 2023 and 2024, the CODM have identified the following reportable segments from a product perspective:

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

(b) Segment Information

For the years ended December 31, 2022, 2023 and 2024, the CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, general and administrative expenses and research and development expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Net impairment losses on financial assets, other income, other gains/(losses), net, finance income/(costs), net and income tax expenses are also not allocated to individual operating segment.

Segment information for the year ended December 31, 2022 is as follows:

	Refrigeration and air-conditioning product components	**Automotive components**	**Inter segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with external customers	13,833,786	7,503,575	–	21,337,361
Inter-segment revenue	–	–	–	–
Other revenue (i)	–	10,189	–	10,189
Operating costs	(10,283,327)	(5,602,611)	–	(15,885,938)
Segment profit	3,550,459	1,911,153	–	5,461,612
Other profit or loss				(2,410,354)
Total profit before income tax				3,051,258
Total assets	19,362,179	8,599,035	–	27,961,214
Total liabilities	11,042,345	3,799,569	–	14,841,914
Investments in associates	32,438	–	–	32,438
Share of profit of associates, net	7,732	–	–	7,732
Increase in non-current assets (ii)	1,605,337	1,075,774	–	2,681,111
Net impairment losses on financial assets	56,960	40,802	–	97,762
Depreciation and amortisation	437,390	204,032	–	641,422

Segment information for the year ended December 31, 2023 is as follows:

	Refrigeration and air-conditioning product components	Automotive components	Inter segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with external customers	14,644,135	9,902,612	–	24,546,747
Inter-segment revenue	–	–	–	–
Other revenue (i)	–	11,055	–	11,055
Operating costs	(10,683,415)	(7,138,899)	–	(17,822,314)
Segment profit	3,960,720	2,774,768		6,735,488
Other profit or loss				(3,182,224)
Total profit before income tax				3,553,264
Total assets	20,094,614	11,795,971	–	31,890,585
Total liabilities	8,191,365	5,635,512	–	13,826,877
Investments in associates	37,924	–	–	37,924
Share of profit of associates, net	7,986	–	–	7,986
Increase in non-current assets (ii)	1,643,188	1,726,679	–	3,369,867
Net impairment losses on financial assets	15,955	35,523	–	51,478
Depreciation and amortization	519,095	290,856	–	809,951

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

	Refrigeration and air-conditioning product components	Automotive components	Inter segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with external customers	16,560,605	11,359,289	–	27,919,894
Inter-segment revenue	–	–	–	–
Other revenue (i)	–	27,271	–	27,271
Operating costs	(12,078,850)	(8,247,496)	–	(20,326,346)
Segment profit	4,481,755	3,139,064	–	7,620,819
Other profit or loss				(3,929,132)
Total profit before income tax				3,691,687
Total assets	21,845,244	14,509,505	–	36,354,749
Total liabilities	10,033,499	6,801,606	–	16,835,105
Investments in associates	40,600	–	–	40,600
Share of profit of associates, net	8,925	–	–	8,925
Increase in non-current assets (ii)	1,329,950	2,991,794	–	4,321,744
Net impairment losses on financial assets	37,554	18,825	–	56,379
Depreciation and amortization	625,367	388,157	–	1,013,524

(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.

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

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with external customers recognized at a point in time			
– Refrigeration and air-conditioning product components	13,833,786	14,644,135	16,560,605
– Automotive components	7,503,575	9,902,612	11,359,289
	21,337,361	**24,546,747**	**27,919,894**

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

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	11,415,857	13,403,443	15,446,506
Other countries or regions	9,931,693	11,154,359	12,500,659
	21,347,550	**24,557,802**	**27,947,165**

(c) Revenue from Major Customers

The major customer who contributed 10% or more of the Group's revenue for the years ended December 31, 2022, 2023 and 2024 is set out below:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	2,799,824	3,582,715	3,527,626

All the revenue derived from other single external customers were less than 10% of the Group's total revenue for the years ended December 31, 2022, 2023 and 2024.

(d) Contract Liabilities

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liabilities were primarily due to the recognition of revenues upon fulfillment of performance obligations.

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	57,955	51,789	49,462

The following table shows how much of the revenue, which was included in the contract liabilities at the beginning of the period, recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in the beginning balance	79,816	57,955	51,789

Management expects that the unsatisfied obligation of RMB57,955,000, RMB51,789,000 and RMB49,462,000 as at December 31, 2022, 2023 and 2024, respectively, will be recognized as revenue during the next twelve months.

(e) Accounting Policies and Significant Judgments for Revenue Recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i. e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

If a customer pays consideration or the Company has a right to an amount of consideration that is unconditional, before the Company transfers a good or service to the customer, the Company presents the contract liability when the payment is made. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

(i) Sales of Goods

The Group are principally engaged in the R&D, production and sales of refrigeration and air-conditioning product components and automotive components, which are widely used in the refrigeration and air-conditioning product market and the automotive market, including both of NEVs and traditional fuel vehicles.

Revenue from domestic sales of products shall be recognized based on the sales contracts, settlement vouchers and other documents upon completion of product delivery and the buyer's confirmation for the acceptance of the products. Upon confirming the acceptance, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuation and obsolescence and loss of the products.

Revenue from oversea sales of products shall be recognized based on the sales contracts, customs declaration form, bill of lading, and other documents upon completion of customs declaration or shipping out of the port and arriving to the named port or place of destination. Upon the completion of customs declaration or arrival to the named port or place of destination, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuation and obsolescence and loss of the products.

Revenue from metal scrap is recognized after weighing and picking up the materials and obtaining the receipt certificate.

6. OTHER INCOME

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	123,748	149,108	205,283
Additional deduction for VAT *(i)*	–	37,270	21,948
Interest income *(ii)*	134,992	102,907	63,095
Others	1,445	1,877	1,975
	260,185	**291,162**	**292,301**

(i) Pursuant to the Announcement [2023] No.43 "Notice on the Additional Value-Added Tax ("**VAT**") Deduction Policy for Advanced Manufacturing Enterprises (《關於先進製造業企業增值稅加計抵減政策的公告》)" issued in 2023 by the Ministry of Finance and the State Taxation Administration, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT from January 1, 2023 to December 31, 2027.

(ii) The amount mainly comprises interest income on the Group's term deposits classified as financial assets at amortized cost calculated using the effective interest method. Interest income from cash and cash equivalent is included in "Finance costs, net" (Note 10).

7. OTHER GAINS/(LOSSES), NET

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Net losses on disposal of financial instruments	(90,583)	(136,272)	(38,483)
Fair value changes on derivative financial instruments	(107,344)	48,124	(90,734)
Net foreign exchange differences	230,937	149,886	62,261
Net gains/(losses) on disposal of property, plant and equipment and other long-term assets *(i)*	445,368	(1,157)	(14,595)
Others	(7,068)	3,004	(2,244)
	471,310	**63,585**	**(83,795)**

(i) For the year ended December 31, 2022, net gains on disposal of property, plant and equipment and other long-term assets mainly consists of gains derived from disposal of land to Xinchang Land Arranging Storage Center (新昌縣土地整理儲備中心) amounting to approximately RMB459,761,000. Total cash consideration of approximately RMB546,217,000 were fully received for the year ended December 31, 2023.

8. EXPENSE BY NATURE

Expenses included in cost of revenue, general and administrative expenses, selling and marketing expenses and research and development expenses are analyzed as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables used	12,145,341	13,474,795	15,347,151
Employee benefit expenses *(Note 9)*	3,773,949	4,376,396	5,118,258
Depreciation and amortisation	641,422	809,951	1,013,524
Utility costs	472,280	562,884	595,802
Office expenses	161,071	186,595	283,553
Professional services and other consulting fees	140,813	156,554	171,141
Surplus taxes	110,068	139,816	171,277
Marketing, conference and traveling expenses	68,903	125,451	144,873
Impairment losses on inventories	93,592	41,206	35,254
Auditors' remuneration	2,870	3,392	3,392
Listing expenses	–	–	1,311
Other expenses	1,144,913	1,265,408	1,465,831
	18,755,222	**21,142,448**	**24,351,367**

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S REMUNERATION)

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	3,288,560	3,793,119	4,283,964
Share-based compensation expenses	72,020	56,698	111,677
Housing fund, medical insurance and other social insurance	182,229	243,005	331,313
Pension costs *(i)*	86,092	101,683	147,099
Other employee benefits	145,048	181,891	244,205
	3,773,949	**4,376,396**	**5,118,258**

(i) The Group is required to make contributions for its employees in the PRC to the state-sponsored retirement plan at a certain rate based on the qualified salaries of the individual employees. The PRC government is responsible for the pension liability of the retired employees.

During the year ended December 31, 2022, 2023 and 2024, no forfeited contributions were utilized by the Group to reduce its contributions for the current year.

The Group's certain oversea subsidiaries also participated in various defined benefit plans (Note 29).

(a) Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Year ended December 31, 2022

	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Share-based compensation expenses	Total remuneration before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors:						
Mr. Ren Jintu (ii)	–	–	–	–	–	–
Mr. Zhang Shaobo (ii)	–	–	–	–	–	–
Executive directors:						
Mr. Zhang Yabo	–	2,625	16	41	–	2,682
Mr. Wang Dayong	–	3,653	41	14	395	4,103
Mr. Ni Xiaoming	–	2,348	31	19	370	2,768
Mr. Chen Yuzhong	–	3,714	32	12	395	4,153
Independent non-executive directors:						
Mr. Yu Shuli (i)	33	–	–	–	–	33
Mr. Bao Ensi	108	–	–	–	–	108
Mr. Shi Jianhui	108	–	–	–	–	108
Ms. Pan Yalan	108	–	–	–	–	108
Supervisors:						
Mr. Zhao Yajun (ii)	–	–	–	–	–	–
Mr. Mo Yang (ii)	–	–	–	–	–	–
Mr. Chen Xiaoming	–	425	31	9	–	465
Total	**357**	**12,765**	**151**	**95**	**1,160**	**14,528**

Year ended December 31, 2023

	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Share-based compensation expenses	Total remuneration before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors:						
Mr. Ren Jintu (ii)	–	–	–	–	–	–
Mr. Zhang Shaobo (ii)	–	–	–	–	–	–
Executive directors:						
Mr. Zhang Yabo	–	2,465	45	21	–	2,531
Mr. Wang Dayong	–	4,883	43	21	281	5,228
Mr. Ni Xiaoming	–	2,623	31	19	250	2,923
Mr. Chen Yuzhong	–	4,027	36	12	281	4,356
Independent non-executive directors:						
Mr. Bao Ensi	108	–	–	–	–	108
Mr. Shi Jianhui	108	–	–	–	–	108
Ms. Pan Yalan	108	–	–	–	–	108
Supervisors:						
Mr. Zhao Yajun (ii)	–	–	–	–	–	–
Mr. Mo Yang (ii)	–	–	–	–	–	–
Mr. Chen Xiaoming	–	597	41	10	–	648
Total	**324**	**14,595**	**196**	**83**	**812**	**16,010**

Year ended December 31, 2024

	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Share-based compensation expenses	Total remuneration before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors:						
Mr. Ren Jintu (ii)	–	–	–	–	–	–
Mr. Zhang Shaobo (ii)	–	–	–	–	–	–
Executive directors:						
Mr. Zhang Yabo	–	3,314	50	22	–	3,386
Mr. Wang Dayong	–	5,331	48	22	514	5,915
Mr. Ni Xiaoming	–	2,648	34	19	420	3,121
Mr. Chen Yuzhong	–	5,868	39	12	393	6,312
Independent non-executive directors:						
Mr. Bao Ensi	108	–	–	–	–	108
Mr. Shi Jianhui	108	–	–	–	–	108
Ms. Pan Yalan	108	–	–	–	–	108
Supervisors:						
Mr. Zhao Yajun (ii)	–	–	–	–	–	–
Mr. Mo Yang (ii)	–	–	–	–	–	–
Mr. Chen Xiaoming	–	547	42	11	–	600
Total	**324**	**17,708**	**213**	**86**	**1,327**	**19,658**

(i) Mr. Yu Shuli resigned as independent non-executed director of the Company in January 2022.

(ii) These non-executive directors and supervisors did not receive any remuneration from the Group in relation to his services rendered for the Group. The remunerations were borne by the Holding Company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation during the Track Record Period.

(b) Directors' and Supervisors' Other Benefits

No termination benefits were paid to the directors and supervisors of the Company by the Group in respect of the director's services as a director and a supervisor of the Group or other services in connection with the management of the affairs of the Group during the Track Record Period.

No consideration provided to third parties for making available directors' and supervisors' services subsisted at the end of each reporting period or at any time during the Track Record Period.

There were no loans, quasi-loans or other dealings entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

Save as disclosed in Note 37, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

(c) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2022, 2023 and 2024 include 3, 2 and 2 directors respectively whose emoluments are reflected in the analysis shown in Note 9(a) above. The emoluments paid to the remaining 2, 3 and 3 individuals during the years ended December 31, 2022, 2023 and 2024, respectively, are as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses and benefits in kind (including contributions to pension plans)	9,050	16,196	21,768
Share-based payments	733	820	1,134
	9,783	**17,016**	**22,902**

The number of the above individuals other than directors whose remuneration fell within the following bands is as follows:

	Year ended December 31, 2022	2023	2024
HKD3,500,001 to HKD4,000,000	1	1	–
HKD4,500,001 to HKD5,000,000	–	1	–
HKD5,000,001 to HKD5,500,000	–	–	1
HKD6,000,001 to HKD6,500,000	–	–	1
HKD7,500,001 to HKD8,000,000	1	–	–
HKD10,000,001 to HKD10,500,000	–	1	–
HKD13,000,001 to HKD13,500,000	–	–	1
	2	**3**	**3**

10. FINANCE COSTS, NET

	Year ended December 31, 2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Finance income:			
Interest income from financial assets held for cash management purposes	53,136	56,238	67,221
Finance costs:			
Interest expenses on lease liabilities	(1,334)	(5,127)	(18,704)
Interest expenses on borrowings	(231,878)	(206,954)	(133,563)
Net exchange (losses)/gains on foreign currency borrowings and others	(2,459)	(17,502)	19,883
Finance costs total	(235,671)	(229,583)	(132,384)
Finance costs, net	**(182,535)**	**(173,345)**	**(65,163)**

11. INCOME TAX EXPENSES

The income tax expenses of the Group during the Track Record Period are analyzed as follows:

	Year ended December 31, 2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	403,142	525,255	579,676
Under-provision from prior year	1,536	12,131	8,763
Deferred income tax	38,528	82,163	(8,478)
	443,206	**619,549**	**579,961**

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 Track Record Period, certain subsidiaries of the Group have obtained High and New Technology Enterprises certification ("**HNTE**") and hence they are entitled to a preferential corporate income tax rate of 15% for a valid period of 3 years. Other subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the rate of 25% for the years ended December 31, 2022, 2023 and 2024.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2022 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "**Super Deduction for research and development**").

(b) US Corporate Income Tax

The applicable income tax rate of United States where the Company's subsidiaries having significant operations for the years ended December 31, 2022, 2023 and 2024 is 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 Track Record Period at the respective rates 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, 2024, Pillar Two legislation has been enacted or substantively enacted and has taken effect from January 1, 2024, in nine jurisdictions where the Group operates.

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 nine jurisdictions where Pillar Two legislation has been enacted for 2024, with no top-up tax liabilities arising. Given that more jurisdictions are expected to enact or implement Pillar Two legislation in 2025 and beyond, the Group will continue to monitor relevant legislative developments in its operating jurisdictions to evaluate the potential future impact on its financial statements.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate applicable to profits of the subsidiaries as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	**3,051,258**	**3,553,264**	**3,691,687**
Income tax calculated at the domestic rates applicable to profits in the country concerned	973,196	1,031,720	1,029,827
Tax effect of:			
Preferential income tax rates applicable to the subsidiaries	(396,877)	(330,321)	(341,753)
Super deduction for research and development expenditure	(134,810)	(160,054)	(152,335)
Super deduction for capital expenditures *(i)*	(30,761)	–	–
Tax losses and other temporary differences not recognized as deferred tax assets *(Note 21)*	7,084	39,637	35,735
Non-deductible expenses for tax purposes	19,235	6,335	10,601
Differences between nominal interests and actual interests for convertible bonds	13,215	27,012	–
The impact of investment income accounted for using the equity method	(1,229)	(1,311)	(1,475)
Under-provision from prior year	1,536	12,131	8,763
Others	(7,383)	(5,600)	(9,402)
	443,206	**619,549**	**579,961**

(i) Pursuant to the Announcement [2022] No. 28 issued by the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology, High and New Technology Enterprises are eligible for a 100% additional CIT deduction for qualifying capital expenditure incurred, from October 1, 2022 to December 31, 2022.

12. DIVIDENDS

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Final dividends in respect of the previous year, declared and paid during the year *(i)*	535,335	716,973	926,626
Interim dividends in respect of current year, declared and paid during the year *(ii)*	358,624	186,023	373,119
Total	**893,959**	**902,996**	**1,299,745**

(i) Final dividends attributable to owners of the Company in respect of 2021, 2022 and 2023 of RMB1.50 yuan per 10 shares (tax inclusive), RMB2.00 yuan per 10 shares (tax inclusive) and RMB2.50 yuan per 10 shares (tax inclusive), were approved by the shareholder in the Annual General Meeting, respectively.

(ii) Interim dividends attributable to owners of the Company in respect of 2022, 2023 and 2024 are RMB1.00 yuan per 10 shares (tax inclusive), RMB0.50 yuan per 10 shares (tax inclusive) and RMB1.00 yuan per 10 shares (tax inclusive), were approved by the shareholder in the Annual General Meeting, respectively.

13. EARNINGS PER SHARE

(a) Basic Earnings Per Share

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

	Year ended December 31, 2022	2023	2024
Profit attributable to ordinary shareholders of the Company *(RMB'000)*	2,573,344	2,920,993	3,099,165
Less: Dividends payable to expected vested restricted shares *(RMB'000)*	(3,942)	(4,128)	(6,254)
Profit attributable to ordinary shareholders of the Company used in calculating basic EPS *(RMB'000)*	2,569,402	2,916,865	3,092,911
Weighted average number of ordinary shares in issue *(thousands)*	3,561,334	3,615,326	3,698,716
Basic EPS *(RMB per share)*	**0.72**	**0.81**	**0.84**

(b) Diluted Earnings Per Share

	Year ended December 31, 2022	2023	2024
Adjusted profit attributable to owners of the Company used in calculating diluted EPS *(RMB'000)*	2,573,344	2,920,993	3,099,165
Weighted average number of ordinary shares in issue *(thousands)*	3,561,334	3,615,326	3,698,716
Adjustments for potential shares arising from share schemes *(thousands)*	5,320	6,949	7,962
Weighted average number of ordinary shares used in calculating diluted EPS *(thousands)*	3,566,654	3,622,275	3,706,678
Diluted EPS *(RMB per share)*	**0.72**	**0.81**	**0.84**

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group

The amounts of investments accounted for using the equity method recognized in the Historical Financial Information are as follows:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Associates	32,438	37,924	40,600

The movements of investments in associates during the Track Record Period are as follows:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	**22,681**	**32,438**	**37,924**
Additions	5,500	–	–
Share of results of associates	7,732	7,986	8,925
Dividends	(2,225)	(2,500)	(6,249)
Disposals	(1,250)	–	–
At the end of the year	**32,438**	**37,924**	**40,600**

The associates of the Group have been accounted based on the financial information prepared under the accounting policies consistent with the Group.

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The carrying amount and the Group's share of the results of individually immaterial associates are shown in aggregate as below:

Reconciliation of the carrying amount of the interests recognized in the Historical Financial Information:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates	32,438	37,924	40,600
Aggregate amounts of the Group's share of:			
Profit for the year	7,732	7,986	8,925
Other comprehensive income	–	–	–
Total comprehensive income	**7,732**	**7,986**	**8,925**

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Associates	28,958	33,316	34,628

The movements of investments in associates during the Track Record Period are as follows:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	**20,390**	**28,958**	**33,316**
Additions	5,000	–	–
Share of results of associates	7,043	6,858	7,561
Dividends	(2,225)	(2,500)	(6,249)
Disposals	(1,250)	–	–
At the end of the year	**28,958**	**33,316**	**34,628**

Reconciliation of the carrying amount of the interests recognized in the Historical Financial Information:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates	28,958	33,316	34,628
Aggregate amounts of the Company's share of:			
Profit for the year	7,043	6,858	7,561
Other comprehensive income	–	–	–
Total comprehensive income	**7,043**	**6,858**	**7,561**

15. SUBSIDIARIES

As at the date of this report and during the Track Record Period, the Company's principal subsidiaries are as follows:

	Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/ paid-up capital '000	Equity interest and voting right held by the Company as at December 31, 2022	2023	2024	Principal activities
1	Zhejiang Sanhua Trading Co., Ltd. (浙江三花商貿有限公司)	PRC, limited liability company	RMB50,000	100%	100%	100%	Marketing of refrigeration and A/C electrical components
2	Zhejiang Sanhua Climate & Appliance Control Group Co., Ltd. (浙江三花製冷集團有限公司)	PRC, limited liability company	RMB250,000	100%	100%	100%	Manufacturing and sales of refrigeration equipment, automatic control components, mechanical equipment and household appliances
3	Zhejiang Sanhua Automotive Components Co., Ltd. (浙江三花汽車零部件有限公司)	PRC, limited liability company	RMB2,160,000	100%	100%	100%	Manufacturing and marketing of automotive components
4	Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd. (杭州三花微通道換熱器有限公司)	PRC, limited liability company	RMB360,000	100%	100%	100%	Development and manufacturing of microchannel heat exchanger products and components
5	Shaoxing Sanhua New Energy Automotive Components Co., Ltd. (紹興三花新能源汽車部件有限公司)	PRC, limited liability company	RMB1,250,000	100%	100%	100%	Manufacturing, wholesale, retail and technology development of automotive components
6	Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (浙江三花商用製冷有限公司)	PRC, limited liability company	RMB1,655,290	100%	100%	100%	Manufacturing and marketing of refrigeration and A/C electrical components
7	Shaoxing Sanhua New Energy Automotive Components Co., Ltd. (紹興三花汽車熱管理科技有限公司)	PRC, limited liability company	RMB1,350,000	100%	100%	100%	Manufacturing, wholesale and retail of automotive components

	Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/ paid-up capital '000	Equity interest and voting right held by the Company as at December 31, 2022	2023	2024	Principal activities
8	Zhejiang Sanhua Automotive Components Trading Co., Ltd. (浙江三花汽零商貿有限公司)	PRC, limited liability company	RMB50,000	100%	100%	100%	Wholesale and retail of automotive components
9	Sanhua International Singapore Pte. Ltd. (三花國際新加坡私人有限公司)	Singapore	USD175,150	100%	100%	100%	Refrigeration and A/C electrical components manufacturing, marketing and investment management
10	Sanhua International, Inc. (三花國際有限公司)	USA	USD37,550	100%	100%	100%	Refrigeration and A/C electrical components manufacturing, marketing and investment management
11	Sanhua Singapore Automotive Investment Pte. Ltd. (三花新加坡汽車投資有限公司)	Singapore	USD70,100	100%	100%	100%	Manufacturing, sales and development of automotive components
12	R-Squared Puckett, Inc. (R氏帕克特製造有限公司)	USA	USD1	100%	100%	100%	Development and manufacturing and sales of microchannel heat exchanger products and components
13	Wuhu Sanhua Auto- Control Components Co., Ltd. (蕪湖三花自控元器件有限公司)	PRC, limited liability company	RMB300,000	100%	100%	100%	Manufacturing and sales of automatic control components, refrigeration equipment, mechanical equipment, household appliances, testing equipment, instruments and meters
14	Sanhua Automotive Poland Sp. z o.o. (三花波蘭汽車零部件有限責任公司)	Poland	PLN85,465	100%	100%	100%	Manufacturing and sales of automotive components
15	Sanhua Industry (Thailand) Co., Ltd. (三花泰國實業有限公司)	Thailand	THB369,185	100%	100%	100%	Manufacturing and sales of refrigeration components
16	Guangdong Sanhua Green Energy Auto Parts Co., Ltd. (廣東三花新能源汽車部件有限公司)	PRC, limited liability company	RMB1,000,000	100%	100%	100%	Manufacturing, retail and wholesale of auto parts and sales of new energy auto electrical accessories

	Name of subsidiary	Place of incorporation and type of legal entity	Share capital registered/ paid-up capital '000	Equity interest and voting right held by the Company as at December 31, 2022	2023	2024	Principal activities
17	Sanhua Automotive Mexico S. de R.L. de C.V. (三花汽車零部件墨西哥有限公司)	Mexico	MXN 1,095,682	100%	100%	100%	Manufacturing of automotive components
18	Sanhua (Vietnam) Co., Ltd. (三花(越南)有限公司)	Vietnam	USD38,500	100%	100%	100%	R&D, manufacturing and sales of air conditioner and refrigerator refrigeration components
19	AWECO Polska Appliance Sp. z o.o. (亞威科波蘭電器設備有限責任公司)	Poland	MXN50	100%	100%	100%	R&D, manufacturing and sales of components for coffee machines and dishwashers

The statutory auditors of the above subsidiaries of the Group during the Track Record Period are set out below:

	Name of subsidiary	Name of statutory auditors		
		2022	2023	2024
1	Zhejiang Sanhua Trading Co., Ltd. (浙江三花商貿有限公司) *(d)*	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
2	Zhejiang Sanhua Climate & Appliance Control Group Co., Ltd. (浙江三花製冷集團有限公司) *(d)*	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
3	Zhejiang Sanhua Automotive Components Co., Ltd. (浙江三花汽車零部件有限公司) *(d)*	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
4	Sanhua (Hangzhou) Micro Channel Heat Exchanger Co., Ltd. (杭州三花微通道換熱器有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
5	Shaoxing Sanhua New Energy Automotive Components Co., Ltd. (紹興三花新能源汽車部件有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
6	Zhejiang Sanhua Commercial Refrigeration Co., Ltd. (浙江三花商用製冷有限公司) *(d)*	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
7	Shaoxing Sanhua New Energy Automotive Components Co., Ltd. (紹興三花汽車熱管理科技有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
8	Zhejiang Sanhua Automotive Components Trading Co., Ltd. (浙江三花汽零商貿有限公司) *(d)*	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
9	Sanhua International Singapore Pte. Ltd (三花國際新加坡私人有限公司)	P.K. Loke & Partners LLP	P.K. Loke & Partners LLP	P.K. Loke & Partners LLP
10	Sanhua International, Inc. (三花國際有限公司)	RSM US LLP	RSM US LLP	RSM US LLP
11	Sanhua Singapore Automotive Investment Pte. Ltd. (三花新加坡汽車投資有限公司) *(a) (d)*	—	—	RSM SG Assurance LLP
12	R-Squared Puckett, Inc. (R氏帕克特製造有限公司) *(d)*	RSM US LLP	RSM US LLP	RSM US LLP
13	Wuhu Sanhua Auto- Control Components Co., Ltd. (蕪湖三花自控元器件有限公司)	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
14	Sanhua Automotive Poland Sp. z o.o. (三花波蘭汽車零部件有限責任公司) *(b)*	—	—	Nexia Pro Audit Poland
15	Sanhua Industry (Thailand) Co., Ltd. (三花泰國實業有限公司) *(c)*	—	Siriraporn Audit & Consulting Co., Ltd.	SKP Audit Firm Co., Ltd.
16	Guangdong Sanhua Green Energy Auto Parts Co., Ltd. (廣東三花新能源汽車部件有限公司) *(c) (d)*	—	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP

	Name of subsidiary	Name of statutory auditors		
		2022	2023	2024
17	Sanhua Automotive Mexico S. de R.L. de C.V. (三花汽車零部件墨西哥有限公司) *(d)*	RSM US LLP	RSM US LLP	RSM US LLP
18	Sanhua (Vietnam) Co., Ltd. (三花(越南)有限公司)	IPA AUDITING AND CONSULTING FIRM	IPA AUDITING AND CONSULTING FIRM	IPA AUDITING AND CONSULTING FIRM
19	AWECO Polska Appliance Sp. z o.o. (亞威科波蘭電器設備有限責任公司)	Nexia Pro Audit Poland	Nexia Pro Audit Poland	Nexia Pro Audit Poland

(a) The entity was established in 2023 and has not appointed an auditor to issue statutory financial statements for the year ended December 31, 2023.

(b) The entity was established in 2022 and has not appointed an auditor to issue statutory financial statements for the year ended December 31, 2022 and 2023.

(c) These entities were established in 2023.

(d) For the year ended December 31, 2024, the statutory financial statements of these entities have not been issued as at the date of this report.

(e) The English names of the Mainland China companies are direct translation or transliteration of their Chinese registered names.

(f) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(g) In the opinion of the directors, no non-controlling interests in subsidiaries are material to the Group.

The Company

Investments in subsidiaries

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Deemed investments relating to share-based payments	141,812	163,689	232,983
Investments in subsidiaries	7,371,888	8,683,128	8,888,426
	7,513,700	**8,846,817**	**9,121,409**

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Freehold land	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022								
Cost	2,262,809	60,398	4,497,788	36,025	253,136	1,343,529	31,560	8,485,245
Accumulated depreciation and impairment	(661,384)	(3,774)	(1,975,708)	(28,168)	(150,349)	–	(4,057)	(2,823,440)
Carrying amounts	**1,601,425**	**56,624**	**2,522,080**	**7,857**	**102,787**	**1,343,529**	**27,503**	**5,661,805**
Opening carrying amounts	1,601,425	56,624	2,522,080	7,857	102,787	1,343,529	27,503	5,661,805
Additions	–	14,369	548,309	9,528	33,516	1,837,241	24,626	2,467,589
Transfers from construction in progress	1,268,022	–	901,448	14	801	(2,170,285)	–	–
Transfer out to other assets	–	–	–	–	–	(15,860)	–	(15,860)
Disposals	(50,682)	–	(83,541)	(550)	(6,685)	–	–	(141,458)
Depreciation charges	(92,969)	–	(421,580)	(3,977)	(17,853)	–	(7,673)	(544,052)
Currency translation differences	18,856	6,705	38,543	155	837	37,881	1,215	104,192
Closing carrying amounts	**2,744,652**	**77,698**	**3,505,259**	**13,027**	**113,403**	**1,032,506**	**45,671**	**7,532,216**
At December 31, 2022								
Cost	3,362,538	81,821	5,836,638	42,330	255,617	1,032,506	47,567	10,659,017
Accumulated depreciation and impairment	(617,886)	(4,123)	(2,331,379)	(29,303)	(142,214)	–	(1,896)	(3,126,801)
Carrying amounts	**2,744,652**	**77,698**	**3,505,259**	**13,027**	**113,403**	**1,032,506**	**45,671**	**7,532,216**

	Buildings RMB'000	Freehold land RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
At January 1, 2023								
Cost	3,362,538	81,821	5,836,638	42,330	255,617	1,032,506	47,567	10,659,017
Accumulated depreciation and impairment	(617,886)	(4,123)	(2,331,379)	(29,303)	(142,214)	–	(1,896)	(3,126,801)
Carrying amounts	**2,744,652**	**77,698**	**3,505,259**	**13,027**	**113,403**	**1,032,506**	**45,671**	**7,532,216**
Opening carrying amounts	2,744,652	77,698	3,505,259	13,027	113,403	1,032,506	45,671	7,532,216
Additions	–	3,275	444,814	9,446	45,554	2,572,024	56,088	3,131,201
Transfers from construction in progress	644,317	–	869,035	–	6,570	(1,519,922)	–	–
Transfer out to other assets	–	–	–	–	–	(53,780)	–	(53,780)
Disposals	(98)	(5,626)	(51,069)	(382)	(2,528)	–	–	(59,703)
Depreciation charges	(144,746)	–	(514,559)	(3,738)	(23,934)	–	(11,682)	(698,659)
Impairment charges *(i)*	–	–	(13,333)	–	(31)	–	–	(13,364)
Currency translation differences	46,779	10,442	38,980	70	4,214	5,499	1,012	106,996
Closing carrying amounts	**3,290,904**	**85,789**	**4,279,127**	**18,423**	**143,248**	**2,036,327**	**91,089**	**9,944,907**
At December 31, 2023								
Cost	4,049,448	85,789	7,015,746	48,013	288,533	2,036,327	102,771	13,626,627
Accumulated depreciation and impairment	(758,544)	–	(2,736,619)	(29,590)	(145,285)	–	(11,682)	(3,681,720)
Carrying amounts	**3,290,904**	**85,789**	**4,279,127**	**18,423**	**143,248**	**2,036,327**	**91,089**	**9,944,907**

	Buildings	Freehold land	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024								
Cost	4,049,448	85,789	7,015,746	48,013	288,533	2,036,327	102,771	13,626,627
Accumulated depreciation and impairment	(758,544)	–	(2,736,619)	(29,590)	(145,285)	–	(11,682)	(3,681,720)
Carrying amounts	**3,290,904**	**85,789**	**4,279,127**	**18,423**	**143,248**	**2,036,327**	**91,089**	**9,944,907**
Opening carrying amounts	3,290,904	85,789	4,279,127	18,423	143,248	2,036,327	91,089	9,944,907
Additions	1,899	94,965	207,512	3,497	5,522	3,541,790	81,084	3,936,269
Transfers from construction in progress	993,309	–	1,789,018	4,284	51,662	(2,838,273)	–	–
Transfer out to other assets	–	–	–	–	–	(567,859)	–	(567,859)
Disposals	(5,567)	–	(67,926)	(94)	(8,130)	–	–	(81,717)
Depreciation charges	(154,574)	–	(627,188)	(4,883)	(44,003)	–	(18,018)	(848,666)
Impairment charges (i)	–	–	(20,849)	–	(33)	–	–	(20,882)
Currency translation differences	(39,733)	(11,509)	(19,134)	(87)	(1,749)	–	(15,282)	(87,494)
Closing carrying amounts	**4,086,238**	**169,245**	**5,540,560**	**21,140**	**146,517**	**2,171,985**	**138,873**	**12,274,558**
At December 31, 2024								
Cost	4,987,327	169,245	8,699,025	53,045	298,477	2,171,985	168,573	16,547,677
Accumulated depreciation and impairment	(901,089)	–	(3,158,465)	(31,905)	(151,960)	–	(29,700)	(4,273,119)
Carrying amounts	**4,086,238**	**169,245**	**5,540,560**	**21,140**	**146,517**	**2,171,985**	**138,873**	**12,274,558**

(i) As at December 31, 2023 and 2024, the management of the Group identified impairment indicators of certain machinery and office equipment and carried out an impairment review on these assets. The recoverable amounts were determined by the higher of fair value less cost to sell and its value-in-use. The valuation models used to estimate the fair values of certain assets were with reference to recent prices of similar assets of similar conditions when such prices could be reliably obtained, where applicable. As a result of the assessment, the Group provided impairment losses for machinery and office equipment amounting to RMB13,333,000 and RMB31,000 respectively for the year ended December 31, 2023 and RMB20,849,000 and RMB33,000 respectively for the year ended December 31, 2024.

(a) Except freehold lands account no depreciation, property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter of lease term as follows:

Buildings	20-30 years
Machinery and equipment	5-12 years
Motor vehicles	5-8 years
Office equipment	5-8 years
Leasehold improvements	Shorter of their useful life and lease term

See Note 39 for the other accounting policies relevant to property, plant and equipment.

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

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Cost of revenue	434,512	558,511	666,906
Selling and marketing expenses	933	1,018	771
General and administrative expenses	69,811	98,954	128,951
Research and development expenses	38,796	40,176	52,038
	544,052	**698,659**	**848,666**

The Company

	Buildings	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022							
Cost	1,118,616	1,438,013	11,619	77,403	73,592	–	2,719,243
Accumulated depreciation and impairment	(288,400)	(765,183)	(10,139)	(55,326)	–	–	(1,119,048)
Carrying amounts	**830,216**	**672,830**	**1,480**	**22,077**	**73,592**	**–**	**1,600,195**
Opening carrying amounts	830,216	672,830	1,480	22,077	73,592	–	1,600,195
Additions	–	72,714	829	2,253	122,933	573	199,302
Transfers from construction in progress	81,070	75,505	–	–	(156,575)	–	–
Transfer out to other assets	–	–	–	–	(3,923)	–	(3,923)
Disposals	(15,295)	(1,410)	(10)	(9)	–	–	(16,724)
Depreciation charges	(33,530)	(109,459)	(613)	(5,537)	–	(72)	(149,211)
Closing carrying amounts	**862,461**	**710,180**	**1,686**	**18,784**	**36,027**	**501**	**1,629,639**
At December 31, 2022							
Cost	1,170,483	1,577,262	12,241	77,051	36,027	573	2,873,637
Accumulated depreciation and impairment	(308,022)	(867,082)	(10,555)	(58,267)	–	(72)	(1,243,998)
Carrying amounts	**862,461**	**710,180**	**1,686**	**18,784**	**36,027**	**501**	**1,629,639**

	Buildings	Machinery and equipment	Motor vehicles	Office equipment	Construction In progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023							
Cost	1,170,483	1,577,262	12,241	77,051	36,027	573	2,873,637
Accumulated depreciation and impairment	(308,022)	(867,082)	(10,555)	(58,267)	–	(72)	(1,243,998)
Carrying amounts	**862,461**	**710,180**	**1,686**	**18,784**	**36,027**	**501**	**1,629,639**
Opening carrying amounts	862,461	710,180	1,686	18,784	36,027	501	1,629,639
Additions	–	126,102	1,984	3,940	75,028	2,364	209,418
Transfers from construction in progress	50,508	–	–	–	(50,508)	–	–
Transfer out to other assets	–	–	–	–	(6,676)	–	(6,676)
Disposals	–	(5,530)	(72)	(171)	–	–	(5,773)
Depreciation charges	(35,680)	(105,028)	(475)	(5,358)	–	(1,030)	(147,571)
Closing carrying amounts	**877,289**	**725,724**	**3,123**	**17,195**	**53,871**	**1,835**	**1,679,037**
At December 31, 2023							
Cost	1,220,991	1,666,067	12,793	78,053	53,871	2,937	3,034,712
Accumulated depreciation and impairment	(343,702)	(940,343)	(9,670)	(60,858)	–	(1,102)	(1,355,675)
Carrying amounts	**877,289**	**725,724**	**3,123**	**17,195**	**53,871**	**1,835**	**1,679,037**

	Buildings	Machinery and equipment	Motor vehicles	Office equipment	Construction In progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024							
Cost	1,220,991	1,666,067	12,793	78,053	53,871	2,937	3,034,712
Accumulated depreciation and impairment	(343,702)	(940,343)	(9,670)	(60,858)	–	(1,102)	(1,355,675)
Carrying amounts	**877,289**	**725,724**	**3,123**	**17,195**	**53,871**	**1,835**	**1,679,037**
Opening carrying amounts	877,289	725,724	3,123	17,195	53,871	1,835	1,679,037
Additions	–	–	–	–	268,487	2,133	270,620
Transfers from construction in progress	63,960	174,396	743	15,018	(254,117)	–	–
Transfer out to other assets	–	–	–	–	(13,250)	–	(13,250)
Disposals	–	(9,459)	(10)	(1,814)	–	–	(11,283)
Depreciation charges	(43,262)	(109,718)	(636)	(14,813)	–	(2,069)	(170,498)
Impairment charges	–	(217)	–	–	–	–	(217)
Closing carrying amounts	**897,987**	**780,726**	**3,220**	**15,586**	**54,991**	**1,899**	**1,754,409**
At December 31, 2024							
Cost	1,284,951	1,788,539	13,327	84,934	54,991	5,070	3,231,812
Accumulated depreciation and impairment	(386,964)	(1,007,813)	(10,107)	(69,348)	–	(3,171)	(1,477,403)
Carrying amounts	**897,987**	**780,726**	**3,220**	**15,586**	**54,991**	**1,899**	**1,754,409**

17. LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts Recognized in the Consolidated Statements of Financial Position

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Land use right	609,886	710,571	868,746
Buildings	280,647	306,588	331,340
Motor vehicles	3,630	6,667	5,245
	894,163	**1,023,826**	**1,205,331**
Lease liabilities			
Current	67,661	68,898	90,574
Non-current	202,028	221,295	237,913
	269,689	**290,193**	**328,487**

Additions to the right-of-use assets during the years ended December 31, 2022, 2023 and 2024 were approximately RMB204,356,000, RMB222,856,000 and RMB366,606,000, respectively.

The Company

As at December 31, 2022, 2023 and 2024, the net carrying amounts of right-of- use assets of the Company were approximately RMB142,126,000, RMB136,623,000 and RMB128,793,000 respectively. The balances mainly composed land use rights.

(b) Amounts Recognized in the Consolidated Statements of Profit or Loss

The consolidated statements of profit or loss and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets:			
– Land use right	15,628	16,723	18,450
– Buildings	68,510	83,207	117,072
– Motor vehicles	46	797	89
	84,184	**100,727**	**135,611**
Interest expense (including in finance cost)	1,334	5,127	18,704
Expense relating to short-term and low value leases not included in lease liabilities	22,190	37,500	20,592
	23,524	**42,627**	**39,296**

The total cash outflows for lease payments during the years ended December 31, 2022, 2023 and 2024 were approximately RMB85,715,000, RMB143,310,000, RMB144,601,000, respectively.

The Group leases properties, offices, land-use-right and automobile as lessee. Lease contracts are typically made for fixed periods from 1 to 10 years. They are stated at cost less accumulated depreciation and accumulated impairment losses.

See Note 39 for the other accounting policies relevant to lease.

18. INTANGIBLE ASSETS

The Group

	Software *RMB'000*	Intellectual properties *RMB'000*	Goodwill *RMB'000*	Total *RMB'000*
At January 1, 2022				
Cost	38,713	61,702	39,551	139,966
Accumulated amortization and impairment	(28,026)	(30,927)	(31,959)	(90,912)
Carrying amounts	**10,687**	**30,775**	**7,592**	**49,054**
Year ended December 31, 2022				
Opening carrying amounts	10,687	30,775	7,592	49,054
Additions	5,243	3,923	–	9,166
Currency translation differences	102	–	–	102
Amortization charges	(4,432)	(8,064)	–	(12,496)
Closing carrying amounts	**11,600**	**26,634**	**7,592**	**45,826**
At December 31, 2022				
Cost	44,529	65,625	39,551	149,705
Accumulated amortization and impairment	(32,929)	(38,991)	(31,959)	(103,879)
Carrying amounts	**11,600**	**26,634**	**7,592**	**45,826**

	Software *RMB'000*	Intellectual properties *RMB'000*	Goodwill *RMB'000*	Total *RMB'000*
At January 1, 2023				
Cost	44,529	65,625	39,551	149,705
Accumulated amortization and impairment	(32,929)	(38,991)	(31,959)	(103,879)
Carrying amounts	**11,600**	**26,634**	**7,592**	**45,826**
Year ended December 31, 2023				
Opening carrying amounts	11,600	26,634	7,592	45,826
Additions	15,810	–	–	15,810
Disposals	(357)	–	–	(357)
Currency translation differences	2,238	–	–	2,238
Impairment charges	–	–	(807)	(807)
Amortization charges	(5,296)	(4,460)	–	(9,756)
Closing carrying amounts	**23,995**	**22,174**	**6,785**	**52,954**

	Software	Intellectual properties	Goodwill	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2023				
Cost	59,243	52,825	39,551	151,619
Accumulated amortization and impairment	(35,248)	(30,651)	(32,766)	(98,665)
Carrying amounts	**23,995**	**22,174**	**6,785**	**52,954**

	Software	Intellectual properties	Goodwill	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024				
Cost	59,243	52,825	39,551	151,619
Accumulated amortization and impairment	(35,248)	(30,651)	(32,766)	(98,665)
Carrying amounts	**23,995**	**22,174**	**6,785**	**52,954**
Year ended December 31, 2024				
Opening carrying amounts	23,995	22,174	6,785	52,954
Additions	18,869	–	–	18,869
Disposals	(609)	–	–	(609)
Currency translation differences	(173)	–	–	(173)
Impairment charges	–	–	(6,785)	(6,785)
Amortization charges	(16,154)	(11,582)	–	(27,736)
Closing carrying amounts	**25,928**	**10,592**	**–**	**36,520**
At December 31, 2024				
Cost	76,630	36,681	39,551	152,862
Accumulated amortization and impairment	(50,702)	(26,089)	(39,551)	(116,342)
Carrying amounts	**25,928**	**10,592**	**–**	**36,520**

Amortization expenses have been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
General and administrative expenses	11,820	7,709	15,883
Research and development expenses	676	2,047	11,853
	12,496	**9,756**	**27,736**

The Company

	Software	**Intellectual properties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2022			
Cost	12,127	13,206	25,333
Accumulated amortization	(9,424)	(5,339)	(14,763)
Carrying amounts	**2,703**	**7,867**	**10,570**
Year ended December 31, 2022			
Opening carrying amounts	2,703	7,867	10,570
Additions	–	3,923	3,923
Amortization charges	(1,081)	(1,321)	(2,402)
Closing carrying amounts	**1,622**	**10,469**	**12,091**
At December 31, 2022			
Cost	12,127	17,129	29,256
Accumulated amortization	(10,505)	(6,660)	(17,165)
Carrying amounts	**1,622**	**10,469**	**12,091**

	Software	Intellectual properties	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2023			
Cost	12,127	17,129	29,256
Accumulated amortization	(10,505)	(6,660)	(17,165)
Carrying amounts	**1,622**	**10,469**	**12,091**
Year ended December 31, 2023			
Opening carrying amounts	1,622	10,469	12,091
Additions	6,676	–	6,676
Amortization charges	(2,568)	(1,321)	(3,889)
Closing carrying amounts	**5,730**	**9,148**	**14,878**
At December 31, 2023			
Cost	18,803	17,129	35,932
Accumulated amortization	(13,073)	(7,981)	(21,054)
Carrying amounts	**5,730**	**9,148**	**14,878**

	Software	Intellectual properties	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2024			
Cost	18,803	17,129	35,932
Accumulated amortization	(13,073)	(7,981)	(21,054)
Carrying amounts	**5,730**	**9,148**	**14,878**
Year ended December 31, 2024			
Opening carrying amounts	5,730	9,148	14,878
Additions	13,250	–	13,250
Disposals	(227)	–	(227)
Amortization charges	(3,768)	(1,321)	(5,089)
Closing carrying amounts	**14,985**	**7,827**	**22,812**
At December 31, 2024			
Cost	31,749	17,129	48,878
Accumulated amortization	(16,764)	(9,302)	(26,066)
Carrying amounts	**14,985**	**7,827**	**22,812**

(a) Impairment Tests for Goodwill

Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The carrying amount of goodwill allocated to the cash generating units or group of cash generating units ("**CGU**" or "**CGUs**") are as follows:

	Opening	**Addition**	**Impairment**	**Closing**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2024				
Microchannel CGUs ("**MHE CGUs**") *(i)*	–	–	–	–
Board Replacement CGU ("**BRT CGU**") *(ii)*	6,785	–	(6,785)	–
Year ended December 31, 2023				
Microchannel CGUs	–	–	–	–
Board Replacement CGU	7,592	–	(807)	6,785
Year ended December 31, 2022				
Microchannel CGUs	–	–	–	–
Board Replacement CGU	7,592	–	–	7,592

(i) The goodwill of MHE CGUs is generated from business combination of R-Squared Puckett Inc. in 2014 and allocated to Zhejiang Sanhua Microchannel Heat Exchanger Co., Ltd. (浙江三花微通道換熱器有限公司) and its subsidiaries (collectively, the "**Microchannel Group**"). Management regards Microchannel Group as a separate group of CGUs and reviews the business performance and monitors the goodwill on the CGUs basis.

As at December 31, 2021, as the performance was less than expected, according to the management's estimation of the recoverable amount of Microchannel Group with the assistance of an independent valuer, which was calculated based on its value-in-use, an impairment of goodwill approximately RMB31,959,000 was recognized, resulting in a reduction in the carrying amount of the goodwill of Microchannel Group to zero. The key assumptions used to determine the recoverable amount include revenue growth rate, profit rate, terminal growth rate and pre-tax discount rate. The pre-tax discount rate used for the assessment is 13.13%.

(ii) The goodwill of BRT CGU is generated from business combination of Zhejiang Sanhua Board Replacement Technology Co., Ltd. (浙江三花板換科技有限公司) ("**Board Replacement**"). Management regards Board Replacement as a separate CGU and reviews the business performance and monitors the goodwill on a CGU basis.

As at December 31, 2024, as the performance was less than expected, according to the management's estimation of the recoverable amount of Board Replacement with the assistance of an independent valuer, which was calculated based on its value-in-use, an impairment of RMB6,785,000 was recognized, resulting in a reduction in the carrying amount of goodwill of Board Replacement to Zero.

The key assumptions used by management for VIU calculation for the impairment test of Board Replacement goodwill as at December 31, 2022, 2023 and 2024, included:

	As at December 31,		
	2022	**2023**	**2024**
Revenue annual growth rates *(i)*	1.99%	10.10%	36.17%
Operating profit margin *(i)*	16.29%-17.47%	3.06%-10.77%	0.41%-10.00%
Perpetual annual growth rates	0.00%	0.00%	0.00%
Pre-tax discount rates	13.06%	10.90%	10.99%

(i) The expected revenue annual growth rates increased significantly mainly due to the business expansion exceeds the expectation. Meanwhile, the operating profit margin decreased significantly due to the increased expenditure on research and development activities.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determine values**
Revenue annual growth rates	Revenue annual growth rate is estimated over the five-year forecast period. The management of the Group used a five-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose.
Operating profit margin	Based on past performance and management's expectations for the future.
Perpetual annual growth rates	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long-term inflation rates of the relevant countries were relatively stable during the Track Record Period.
Pre-tax discount rates	Estimated by using the weighted average cost of capital ("**WACC**") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

As impairment was fully provided against goodwill of Microchannel CGUs before Track Record Period, no sensitivity analysis is needed.

For Board Replacement CGU, as at December 31, 2022 and 2023, the recoverable amount approximately amounting to RMB74,193,000 and RMB87,968,000, calculated based on value-in-use calculation, exceeded the carrying amount of the tested CGU (including goodwill) of Board Replacement by approximately RMB13,353,000 and RMB4,032,000. If the expected pre-tax discount rate had been 5% higher than management estimates as at December 31, 2022, the recoverable amount calculated would be higher than the carrying amount by approximately RMB9,990,000. If the expected pre-tax discount rate had been 5% higher than management estimates as at December 31, 2023, the recoverable amount calculated would be lower than the carrying amount by approximately RMB484,000. The directors of the Company have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that would have resulted in a significant impairment against the goodwill of the Group. As at December 31, 2024, as impairment was fully provided against goodwill of Board Replacement CGU, no sensitivity analysis is needed.

(b) Amortization Methods and Periods

(i) Intellectual properties

Separately acquired licensed technologies are shown at historical cost. They have limited useful lives and are subsequently carried at cost less accumulated amortization and impairment losses.

(ii) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

Intellectual properties	1-4 years
Computer software	5-10 years

(c) Research and Development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

19. INVESTMENT PROPERTIES

	Buildings	Freehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2022			
Cost	11,514	3,184	14,698
Accumulated depreciation	(6,167)	–	(6,167)
Carrying amounts	**5,347**	**3,184**	**8,531**
Year ended December 31, 2022			
Opening carrying amounts	5,347	3,184	8,531
Currency translation differences	274	89	363
Depreciation charges	(690)	–	(690)
Closing carrying amounts	**4,931**	**3,273**	**8,204**
At December 31, 2022			
Cost	11,996	3,273	15,269
Accumulated depreciation	(7,065)	–	(7,065)
Carrying amounts	**4,931**	**3,273**	**8,204**

	Buildings	Freehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2023			
Cost	11,996	3,273	15,269
Accumulated depreciation	(7,065)	–	(7,065)
Carrying amounts	**4,931**	**3,273**	**8,204**
Year ended December 31, 2023			
Opening carrying amounts	4,931	3,273	8,204
Currency translation differences	578	193	771
Depreciation charges	(809)	–	(809)
Closing carrying amounts	**4,700**	**3,466**	**8,166**

	Buildings	Freehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
At December 31, 2023			
Cost	12,989	3,466	16,455
Accumulated depreciation	(8,289)	–	(8,289)
Carrying amounts	**4,700**	**3,466**	**8,166**

	Buildings	Freehold land	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2024			
Cost	12,989	3,466	16,455
Accumulated depreciation	(8,289)	–	(8,289)
Carrying amounts	**4,700**	**3,466**	**8,166**
Year ended December 31, 2024			
Opening carrying amounts	4,700	3,466	8,166
Currency translation differences	545	(147)	398
Depreciation charges	(1,511)	–	(1,511)
Closing carrying amounts	**3,734**	**3,319**	**7,053**
At December 31, 2024			
Cost	12,472	3,319	15,791
Accumulated depreciation	(8,738)	–	(8,738)
Carrying amounts	**3,734**	**3,319**	**7,053**

(a) Amounts Recognized in Profit or Loss for Investment Properties

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Rental income from operating leases	2,213	2,493	2,603
Direct operating expenses from property that generated rental income	690	809	1,511

Except for freehold land, the investment properties are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

Buildings	10 to 20 years

See Note 39 for the other accounting policies relevant to investment properties.

(b) Fair Value Disclosure

For disclosure purpose, the fair value of the investment properties as at December 31, 2024 was approximately RMB8,232,000 and fair value hierarchy is as below:

Description	Valuation Technique	Significant unobservable input	Range of significant unobservable input
Property unit located in Slovakia	Income Capitalization Approach (level 3)	Prevailing market rents	RMB1,093,000 to RMB1,344,000 per unit per year
		Capitalization rates	10.00%

20. FINANCIAL INSTRUMENTS BY CATEGORY

The detail information of financial instruments by category during the Track Record Period is as below:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets measured at FVPL:			
Wealth management products measured at fair value *(Note 3.6)*	100,026	–	–
Derivative financial assets *(Note 3.6)*	8,939	22,636	6,237
Financial assets measured at amortized cost:			
Trade and notes receivables *(Note 22)*	7,432,066	8,250,831	9,628,337
Other receivables *(Note 23)*	726,642	227,793	258,059
Term deposits and restricted cash *(Note 25)*	3,827,915	2,959,729	1,805,065
Cash and cash equivalents *(Note 25)*	2,050,329	3,624,955	3,443,503
Wealth management products measured at amortized cost *(Note 23)*	–	–	1,499,928

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Financial liabilities measured at FVPL:			
Derivative financial liabilities *(Note 3.6)*	45,171	10,719	79,678
Contingent consideration	3,500	3,500	–
Financial liabilities measured at amortized cost:			
Trade and notes payables *(Note 27)*	6,464,878	7,866,652	9,777,262
Accruals and other payables (excluding non-financial liabilities) *(Note 28)*	354,255	250,643	545,413
Lease liabilities *(Note 17)*	269,689	290,193	328,487
Borrowings *(Note 26)*	6,372,887	3,614,147	4,099,539

21. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority.

The Group

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31, 2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Gross deferred tax assets	221,159	221,749	281,725
Offsetting against deferred tax liabilities	–	(65,317)	(169,026)
Net deferred tax assets	**221,159**	**156,432**	**112,699**
Gross deferred tax liabilities	288,758	372,828	427,290
Offsetting against deferred tax assets	–	(65,317)	(169,026)
Net deferred tax liabilities	**288,758**	**307,511**	**258,264**

The movements in deferred tax assets and liabilities before offsetting are as follows:

(a) Deferred Tax Assets

	Impairment provisions and loss allowances	Unrealized profits	Government grants	Tax losses	Share-based payment expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	33,480	32,618	25,653	26,365	24,462	10,685	153,263
Credited to profit or loss *(Note 11)*	18,504	193	16,948	32,281	2,077	7,317	77,320
Debited to equity	–	–	–	–	(8,334)	(1,090)	(9,424)
At December 31, 2022	**51,984**	**32,811**	**42,601**	**58,646**	**18,205**	**16,912**	**221,159**

	Impairment provisions and loss allowances	Unrealized profits	Government grants	Tax losses	Share-based payment expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	51,984	32,811	42,601	58,646	18,205	16,912	221,159
Credited/(debited) to profit or loss *(Note 11)*	13,898	1,735	25,533	(40,160)	(5,016)	5,917	1,907
Credited/(debited) to equity	–	–	–	–	4,552	(5,869)	(1,317)
At December 31, 2023	**65,882**	**34,546**	**68,134**	**18,486**	**17,741**	**16,960**	**221,749**

	Impairment provisions and loss allowances	Unrealized profits	Government grants	Tax losses	Share-based payment expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024	65,882	34,546	68,134	18,486	17,741	16,960	221,749
Credited/(debited) to profit or loss *(Note 11)*	16,683	(126)	27,439	(2,911)	9,468	12,387	62,940
Credited/(debited) to equity	–	–	–	–	(2,964)	–	(2,964)
At December 31, 2024	**82,565**	**34,420**	**95,573**	**15,575**	**24,245**	**29,347**	**281,725**

(b) Deferred Tax Liabilities

	Business combination	Depreciation	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	2,504	161,524	8,882	172,910
(Credited)/debited to profit or loss *(Note 11)*	(802)	102,417	14,233	115,848
At December 31, 2022	**1,702**	**263,941**	**23,115**	**288,758**

	Business combination	Depreciation	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	1,702	263,941	23,115	288,758
(Credited)/debited to profit or loss *(Note 11)*	(351)	60,273	24,148	84,070
At December 31, 2023	**1,351**	**324,214**	**47,263**	**372,828**

	Business combination	Depreciation	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024	1,351	324,214	47,263	372,828
(Credited)/debited to profit or loss *(Note 11)*	(1,351)	64,728	(8,915)	54,462
At December 31, 2024	**–**	**388,942**	**38,348**	**427,290**

(c) Deferred Tax Assets Not Recognized

The Group has not recognized deferred tax assets in respect of the items below, which were incurred by certain subsidiaries that were not likely to generate taxable profit:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	137,112	280,085	343,484
Deductible temporary differences	210,575	169,107	232,330
	347,687	**449,192**	**575,814**

The tax losses not recognized deferred tax assets can be carried forward in future years. As at December 31, 2022, 2023 and 2024, the following table shows unused tax losses based on its expected expiry date:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
2025	1,177	1,161	1,161
2026	674	522	522
2027	20,123	23,055	18,275
2028	10,478	74,714	71,352
2029	7,488	16,716	77,950
2030	16,606	12,550	12,550
2031	66,880	69,321	69,321
2032	13,686	6,336	3,108
2033	–	75,710	58,953
2034	–	–	30,292
	137,112	**280,085**	**343,484**

The Company

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Gross deferred tax assets	33,318	21,386	50,830
Offsetting against deferred tax liabilities	–	(15,799)	(50,830)
Net deferred tax assets	**33,318**	**5,587**	**–**
Gross deferred tax liabilities	85,516	97,403	91,598
Offsetting against deferred tax assets	–	(15,799)	(50,830)
Net deferred tax liabilities	**85,516**	**81,604**	**40,768**

(a) Deferred Tax Assets

	Impairment provisions and loss allowances *RMB'000*	Government grants *RMB'000*	Others *RMB'000*	Total *RMB'000*
At January 1, 2022	2,162	5,371	20,204	27,737
Credited to profit or loss	2	2,005	7,034	9,041
Debited to equity	–	–	(3,460)	(3,460)
At December 31, 2022	**2,164**	**7,376**	**23,778**	**33,318**

	Impairment provisions and loss allowances *RMB'000*	Government grants *RMB'000*	Others *RMB'000*	Total *RMB'000*
At January 1, 2023	2,164	7,376	23,778	33,318
Credited/(debited) to profit or loss	1,353	(276)	(16,381)	(15,304)
Credited to equity	–	–	3,372	3,372
At December 31, 2023	**3,517**	**7,100**	**10,769**	**21,386**

	Impairment provisions and loss allowances *RMB'000*	Government grants *RMB'000*	Others *RMB'000*	Total *RMB'000*
At January 1, 2024	3,517	7,100	10,769	21,386
Credited to profit or loss	27,051	1,347	3,181	31,579
Debited to equity	–	–	(2,135)	(2,135)
At December 31, 2024	**30,568**	**8,447**	**11,815**	**50,830**

(b) Deferred Tax Liabilities

	Depreciation *RMB'000*	Others *RMB'000*	Total *RMB'000*
At January 1, 2022	55,712	3,633	59,345
Debited to profit or loss	16,038	10,133	26,171
At December 31, 2022	**71,750**	**13,766**	**85,516**

	Depreciation	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2023	71,750	13,766	85,516
Debited to profit or loss	4,332	7,555	11,887
At December 31, 2023	**76,082**	**21,321**	**97,403**

	Depreciation	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2024	76,082	21,321	97,403
Debited/(credited) to profit or loss	9,574	(15,379)	(5,805)
At December 31, 2024	**85,656**	**5,942**	**91,598**

22. TRADE AND NOTES RECEIVABLES

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Notes receivables	2,204,582	2,484,458	2,685,890
Trade receivables	5,508,846	6,085,908	7,317,720
Less: credit loss allowance	(281,362)	(319,535)	(375,273)
	7,432,066	**8,250,831**	**9,628,337**

(a) As at January 1, 2022, the carrying amounts of trade and notes receivables from contracts with customers is amounting to RMB5,660,486,000 (net of expected credit loss amounting to RMB188,083,000).

(b) The Group generally grant 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:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Up to 3 months	4,146,495	4,242,921	5,800,080
3 to 6 months	1,084,733	1,003,798	784,254
6 to 12 months	266,034	792,882	697,599
1 to 2 years	7,808	45,653	26,881
2 to 3 years	2,798	388	8,523
Over 3 years	978	266	383
	5,508,846	**6,085,908**	**7,317,720**

(c) As at December 31, 2022, 2023 and 2024, trade receivables amounting to RMB296,551,000, RMB66,621,000 and RMB84,120,000 were pledged for bank borrowings while notes receivables amounting to RMB2,015,272,000, RMB2,214,364,000 and RMB1,839,462,000 were pledged for bank acceptance notes and bank borrowings.

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Notes receivables	1,108,679	1,293,652	106,531
Trade receivables	814,707	718,471	1,091,980
Less: credit loss allowance	(10,449)	(15,025)	(13,626)
	1,912,937	**1,997,098**	**1,184,885**

The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Up to 3 months	794,189	687,531	1,057,260
3 to 6 months	12,445	19,439	28,362
6 to 12 months	8,052	5,654	255
1 to 2 years	21	5,847	327
2 to 3 years	–	–	5,776
	814,707	**718,471**	**1,091,980**

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments:			
Prepayments for materials	117,887	133,793	158,980
Other receivables:			
Deposits and warranties	36,247	45,695	58,761
Tax refund receivables	123,916	164,713	172,315
Other receivables in relation to the land reserves *(Note 7(i))*	546,217	–	–
Others	25,468	25,466	35,318
	849,735	369,667	425,374
Less: provision for impairment	(5,206)	(8,081)	(8,335)
	844,529	**361,586**	**417,039**
Other current assets:			
Wealth management products measured at amortized cost *(i)*	–	–	1,499,928
Deductible input VAT	133,303	186,255	188,134
Prepaid corporate income tax	22,470	61,993	20,736
Capitalization of listing expenses	–	–	8,727
Others	1,252	2,826	3,015
	157,025	**251,074**	**1,720,540**

(i) As at December 31, 2024, wealth management products mainly represent the principal and interests guaranteed income vouchers issued by the securities companies and reverse repurchase of government bond.

	2022	2023	2024
Other non-current assets:			
Prepayments for non-current assets	457,306	564,023	311,121
Others	14,198	30,813	65,910
	471,504	594,836	377,031
Less: provision for impairment	–	–	(206)
	471,504	**594,836**	**376,825**

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments:			
Prepayments for materials	9,471	7,502	8,132
Other receivables:			
Due from subsidiaries	532,760	1,708,501	477,261
Tax refund receivables	18,983	6,387	70,714
Dividend receivables	–	550,000	16,559
Other receivables in relation to the land reserves *(Note 7(i))*	90,383	–	–
Others	9,004	5,207	13,238
	660,601	2,277,597	585,904
Less: provision for impairment	(338)	(504)	(34,610)
	660,263	**2,277,093**	**551,294**
Other current assets:			
Wealth management products measured at amortized cost	–	–	1,309,640
Capitalization of listing expenses	–	–	8,727
Others	–	–	266
	–	–	1,318,633
Other non-current assets:			
Prepayments for non-current assets	40,289	99,458	65,585
Others	2,315	14,542	14,885
	42,604	114,000	80,470
Less: provision for impairment	–	–	(35)
	42,604	114,000	80,435

24. INVENTORIES

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	2,696,034	3,179,557	3,833,666
Work in progress	711,593	596,410	787,733
Raw materials	1,050,007	932,170	774,517
Others	4,886	6,872	10,127
	4,462,520	4,715,009	5,406,043
Less: provision for impairment	(127,645)	(114,280)	(125,601)
	4,334,875	**4,600,729**	**5,280,442**

The cost of inventories carried forward to the profit or loss during the year is mainly recognized as the cost of revenue. For the years ended December 31, 2022, 2023 and 2024, the cost of inventories carried forward to the cost of revenue amounted to approximately RMB15,873,850,000, RMB17,793,313,000 and RMB20,287,311,000, respectively.

The provision/(reversal) for impairment of inventories recorded as cost of revenue during the years ended December 31, 2022, 2023 and 2024 were RMB93,592,000, RMB41,206,000 and RMB35,254,000, respectively.

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	579,545	666,396	987,512
Work in progress	82,906	62,467	74,271
Raw materials	55,662	40,841	49,221
Others	3,645	3,093	4
	721,758	772,797	1,111,008
Less: provision for impairment	(2,079)	(368)	(1,738)
	719,679	**772,429**	**1,109,270**

25. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED CASH

(a) Cash and Cash Equivalents

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	5,878,244	6,584,684	5,248,568
Less: term deposits over three months *(i)*	(3,740,432)	(2,883,252)	(1,739,651)
Less: restricted cash *(ii)*	(87,483)	(76,477)	(65,414)
Cash and cash equivalents	**2,050,329**	**3,624,955**	**3,443,503**

(i) As at December 31, 2022, 2023 and 2024, the Group's term deposits amounting to RMB209,827,000, RMB281,570,000 and nil were pledged as a guarantee for the bank acceptance notes.

(ii) As at December 31, 2022, 2023 and 2024, the Group's demand deposits of RMB16,304,000, RMB35,074,000 and RMB18,152,000 were pledged as a guarantee for the bank acceptance notes.

As at December 31, 2022, 2023 and 2024, the Group's bank balances of RMB71,179,000, RMB41,403,000 and RMB44,063,000 were deposited as a guarantee for the future contracts, letter of guarantee or bank borrowings.

As at December 31, 2024, another RMB3,199,000 deposits placed with banks were temporarily frozen for pending litigations.

(b) Cash and Bank Balances are Denominated in:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
RMB	5,240,438	5,815,187	4,141,574
USD	375,489	497,478	764,447
EUR	180,704	193,022	139,453
Other currencies	81,613	78,997	203,094
	5,878,244	**6,584,684**	**5,248,568**

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	3,453,269	3,755,111	1,281,822
Less: term deposits over three months	(2,440,308)	(1,948,300)	(1,067,202)
Less: restricted cash	(16,304)	(13,604)	(10,053)
Cash and cash equivalents	**996,657**	**1,793,207**	**204,567**

26. BORROWINGS

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Secured			
Bank loans	3,493,102	3,608,200	918,745
Unsecured			
Bank loans	100,000	–	3,174,000
Convertible bonds *(c)*	2,776,764	–	–
	2,876,764	–	3,174,000
Interest payables	3,021	5,947	6,794
Less: current-portion for long-term borrowings	(500,465)	(1,371,195)	(500,420)
Less: short-term borrowings	(1,294,084)	(1,212,151)	(1,553,346)
	4,578,338	**1,030,801**	**2,045,773**

(a) As at December 31, 2022, 2023 and 2024, the annual interest rate of short-term borrowings was ranged from 1.99% to 5.12%, 2.51% to 6.31%, and 2.15% to 5.21%, respectively.

As at December 31, 2022, 2023 and 2024, the annual interest rate range of long-term borrowings were ranged from 2.80% to 3.35%, 2.80% to 3.35% and 2.62% to 2.92%, respectively.

(b) As at December 31, 2022, secured bank loans mainly included: (i) borrowings with a principal equivalent to approximately RMB2,300,000,000 guaranteed by the Holding Company (Note 37(c)); (ii) borrowings with a principal equivalent to approximately RMB943,525,000 guaranteed by the Company; (iii) borrowings with a principal equivalent to approximately RMB249,357,000 secured by the Group's certain notes receivables; (iv) borrowings with a principal equivalent to approximately RMB220,000 secured by the Group's certain bank deposits.

As at December 31, 2023, secured bank loans mainly included: (i) borrowings with a principal equivalent to approximately RMB2,400,000,000 guaranteed by the Holding Company (Note 37(c)); (ii) borrowings with a principal equivalent to approximately RMB1,002,451,000 guaranteed by the Company; (iii) borrowings with a principal equivalent to approximately RMB5,749,000 secured by the Group's certain notes receivables; (iv) borrowings with a principal equivalent to approximately RMB200,000,000 secured by the trade receivables from certain subsidiaries.

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 June 1, 2021, the Company issued unsecured RMB denominated RMB settled convertible bonds (referred to as "Sanhua Convertible Bonds") in an aggregate principal amount of RMB3,000,000,000 with a face value of RMB100 yuan per bond. As at June 30, 2021, pursuant to the approval from the China Securities Regulatory Commission, Sanhua Convertible Bonds were listed on the Shenzhen Stock Exchange.

The conversion period for Sanhua Convertible Bonds is from December 7, 2021 to May 31, 2027, with an initial conversion price of RMB21.55 yuan per share subject to anti-dilution clauses.

Sanhua Convertible Bonds will be redeemed on maturity at a value of the aggregate of 110% of the outstanding RMB principal amount and all amounts accrued thereon.

The fair value of the liability component of Sanhua Convertible Bonds is estimated using cash flows discounted at an effective interest rate for an equivalent non-convertible bond of the Company and subsequently measured at amortized cost basis until it is extinguished on conversion or redemption, while the fair value of the equity component is the residual amount of the proceeds attributable to the bonds and is recognized in the "Equity reserves — convertible bonds".

24,610 shares, 47,697 shares (Note 30) and 141,926,470 shares (Note 30), totaling 141,998,777 shares were converted during the years ended December 31, 2021, 2022 and 2023, respectively. The remaining 37,663 bonds were redeemed in full during the year ended December 31, 2023.

(d) As at December 31, 2022, 2023 and 2024, the Group's borrowings were repayable as follows:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,794,549	2,583,346	2,053,766
Between 1 and 2 years	1,371,574	430,801	1,396,236
Between 2 and 5 years	3,206,764	600,000	649,537
	6,372,887	**3,614,147**	**4,099,539**

(e) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest payable on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Secured			
Bank loans	2,399,643	2,600,000	–
Unsecured			
Bank loans	100,000	–	3,174,000
Debentures	2,776,764	–	–
	2,876,764	–	3,174,000
Interest payables	2,140	4,381	4,447
Less: current-portion for long-term borrowings	(500,465)	(1,371,195)	(500,420)
Less: short-term borrowings	(199,744)	(202,385)	(632,254)
	4,578,338	**1,030,801**	**2,045,773**

27. TRADE AND NOTES PAYABLES

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes payables			
– Trade payables	3,884,603	4,449,940	5,985,427
– Notes payables	2,580,275	3,416,712	3,791,835
	6,464,878	**7,866,652**	**9,777,262**

(a) As at December 31, 2022, 2023 and 2024, trade payables include payables for constructions and equipment were RMB416,796,000, RMB517,915,000 and RMB1,147,490,000.

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

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	3,583,659	4,024,590	5,516,132
Between 3 and 6 months	185,067	259,112	137,789
Between 6 months and 1 year	82,957	121,525	225,306
Over 1 year	32,920	44,713	106,200
	3,884,603	**4,449,940**	**5,985,427**

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes payables			
– Trade payables	1,384,664	1,465,144	1,208,365
– Notes payables	510,878	559,658	560,445
	1,895,542	**2,024,802**	**1,768,810**

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

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	1,314,709	1,363,694	1,157,508
Between 3 and 6 months	44,750	75,432	30,304
Between 6 months and 1 year	13,975	16,505	10,930
Over 1 year	11,230	9,513	9,623
	1,384,664	**1,465,144**	**1,208,365**

28. ACCRUALS AND OTHER PAYABLES

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and benefits	475,157	598,801	726,001
Warranty provisions	15,271	19,371	22,692
Restricted share repurchase obligation	214,660	118,010	354,074
Deposits payables	13,673	41,717	40,069
Taxes other than income tax payables	75,514	119,665	135,706
Accrued listing expenses	–	–	9,242
Dividend payables	–	–	2,528
Other accruals	110,651	71,545	116,808
	904,926	**969,109**	**1,407,120**

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Due to subsidiaries	1,616,574	4,169,525	555,840
Restricted share repurchase obligation	214,660	118,010	354,074
Salaries, wages and benefits	111,391	127,818	164,621
Taxes other than income tax payables	21,443	98,690	19,982
Deposits payables	2,358	7,458	28,151
Accrued listing expenses	–	–	9,242
Others	19,255	20,107	19,140
	1,985,681	**4,541,608**	**1,151,050**

29. OTHER CURRENT AND NON-CURRENT LIABILITIES

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Other current liabilities			
Other tax to be recognized	2,008	2,100	1,274
Other non-current liabilities			
Deferred income in relation to government grants	254,045	379,140	607,754
Long-term salaries, wages and bonuses *(a)*	34,260	39,840	33,943
Construction agency fees	23,730	18,154	18,154
Deposits	4,831	11,291	–
	316,866	**448,425**	**659,851**

(a) Long-Term Salaries, Wages and Bonuses

Long-term salaries, wages and bonuses mainly consists of pension obligations and termination obligations which are measured as defined benefit plans as follows:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Pension obligations *(i)*	10,013	11,058	10,069
Clearance *(ii)*	15,158	17,495	13,652
Anniversary benefits *(ii)*	3,400	3,772	3,131
Other long-term benefits to employees *(iii)*	5,689	7,515	7,091
	34,260	**39,840**	**33,943**

(i) Pension Obligations

A subsidiary of the Group, AWECO Appliance Systems GmbH & Co. KG, located in Germany, established a performance-oriented pension plan for the family members of the former owners (refer to as "**Old Shareholders**"). The performance-based pension plan defines the amount that the Old Shareholders receive when they retire and the entitlement of the Old Shareholders to monthly pension payments is defined. The performance-oriented pension plan was assigned to a value that an independent actuary expert has calculated using the business value method. A corresponding update was made on the balance sheet date.

The actuarial assumptions used to determine the present value of pension obligations are as follows:

	As at December 31,		
	2022	**2023**	**2024**
Discount rate (%)	3.68%	3.05%	3.29%
Rate of pension increase (%)	0.00%	0.00%	0.00%

The pension increases of 0.0% is justified by the fact that there are no legal or contractual obligations to increase pensions after the persons in consideration are no longer employees or shareholders. No adjustments were made in all previous periods either.

The movement of the pension obligations are as follows:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	16,555	10,013	11,058
Net interest	146	367	322
Remeasurement (gains)/losses	(5,974)	749	(178)
Benefits payments	(1,084)	(672)	(677)
Foreign currency exchange differences	370	601	(456)
At the end of the year	**10,013**	**11,058**	**10,069**

The sensitivity of the pension obligations to changes in the principal assumptions is as below:

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Discount rate (%)			
– Decreased by 0.50%	10,563	11,671	10,604
Rate of pension increase			
– Increased by 0.50%	10,555	11,655	10,596

(ii) Clearances and Anniversary Benefits

In Austria, the Group grants its employees, in accordance with the local laws, benefits after termination of the employment relationship (clearances) and other long-term benefits depending on the years of service (anniversaries benefits).

The calculation of performance-related obligations for clearances and anniversaries benefits is carried out by an independent actuary. The performance-related commitments include the years of service as well as the expected salary developments and were determined using the entitlement present value method.

According to Austrian labor law, the settlements are one-off severance payments, which are paid at the termination of the employment relationship or in the event of retirement. As in the previous year, the amount paid depends on the time of service and the salary. These provisions apply to employees who joined the Group before the end of 2002.

Due to changes in the law, a contribution-oriented pension plan is applicable to employees who joined after this date. In accordance with these provisions, the Group pays a contribution of 1.53% of the monthly salary including additional remuneration (e.g. bonuses) to a pension insurance after the employee's second month of service. The pension is paid by the pension insurance after reaching retirement age.

The actuarial assumptions used to calculate the clearances and anniversaries benefits are as follows:

	As at December 31,		
	2022	2023	2024
Discount rate (%)	4.10%	3.60%	3.25%
Rate of salary increase (%)	2.50%	2.50%	2.50%
Employee fluctuation anniversary (%)	3.20%	3.00%	3.00%

Clearance

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	20,735	15,158	17,495
Net interest	190	627	564
Remeasurement (gains)/losses	(3,170)	1,926	1,514
Current services costs	622	497	487
Benefits payments	(3,719)	(1,643)	(5,747)
Foreign currency differences	500	930	(661)
At the end of the year	**15,158**	**17,495**	**13,652**

Anniversaries benefits

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	3,920	3,400	3,772
Net interest	29	138	124
Remeasurement (gains)/losses	(622)	92	(201)
Current services costs	168	138	147
Benefits payments	(198)	(199)	(564)
Foreign currency differences	103	203	(147)
At the end of the year	**3,400**	**3,772**	**3,131**

The sensitivity of the clearance and anniversaries benefits to changes in the principal assumptions is:

Clearance

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Discount rate (%)			
– Decreased by 0.50%	16,115	17,958	14,532
– Increased by 0.50%	14,972	16,811	13,546
Rate of salary increase			
– Decreased by 0.50%	14,957	16,803	13,539
– Increased by 0.50%	16,123	17,958	14,532

Anniversaries benefits

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Discount rate (%)			
– Decreased by 0.50%	3,348	3,717	3,078
– Increased by 0.50%	3,132	3,482	2,852
Rate of salary increase			
– Decreased by 0.50%	3,132	3,482	2,852
– Increased by 0.50%	3,348	3,717	3,078

(iii) Other Long-Term Benefits to employees

Other long-term benefits to the employees mainly represents employees from Poland that are entitled to a one-off pension, a disability benefit, a post-employment benefit and, since 2017, to a benefit depending on the years of service worked (anniversaries benefits).

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Other non-current liabilities			
Deferred income in relation to government grants	49,179	47,332	56,310

30. SHARE CAPITAL

The Group and The Company

	Year ended December 31,					
	2022		**2023**		**2024**	
	Share capital	**Number of shares**	**Share capital**	**Number of shares**	**Share capital**	**Number of shares**
	RMB'000	*'000*	*RMB'000*	*'000*	*RMB'000*	*'000*
At the beginning of the year	**3,591,090**	**3,591,090**	**3,590,869**	**3,590,869**	**3,732,616**	**3,732,616**
Shares issued upon the conversion of convertible bonds *(Note 26)*	48	48	141,926	141,926	–	–
Cancellation of shares under share schemes	(269)	(269)	(179)	(179)	(226)	(226)
At the end of the year	**3,590,869**	**3,590,869**	**3,732,616**	**3,732,616**	**3,732,390**	**3,732,390**

31. TREASURY SHARES

The Group and The Company

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	411,950	330,023	423,469
Repurchase of shares *(i)*	104,578	190,095	299,978
Exercise of restricted shares	(30,870)	(90,948)	(48,250)
Treasury shares transferred to the grantees *(ii)*	(325,674)	–	(577,663)
Recognition of restricted share repurchase obligation *(ii)*	175,850	–	292,693
Redemption of dividends on restricted shares	(3,942)	(4,128)	(6,255)
Cancellation of shares under share schemes	(1,869)	(1,573)	(2,124)
At the end of the year	**330,023**	**423,469**	**381,848**

(i) For the years ended December 31, 2022, 2023 and 2024, the Group repurchased treasury shares amounting to approximately RMB104,578,000, RMB190,095,000 and RMB299,978,000.

(ii) For the years ended December 31, 2022, the Group granted 17,585,000 restricted shares to certain incentive participants at RMB10.00 per share with a total cash consideration of RMB175,850,000, of which RMB149,824,000 were debited to "share premium" (Note 34) and RMB325,674,000 were credited to "treasury shares". Correspondingly, RMB175,850,000 were also debited to "treasury shares" and credited to "accruals and other payables" (Note 28) to recognize the repurchase obligation.

For the year ended December 31, 2024, the Group granted 24,910,000 restricted shares to certain incentive participants at RMB11.75 per share with a total cash consideration of RMB292,693,000, of which RMB284,970,000 were debited to "share premium" (Note 34) and RMB577,663,000 were credited to "treasury shares". Correspondingly, RMB292,693,000 were also debited to "treasury shares" and credited to "accruals and other payables" (Note 28) to recognize the repurchase obligation.

32. SHARE INCENTIVE SCHEME

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

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

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

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

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

	Year ended December 31,		
	2022	**2023**	**2024**
	('000)	*('000)*	*('000)*
At the beginning of the year	**10,342**	**23,772**	**12,452**
Granted	18,070	–	25,470
Vested	(4,434)	(11,227)	(5,272)
Lapsed	(206)	(92)	(504)
At the end of the year	**23,772**	**12,453**	**32,146**

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

The weighted average remaining contractual life of restricted shares outstanding as at December 31, 2022, 2023 and 2024 was 1.20 years, 0.99 years and 1.24 years, respectively. The weighted average remaining contractual life of share appreciation rights outstanding as at December 31, 2022, 2023 and 2024 was 1.52 years, 0.99 years and 1.22 years, respectively.

The total expenses arising from share-based payments during the Track Record Period are recorded as part of employee benefit expenses (Note 9).

33. RETAINED EARNINGS

The Group

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	**6,615,690**	**8,133,336**	**10,002,942**
Net profit	2,573,344	2,920,993	3,099,165
Dividends *(Note 12)*	(893,959)	(902,996)	(1,299,745)
Appropriation to statutory reserves	(161,739)	(148,391)	(152,050)
At the end of the year	**8,133,336**	**10,002,942**	**11,650,312**

The Company

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	**768,647**	**1,335,689**	**1,768,214**
Net profit	1,623,335	1,483,912	1,520,506
Dividends *(Note 12)*	(893,959)	(902,996)	(1,299,745)
Appropriation to statutory reserves	(162,334)	(148,391)	(152,050)
At the end of the year	**1,335,689**	**1,768,214**	**1,836,925**

34. OTHER RESERVES

The Group

	Share premium RMB'000	Surplus reserve RMB'000	Foreign currency differences RMB'000	Other reserves RMB'000	Total RMB'000
Balance at January 1, 2022	**188,318**	**701,785**	**(129,411)**	**185,101**	**945,793**
Currency translation differences	–	–	120,868	–	120,868
Conversion of convertible bonds	1,021	–	–	–	1,021
Share-based payment scheme:					
– Share-based compensation expenses	–	–	–	66,803	66,803
– Treasury shares transferred to the grantees	(149,824)	–	–	–	(149,824)
– Exercise of restricted shares	39,704	–	–	(39,704)	–
– Cancellation of shares under share scheme	(1,600)	–	–	–	(1,600)
– Others	1,117	–	–	(8,334)	(7,217)
Appropriation to statutory reserve	–	161,739	–	–	161,739
Balance at December 31, 2022	**78,736**	**863,524**	**(8,543)**	**203,866**	**1,137,583**

	Share premium RMB'000	Surplus reserve RMB'000	Foreign currency differences RMB'000	Other reserves RMB'000	Total RMB'000
Balance at January 1, 2023	**78,736**	**863,524**	**(8,543)**	**203,866**	**1,137,583**
Currency translation differences	–	–	123,300	–	123,300
Conversion of convertible bonds	3,104,717	–	–	–	3,104,717
Share-based payment scheme:					
– Share-based compensation expenses	–	–	–	51,168	51,168
– Exercise of restricted shares	95,331	–	–	(95,331)	–
– Cancellation of shares under share scheme	(1,392)	–	–	–	(1,392)
– Others	13,996	–	–	4,552	18,548
Appropriation to statutory reserve	–	148,391	–	–	148,391
Balance at December 31, 2023	**3,291,388**	**1,011,915**	**114,757**	**164,255**	**4,582,315**

	Share premium RMB'000	Surplus reserve RMB'000	Foreign currency differences RMB'000	Other reserves RMB'000	Total RMB'000
Balance at January 1, 2024	**3,291,388**	**1,011,915**	**114,757**	**164,255**	**4,582,315**
Currency translation differences	–	–	(253,120)	–	(253,120)
Capital contribution	–	–	–	–	–
Share-based payment scheme:					
– Share-based compensation expenses	–	–	–	109,071	109,071
– Treasury shares transferred to the grantees	(284,970)	–	–	–	(284,970)
– Exercise of restricted shares	38,190	–	–	(38,190)	–
– Cancellation of shares under share scheme	(1,898)	–	–	–	(1,898)
– Others	1,134	–	–	(2,964)	(1,830)
Transaction with non-controlling interests	(4,702)	–	–	–	(4,702)
Appropriation to statutory reserve	–	152,050	–	–	152,050
Balance at December 31, 2024	**3,039,142**	**1,163,965**	**(138,363)**	**232,172**	**4,296,916**

The Company

	Share premium RMB'000	Surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
Balance at January 1, 2022	**1,074,775**	**573,096**	**192,833**	**1,840,704**
Conversion of convertible bonds	1,021	–	–	1,021
Share-based payment scheme:				
– Share-based compensation expenses	–	–	66,803	66,803
– Treasury shares transferred to the grantees	(149,824)	–	–	(149,824)
– Exercise of restricted shares	39,704	–	(39,704)	–
– Cancellation of shares under share scheme	(1,600)	–	–	(1,600)
– Others	279	–	(3,460)	(3,181)
Appropriation to statutory reserve	–	162,334	–	162,334
Balance at December 31, 2022	**964,355**	**735,430**	**216,472**	**1,916,257**

	Share premium *RMB'000*	Surplus reserve *RMB'000*	Other reserves *RMB'000*	Total *RMB'000*
Balance at January 1, 2023	**964,355**	**735,430**	**216,472**	**1,916,257**
Conversion of convertible bonds	3,104,717	–	–	3,104,717
Share-based payment scheme:				
– Share-based compensation expenses	–	–	51,168	51,168
– Exercise of restricted shares	95,331	–	(95,331)	–
– Cancellation of shares under share scheme	(1,392)	–	–	(1,392)
– Others	12,586	–	3,372	15,958
Appropriation to statutory reserve	–	148,391	–	148,391
Balance at December 31, 2023	**4,175,597**	**883,821**	**175,681**	**5,235,099**

	Share premium *RMB'000*	Surplus reserve *RMB'000*	Other reserves *RMB'000*	Total *RMB'000*
Balance at January 1, 2024	**4,175,597**	**883,821**	**175,681**	**5,235,099**
Share-based payment scheme:				
– Share-based compensation expenses	–	–	109,071	109,071
– Treasury shares transferred to the grantees	(284,970)	–	–	(284,970)
– Exercise of restricted shares	38,190	–	(38,190)	–
– Cancellation of shares under share scheme	(1,898)	–	–	(1,898)
– Others	556	–	(2,135)	(1,579)
Appropriation to statutory reserve	–	152,050	–	152,050
Balance at December 31, 2024	**3,927,475**	**1,035,871**	**244,427**	**5,207,773**

35. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of Profit Before Income Tax to Net Cash Generated from Operations:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax for the year	3,051,258	3,553,264	3,691,687
Adjustments for:			
Interest income	(188,128)	(159,145)	(130,316)
Finance cost	235,671	229,583	132,384
Depreciation and amortization of non-current assets	641,422	809,951	1,013,524
Net (gains)/losses on disposal of property, plant and equipment and other non-current assets	(445,368)	1,157	14,595
Net impairment losses on financial assets	97,762	51,478	56,379
Impairment provision for inventories and other non-current assets	93,592	55,377	62,921
Share of profit of associates, net	(7,732)	(7,986)	(8,925)
Net losses on financial instruments	197,927	88,148	129,217
Net foreign exchange gains	(230,937)	(149,886)	(62,261)
Share-based compensation expenses	66,803	51,168	109,071
Change in working capital:			
Increase in receivables	(1,663,712)	(1,381,815)	(1,554,411)
Increase in payables	1,616,251	1,056,489	1,908,077
Increase in inventories	(790,662)	(343,251)	(718,017)
Cash generated from operations	**2,674,147**	**3,854,532**	**4,643,925**

(b) Non-Cash Activities

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of inventories and long-term assets by acceptance notes	153,096	190,928	281,580
Convertible bonds converted to shares *(Note 35(c))*	–	2,837,347	–
Additions of right-of-use assets by way of leasing liabilities *(Note 17)*	204,356	222,856	427,606

(c) **Net Debt Reconciliation**

	Bank borrowings and other borrowings	Debentures	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	**3,265,422**	**2,652,036**	**195,555**	**6,113,013**
Financing cash flows	331,018	–	(62,191)	268,827
Interest paid	(113,639)	(5,999)	(1,334)	(120,972)
Interest accrued	99,315	132,563	1,334	233,212
Other non-cash movements	14,007	(1,836)	136,325	148,496
At December 31, 2022	**3,596,123**	**2,776,764**	**269,689**	**6,642,576**
At January 1, 2023	**3,596,123**	**2,776,764**	**269,689**	**6,642,576**
Financing cash flows	275,623	(3,553)	(98,683)	173,387
Interest paid	(126,148)	(11,994)	(5,127)	(143,269)
Interest accrued	130,824	76,130	5,127	212,081
Other non-cash movements (i)	(262,275)	(2,837,347)	119,187	(2,980,435)
At December 31, 2023	**3,614,147**	**–**	**290,193**	**3,904,340**
At January 1, 2024	**3,614,147**	**–**	**290,193**	**3,904,340**
Financing cash flows	537,730	–	(105,305)	432,425
Interest paid	(131,871)	–	(18,704)	(150,575)
Interest accrued	133,563	–	18,704	152,267
Other non-cash movements	(54,030)	–	143,599	89,569
At December 31, 2024	**4,099,539**	**–**	**328,487**	**4,428,026**

(i) Other non-cash movements mainly include conversion of Sanhua Convertible Bonds for the year ended December 31, 2023 (Note 26).

36. CONTINGENCIES AND COMMITMENTS

36.1 Contingencies

The Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at December 31, 2022, 2023 and 2024, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the Financial Information.

36.2 Capital Commitments

The following shows the major capital commitments of the Group:

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment commitments:			
– Contracted, but not provided for	752,899	1,457,415	1,525,863
– Authorized, but not contracted	2,354,399	5,652,048	5,457,978
	3,107,298	**7,109,463**	**6,983,841**

On January 4, 2024, the Group and its subsidiary Hangzhou Xiantu Electronics Co., Ltd. (杭州先途電子有限公司) (hereinafter referred to as "**Xiantu Electronics**") signed an investment agreement with Hangzhou Qiantang New Area Management Committee (杭州錢塘新區管理委員會) for the Sanhua Intelligent Control Future Industrial Center project. The project consists of two sub-projects with a planned total investment of no less than RMB5,000,000,000. Up to December 31, 2024, about RMB4,799,502,000 was authorized but not contracted yet.

37. RELATED PARTY TRANSACTIONS

(a) Parent Entities

Name	**Place of incorporation**	**Ownership interest As at December 31,**		
		2022	**2023**	**2024**
Sanhua Holding Group Co., Ltd.	Zhejiang, PRC	47.83%	45.31%	45.31%

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

(b) Names and Relationship with Related Parties

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

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group for the years ended December 31, 2022, 2023 and 2024:

Name of the related parties	Relationship with the Group
Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司)	A shareholder of the Company A fellow subsidiary of the parent company
Hangzhou Tongchan Machinery Co., Ltd. (杭州通產機械有限公司)	A fellow subsidiary of the parent company
Hangzhou Sanhua Research Institute Co., Ltd. (杭州三花研究院有限公司)	A fellow subsidiary of the parent company
Hangzhou Lvneng New Energy Vehicle Parts Co., Ltd. (杭州綠能新能源汽車部件有限公司)	A fellow subsidiary of the ultimate controlling shareholder before March 2022
Hangzhou Sanhua International Building Co., Ltd. (杭州三花國際大廈有限公司)	A fellow subsidiary of the parent company
Xinchang County Sanhua Property Management Co., Ltd. (新昌縣三花物業管理有限公司)	A fellow subsidiary of the parent company
Shanghai Sanhua Electric Co., Ltd. (上海三花電氣有限公司)	A fellow subsidiary of the parent company
Zhejiang Sanhua Zhicheng Real Estate Development Co., Ltd. (浙江三花智成房地產開發有限公司)	A fellow subsidiary of the parent company
Zhejiang Haoyuan Technology Co., Ltd. (浙江灝源科技有限公司)	A fellow subsidiary of the parent company
Ningbo Fuerda Intelligent technology Co., Ltd. (寧波福爾達智能科技股份有限公司)	A fellow subsidiary of the parent company
Wuhu Alda Technology Co., Ltd. (蕪湖艾爾達科技有限責任公司)	An associate of the parent company
Hangzhou Formost Material Technology Co., Ltd. (杭州福膜新材料科技股份有限公司)	An associate of the parent company
Ningbo Jiaerling Pneumatic Machinery Co., Ltd. (寧波佳爾靈氣動機械有限公司)	A fellow subsidiary of the parent company
Tianjin Sanhua Industrial Park Management Co., Ltd. (天津三花產業園管理有限公司)	A fellow subsidiary of the parent company
Shaoxing Sanhua Zhiyue Real Estate Development Co., Ltd. (紹興三花智越房地產開發有限公司)	A fellow subsidiary of the parent company

Name of the related parties	Relationship with the Group
Shanghai Shijia Technology Co., Ltd. (上海時駕科技有限公司)	A non-executive director of the Company is a director of this entity
Chongqing Tainuo Machinery Co., Ltd. (重慶泰諾機械有限公司)	An associate of the Group
Qingdao Sanhua Jinlifeng Machinery Co., Ltd. (青島三花錦利豐機械有限公司)	An associate of the Group
Zhongshan Xuanyi Pipe Making Co., Ltd. (中山旋藝制管有限公司)	An associate of the Group
Ningbo Jinlifeng Machinery Co., Ltd. (寧波錦利豐機械有限公司)	An associate of the Group
Xinchang Jiaerling Technology Co., Ltd. (佳爾靈科技(新昌)有限公司)	A fellow subsidiary of the parent company
Fuerda Smartech S DE RL DE CV	A fellow subsidiary of the parent company
Ningbo Hongrong Business Managing Partnership Enterprise (寧波鴻榕企業管理合夥企業(有限合夥))	A key management personnel of the Company is the controlling shareholder of this entity

The following transactions and balances were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. In addition to those disclosed elsewhere in the Historical Financial Information, the Group has the following transactions with related parties:

(c) Material Transactions with Related Parties

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of goods and services:			
Fellow subsidiaries of the parent company	56,075	67,590	56,599
Associates of the Group	2,214	4,471	17,890
Fellow subsidiaries of the ultimate controlling shareholder	310	–	–
Parent company	117	590	1,495
Associates of the parent company	22	148	63
	58,738	**72,799**	**76,047**

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods and rendering of services:			
Fellow subsidiaries of the parent company	6,319	940	4,590
Associates of the Group	1,679	831	669
Fellow subsidiaries of the ultimate controlling shareholder	21,471	4,168	–
Parent company	1,705	1,687	1,888
Associates of the parent company	249	287	374
Others	–	308	359
	31,423	**8,221**	**7,880**

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Rental income:			
Fellow subsidiaries of the parent company	–	48	2,295
Parent company	5,309	5,309	5,360
Associates of the parent company	1,237	1,255	1,287
	6,546	**6,612**	**8,942**

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Rental expenses:			
Fellow subsidiaries of the parent company	6,383	10,249	10,174

For the year ended December 31, 2024, additions of right-of-use assets is RMB14,782,000. As at December 31, 2024, the balance of lease liabilities is RMB17,170,000.

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Utility cost reallocation – received from:			
Fellow subsidiaries of the parent company	2,555	26,717	30,784
Parent company	854	831	815
Associates of the parent company	1,262	985	646
	4,671	**28,533**	**32,245**
Utility cost reallocation – paid to:			
Fellow subsidiaries of the parent company	22,921	10,122	9,326

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Purchase of property, plant and equipment:			
Fellow subsidiaries of the parent company	2,055	1,121	392
Parent company	–	132	–
	2,055	**1,253**	**392**
Disposal of property, plant and equipment:			
Fellow subsidiaries of the parent company	205	–	322

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Guarantee provided by the parent company			
– Bank borrowings	2,300,000	2,400,000	–
– Letter of guarantee	–	3,000	–
	2,300,000	**2,403,000**	**–**

(d) Balance with Related Parties

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes receivables			
– Fellow subsidiaries of the parent company	578	3	7,765
– Associates of the Group	–	10	80
– Fellow subsidiaries of the ultimate controlling shareholder	9,075	–	–
– Associates of the parent company	6	–	–
– Others	–	48	125
	9,659	61	7,970
Less: credit loss allowance	(483)	(3)	(398)
	9,176	**58**	**7,572**

For the years ended December 31, 2022 and 2024, the amount of expense recognized in the year in respect of bad and doubtful debts are RMB206,000 and RMB395,000, respectively. For the year ended December 31, 2023, the amount of expense reversed in the year in respect of bad and doubtful debts are RMB480,000.

Trade and notes payables			
– Fellow subsidiaries of the parent company	1,072	658	4,937
– Associates of the Group	14,796	–	9,565
	15,868	**658**	**14,502**

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments, other receivables and other assets:			
– Fellow subsidiaries of the parent company	670	670	670
– Associates of the Group	–	68	–
– Others	–	–	458
	670	738	1,128
Less: provision for impairment	(51)	(67)	(67)
	619	**671**	**1,061**

For the years ended December 31, 2022, 2023 and 2024, the amount of expense recognized in the year in respect of bad and doubtful debts are RMB18,000, RMB16,000 and nil, respectively.

Accruals and other payables:			
– Fellow subsidiaries of the parent company	20	1,093	4,763
– Associates of the parent company	100	100	100
	120	**1,193**	**4,863**

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

(e) Key Management Compensation

Compensation of the key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 9(a), was as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Fees	357	324	324
Salaries, wages and bonuses	16,363	16,853	20,870
Share-based compensation expenses	1,951	1,374	2,197
Pension costs, housing fund, medical insurance and other social benefits	348	387	432
	19,019	**18,938**	**23,823**

As at December 31, 2022, 2023 and 2024, approximately RMB5,283,000, RMB4,383,000 and RMB7,140,000 of payroll payables which were unpaid as at year end and are included in accruals and other payables. The share-based payments provided to key management personnel consist of restricted share incentive schemes which are equity-settled, see Note 32.

38. EVENTS AFTER THE REPORTING PERIOD

On March 25, 2025, a final dividend in respect of the year ended December 31, 2024 of RMB2.5 per 10 shares (tax inclusive) has been proposed by the Board of Directors. On April 16, 2025, the proposed final dividend in respect of 2024 is approved by the Shareholders' meeting. These financial statements do not reflect this dividend payable as it was not approved as at the balance sheet date.

39. SUMMARY OF OTHER ACCOUNTING POLICIES

(1) Principles of Consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate.

(2) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group like transactions and events in similar circumstances, unless allowed by other standards. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's historical financial information only to the extent of interests in the associate that are not related to the Group.

The investments in associates are stated at cost less impairment in the consolidated statement of financial position. The results of associates are accounted for by the Group on the basis of dividends received and receivable.

Changes in the Group's interests in associates

When the Group reduces its ownership interests in an associate but the Group continues to use the equity method (including situations that change of ownership interest in an associate due to capital increase of other shareholders to the associate), the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interests if that gain or loss would have been reclassified to profit or loss on the disposal of the related assets or liabilities.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

(3) Business Combinations

(i) Business Combination not Under Common Controls

The acquisition method of accounting is used to account for all business combinations (except for the business combinations under common controls), regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

(ii) Business Combination Under Common Controls

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination with all periods presented as if the operations of the Group and the business acquired have always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

(4) Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment test of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill.

(5) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). Since the majority of the assets and operations of the Group are located in the PRC, the Historical Financial Information are presented in RMB, which is also the Company's functional and the Group's presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of profit or loss on a net basis within other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(iii) Group Companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(6) Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write-off the cost of investment properties over their estimated useful lives and after taking into account of their estimate residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(7) Property, Plant and Equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

(8) Impairment of Non-Financial Assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(9) Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(10) Financial Assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value through profit or loss, gains and losses will be recorded in profit or loss.

(ii) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

(iv) Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Details, please refer to credit risks in Note 3.2.

(11) Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)

- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or

- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains/(losses), net.

(12) Financial Liabilities

Financial liabilities are classified as financial liabilities at amortized cost and financial liabilities at FVPL at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortized cost, including trade and note payables, accruals and other payables, borrowings and customer deposit. Such financial liabilities are initially recognized at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognized or partly derecognized when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognized part of the financial liability and the consideration paid is recognized in profit or loss for the current period.

(13) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Costs of inventories are determined on the month-end weighted average method. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Share Capital and Capital Reserve

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are canceled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

(15) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(16) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

(17) Convertible Bonds

Convertible bonds that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments, which contain both a liability component (together with the early redemption option which is closely related to the host liability component) and an equity component.

At initial recognition the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible instrument. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortized cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognized in equity, net of any tax effects, until either the bonds are converted or redeemed.

If the bonds are converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. If the bonds are redeemed, the equity component is transferred to retained profits.

(18) Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

(19) Employee Benefits

(i) Short-Term Obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Housing Funds, Medical Insurances and Other Social Insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) Post-Employment Benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are certain oversea subsidiaries provide supplemental retirement benefits beyond the national regulatory insurance system.

(iv) Basic Pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(20) Share-Based Payments

Share-based payments can be distinguished into equity-settled share-based payments and cash-settled share-based payments. Equity-settled share-based payments are transactions of the Group settled through the payment of shares or other equity instruments in consideration for receiving services.

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognizing services rendered during the period in relevant costs or expenses and crediting the capital reserve accordingly at the fair value on the date of grant according to the best estimates conducted by the Group at each date of the end of the reporting period during the pending period. For details see Note 32.

No expense is recognized for awards that do not ultimately vest due to non-fulfillment of non-market conditions and/or vesting conditions. For the market or non-vesting condition under the share-based payments agreement, it should be treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that other performance condition and/or vesting conditions are satisfied.

Where the terms of an equity-settled share-based payment are modified, as a minimum, services obtained are recognized as if the terms had not been modified. In addition, an expense is recognized for any modification which increases the total fair value of the instrument ranted or is otherwise beneficial to the employee as measured at the date of modification.

(21) Dividend Distribution

Dividend distribution to the shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

(22) Interest Income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income from financial instruments is calculated by effective interest method and recognized in profit or loss for the current period. Interest income comprises premiums or discounts, or the amortization based on effective rates of other difference between the initial carrying amount and the due amount of interest-earning assets.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and the interest income or interest costs based on effective rates. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the financial instruments or applicable shorter period are discounted to the current carrying amount of the financial instruments. When calculating the effective interest rate, the Group estimates cash flows by considering all contractual terms of the financial instrument (e.g., early repayment options, similar options, etc.), but without considering future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income from impaired financial assets is calculated at the interest rate that is used for discounting estimated future cash flow when measuring the impairment loss.

(23) Dividend Income

Dividend income is recognized when the right to receive dividend payment is established.

(24) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(25) Government Grant

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(26) Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognized due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification, that are not subject to initial recognition exemption are recognized on the date of remeasurement or modification.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(27) Leases

(i) Definition of a Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(ii) The Group as a Lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-Term Leases and Leases of Low-Value Assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-Use Assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Land leases are also in the scope of IFRS 16. The Group recognizes any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease Liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

(iii) The Group as a Lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2024 and up to the date of this report.

The following is the text of a report set out on pages IA-1 to IA-2, received from the Company's reporting accountant, Confucius International CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. This information set out below is the unaudited interim condensed consolidated financial information of the Group for the three months ended March 31, 2025 and does not form part of the Accountant's Report from the reporting accountant, Confucius International CPA Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purpose only.

PAN-CHINA
天健國際會計師事務所有限公司
Confucius International CPA Limited Certified Public Accountants

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE DIRECTORS OF ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.

Introduction

We have reviewed the interim financial information set out on pages IA-3 to IA-37, which comprises the interim condensed consolidated statement of financial position of Zhejiang Sanhua Intelligent Controls Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") as at March 31, 2025 and the related interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three-month period then ended and selected explanatory notes (together, the "**Interim Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Other Matter

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at December 31, 2024. The comparative information for the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows, and related explanatory notes, for the period ended March 31, 2024 has not been audited or reviewed.

Confucius International CPA Limited
Certified Public Accountants
Hong Kong
13 June 2025

Interim condensed consolidated statements of profit or loss

	Notes	**Three months ended March 31, 2025** *RMB'000 (Unaudited)*	**2024** *RMB'000 (Unaudited)*
Revenue	*4*	7,669,450	6,439,559
Cost of revenue	*7*	(5,614,188)	(4,698,917)
Gross profit		**2,055,262**	**1,740,642**
General and administrative expenses	*7*	(504,010)	(457,175)
Selling and marketing expenses	*7*	(143,037)	(127,299)
Research and development expenses	*7*	(359,855)	(317,015)
Net impairment losses on financial assets		(46,316)	(48,569)
Other income	*5*	77,685	65,587
Other gains/(losses), net	*6*	54,665	(39,390)
Operating profit		**1,134,394**	**816,781**
Finance income	*8*	8,503	17,495
Finance costs	*8*	(37,252)	(34,676)
Finance costs, net	*8*	(28,749)	(17,181)
Share of profit or loss of investments accounted for using the equity method	*11*	2,414	1,252
Profit before income tax		**1,108,059**	**800,852**
Income tax expenses	*9*	(184,589)	(154,698)
Profit for the period		**923,470**	**646,154**
Attributable to:			
– Owners of the Company		903,416	647,743
– Non-controlling interests		20,054	(1,589)
		923,470	646,154
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
• Basic	*10*	0.24	0.17
• Diluted	*10*	0.24	0.17

Interim condensed consolidated statements of comprehensive income

	Three months ended March 31,	
	2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit for the period	**923,470**	**646,154**
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods, net of tax:		
– Currency translation differences of foreign operations	(13,540)	(17,346)
Other comprehensive income for the period, net of tax	**(13,540)**	**(17,346)**
Total comprehensive income for the period	**909,930**	**628,808**
Attributable to:		
– Owners of the Company	889,876	630,397
– Non-controlling interests	20,054	(1,589)
	909,930	628,808

Interim condensed consolidated statements of financial position

	Notes	As at March 31, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	12,651,910	12,274,558
Investment properties		7,099	7,053
Right-of-use assets	13	1,179,818	1,205,331
Deferred tax assets		109,083	112,699
Intangible assets	14	37,800	36,520
Investments accounted for using the equity method	11	39,314	40,600
Other non-current assets	16	455,310	376,825
Total non-current assets		**14,480,334**	**14,053,586**
Current assets			
Inventories	17	5,086,082	5,280,442
Prepayments and other receivables	16	319,603	417,039
Trade and notes receivables	15	10,536,425	9,628,337
Financial assets at fair value through profit or loss	3.3	10,797	6,237
Term deposits and restricted cash	18	1,640,313	1,805,065
Cash and cash equivalents	18	3,103,328	3,443,503
Other current assets	16	1,983,842	1,720,540
Total current assets		**22,680,390**	**22,301,163**
Total assets		**37,160,724**	**36,354,749**

	Notes	As at March 31, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	1,762,193	2,045,773
Lease liabilities	13	216,337	237,913
Deferred tax liabilities		263,141	258,264
Other non-current liabilities	22	698,712	659,851
Total non-current liabilities		**2,940,383**	**3,201,801**
Current liabilities			
Borrowings	19	2,466,406	2,053,766
Trade and notes payables	20	9,823,794	9,777,262
Contract liabilities	4	56,612	49,462
Lease liabilities	13	95,523	90,574
Current income tax liabilities		185,264	174,168
Financial liabilities at fair value through profit or loss	3.3	24,481	79,678
Accruals and other payables	21	1,093,488	1,407,120
Other current liabilities	22	1,298	1,274
Total current liabilities		**13,746,866**	**13,633,304**
Total liabilities		**16,687,249**	**16,835,105**
EQUITY			
Equity attributable to owners of the Company			
– Share capital		3,732,390	3,732,390
– Other reserves	25	4,333,990	4,296,916
– Treasury shares	23	(387,661)	(381,848)
– Retained earnings	24	12,553,728	11,650,312
		20,232,447	19,297,770
Non-controlling interests		241,028	221,874
TOTAL EQUITY		**20,473,475**	**19,519,644**
TOTAL LIABILITIES AND EQUITY		**37,160,724**	**36,354,749**

Interim condensed consolidated statements of changes in equity

Three months ended at March 31, 2025 *(Unaudited)*	Attributable to owners of the Company						
	Share capital	Treasury shares	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000* *(Note 23)*	*RMB'000* *(Note 25)*	*RMB'000* *(Note 24)*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2025	3,732,390	(381,848)	4,296,916	11,650,312	19,297,770	221,874	19,519,644
Profit for the period	–	–	–	903,416	903,416	20,054	923,470
Other comprehensive income	–	–	(13,540)	–	(13,540)	–	(13,540)
Total comprehensive income	**–**	**–**	**(13,540)**	**903,416**	**889,876**	**20,054**	**909,930**
Share-based payment *(Note 25)*	–	–	50,614	–	50,614	–	50,614
Dividends declared	–	–	–	–	–	(900)	(900)
Repurchase of shares *(Note 23(i))*	–	(5,813)	–	–	(5,813)	–	(5,813)
Balance at March 31, 2025	**3,732,390**	**(387,661)**	**4,333,990**	**12,553,728**	**20,232,447**	**241,028**	**20,473,475**

Three months ended at March 31, 2024 *(Unaudited)*	Share capital *RMB'000*	Treasury shares *RMB'000* *(Note 23)*	Other reserves *RMB'000* *(Note 25)*	Retained earnings *RMB'000* *(Note 24)*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
	Attributable to owners of the Company						
Balance at January 1, 2024	3,732,616	(423,469)	4,582,315	10,002,942	17,894,404	169,304	18,063,708
Profit for the period	–	–	–	647,743	647,743	(1,589)	646,154
Other comprehensive income	–	–	(17,346)	–	(17,346)	–	(17,346)
Total comprehensive income	**–**	**–**	**(17,346)**	**647,743**	**630,397**	**(1,589)**	**628,808**
Capital injection	–	–	–	–	–	11,171	11,171
Share-based payment *(Note 25)*	–	–	6,341	–	6,341	–	6,341
Dividends declared	–	–	–	–	–	(1,200)	(1,200)
Repurchase of shares *(Note 23(i))*	–	(285,997)	–	–	(285,997)	–	(285,997)
Transaction with non-controlling interests	–	–	(6,363)	–	(6,363)	6,363	–
Balance at March 31, 2024	**3,732,616**	**(709,466)**	**4,564,947**	**10,650,685**	**18,238,782**	**184,049**	**18,422,831**

Interim condensed consolidated statements of cash flows

		Three months ended March 31,	
	Notes	**2025**	**2024**
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
Cash flows from operating activities			
Cash generated from operations	*26(a)*	562,097	271,338
Interest received		8,503	17,495
Income tax paid		(158,664)	(212,490)
Net cash generated from operating activities		**411,936**	**76,343**
Cash flows from investing activities			
Proceeds from return on investments		7,165	6,250
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets		100	41
Withdraw of term deposits and wealth management products		591,304	281,185
Government grant received in relation to assets		52,357	14,322
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		(752,140)	(889,062)
Placement of term deposits and wealth management products		(675,501)	(30,000)
Payments for settlement of derivative financial instruments		(28,783)	(13,635)
Others		18,366	162
Net cash used in investing activities		**(787,132)**	**(630,737)**

	Notes	Three months ended March 31, 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Cash flows from financing activities			
Capital contributions from the non-controlling interests		–	10,500
Proceeds from borrowings		958,848	1,123,736
Repayments of borrowings		(829,062)	(923,736)
Principal elements of lease payments		(21,658)	(17,023)
Interests paid		(38,363)	(33,563)
Dividends paid to the non-controlling interests		(3,428)	(1,200)
Payments for repurchase of shares		(5,814)	(285,998)
Payments for listing expenses		(9,931)	–
Others		(2,032)	(20,000)
Net cash generated from/(used in) financing activities		**48,560**	**(147,284)**
Net decrease in cash and cash equivalents		**(326,636)**	**(701,678)**
Cash and cash equivalents at beginning of the period		3,443,503	3,624,955
Effects of exchange rate changes on cash and cash equivalents		(13,539)	(6,846)
Cash and cash equivalents at the end of the period	*18*	**3,103,328**	**2,916,431**

II. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Zhejiang Sanhua Intelligent Controls Co., Ltd. (hereinafter referred to as "**the Company**") is a joint stock company with limited liability incorporated in the People's Republic of China (the "**PRC**"). The former entity of the Company, Sanhua-Fujikoki Co., Ltd., (三花不二工機有限公司), was incorporated as a Sino-Japanese joint venture on September 10, 1994. On December 19, 2001, the Company was established through converting Sanhua-Fujikoki Co., Ltd., to a joint stock company, which later changed its name to Zhejiang Sanhua Intelligent Controls Co., Ltd. The registered office and principal place of business of the Company is located at No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang Province PRC. The Company is listed on the Shenzhen Stock Exchange (stock code: 002050) on June 7, 2005. The parent and the ultimate holding company of the Company is Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) (hereinafter referred to as "**the Holding Company**"), which is also incorporated in the PRC.

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

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation

This interim condensed consolidated financial information, comprising interim condensed consolidated statement of financial position as at March 31, 2025, the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three months ended March 31, 2025 (collectively referred to as the "**Interim Financial Information**"), has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**").

The Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the historical financial information for the years ended December 31, 2022, 2023 and 2024 (the "**Historical Financial Information**") as disclosed in Appendix IA to the prospectus issued by the Company.

This Interim Financial Information contains consolidated financial statements and selected explanatory notes. The selected notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the latest annual consolidated financial statements as at and for the year ended December 31, 2024. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards ("**IFRS**"). Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the Historical Financial Information and notes thereto.

2.2 New Standards and Amendments to Standards Not Yet Adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group are as follows:

Standards and amendments	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined
Amendments to IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments'	January 1, 2026
Amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature-dependent Electricity'	January 1, 2026
Annual Improvements – Volume 11 IFRS accounting standards	January 1, 2026
IFRS 18 'Presentation and Disclosure in Financial Statements'	January 1, 2027

The Group has already commenced an assessment of the impact of these new standards and amendments. IFRS 18 will replace IAS 1 'Presentation of Financial Statements' to introduce the new requirements mainly for presentation of the statement of profit or loss and new disclosures to the future financial statements. Except for the impact of IFRS 18 above, other new/amended standards are either not relevant to the Group or not expected to have a material impact on the Group's consolidated financial statements when they become effective.

2.3 Critical Accounting Estimates and Judgements

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

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the Historical Financial Information.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Historical Financial Information. There were no significant changes in any material risk management policies during the three months ended March 31, 2025.

3.2 Capital Management

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

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

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

	As at March 31, 2025	**As at December 31, 2024**
	RMB'000	*RMB'000*
	(Unaudited)	
Total assets	37,160,724	36,354,749
Total liabilities	16,687,249	16,835,105
Debt to asset ratio	44.9%	46.3%

3.3 Fair Value Estimation

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

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

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

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

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

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

As at March 31, 2025 *(Unaudited)*	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Financial assets at fair value through profit or loss – Derivative financial assets	9,298	1,499	–	10,797
Financial liabilities at fair value through profit or loss – Derivative financial liabilities	98	24,383	–	24,481

As at December 31, 2024	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Financial assets at fair value through profit or loss – Derivative financial assets	6,237	–	–	6,237
Financial liabilities at fair value through profit or loss – Derivative financial liabilities	2,819	76,859	–	79,678

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

(b) ***Valuation Techniques Used to Determine Fair Values***

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

4. OPERATING SEGMENT INFORMATION

(a) Description of Segments and Principal Activities

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("**CODM**"). The executive directors assess the financial performance and position of the Group and makes strategic decisions. The executive directors, which has been identified as being the CODM, consists of the chief executive officer, the chief financial officer and the managers for each business unit. The CODM review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

For the three months ended March 31, 2025 and 2024, the CODM have identified the following reportable segments from a product perspective:

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

(b) Segment Information

For the three months ended March 31, 2025 and 2024, the CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, general and administrative expenses and research and development expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Net impairment losses on financial assets, other income, other gains/(losses), net, finance costs, net and income tax expenses are also not allocated to individual operating segment.

Segment information for the three months ended March 31, 2025 is as follows:

	Refrigeration and air-conditioning product components	**Automotive components**	**Inter segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Revenue from contracts with external customers	4,960,078	2,707,225	–	7,667,303
Inter-segment revenue	–	–	–	–
Other revenue (i)	–	2,147	–	2,147
Operating costs	(3,647,252)	(1,966,936)	–	(5,614,188)
Segment profit	1,312,826	742,436	–	2,055,262
Other profit or loss				(947,203)
Total profit before income tax				1,108,059
Total assets	22,613,222	14,547,502	–	37,160,724
Total liabilities	10,338,644	6,348,605	–	16,687,249
Investments in associates	39,314	–	–	39,314
Share of profit of associates, net	2,414	–	–	2,414
Net impairment losses on financial assets	58,816	(12,500)	–	46,316
Depreciation and amortization	169,259	122,448	–	291,707

Segment information for the three months ended March 31, 2024 is as follows:

	Refrigeration and air-conditioning product components	**Automotive components**	**Inter segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Revenue from contracts with external customers	3,868,717	2,567,581	–	6,436,298
Inter-segment revenue	–	–	–	–
Other revenue (i)	–	3,261	–	3,261
Operating costs	(2,828,922)	(1,869,995)	–	(4,698,917)
Segment profit	1,039,795	700,847	–	1,740,642
Other profit or loss				(939,790)
Total profit before income tax				800,852
Share of profit of associates, net	1,252	–	–	1,252
Net impairment losses on financial assets	45,310	3,259	–	48,569
Depreciation and amortization	126,749	92,191	–	218,940

(i) Other revenue mainly represents lease income.

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

	Three months ended March 31, 2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue from contracts with external customers recognized at a point in time		
– Refrigeration and air-conditioning product components	4,960,078	3,868,717
– Automotive components	2,707,225	2,567,581
	7,667,303	**6,436,298**

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

	Three months ended March 31, 2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Mainland China	4,146,384	3,503,944
Other countries or regions	3,523,066	2,935,615
	7,669,450	**6,439,559**

(c) Contract Liabilities

During the three months ended March 31, 2025 and 2024, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liabilities were primarily due to the recognition of revenues upon fulfilment of performance obligations.

	As at March 31, 2025	As at December 31, 2024
	RMB'000	*RMB'000*
	(Unaudited)	
Contract liabilities	56,612	49,462

	Three months ended March 31, 2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue recognized that was included in the beginning balance	49,462	51,789

Management expects that the unsatisfied obligation of RMB56,612,000 and RMB49,462,000 as at March 31, 2025 and December 31, 2024, respectively, will be recognized as revenue during the next twelve months.

5. OTHER INCOME

	Three months ended March 31, 2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Government grants	45,668	32,427
Additional deduction for VAT (i)	17,027	6,016
Interest income (ii)	12,726	25,182
Others	2,264	1,962
	77,685	**65,587**

(i) Pursuant to the Announcement [2023] No.43 "Notice on the Additional Value-Added Tax ("**VAT**") Deduction Policy for Advanced Manufacturing Enterprises (《關於先進製造業企業增值稅加計抵減政策的公告》)" issued in 2023 by the Ministry of Finance and the State Taxation Administration, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT from January 1, 2023 to December 31, 2027.

(ii) The amount mainly comprises interest income on the Group's term deposits classified as financial assets at amortized cost calculated using the effective interest method. Interest income from cash and cash equivalent is included in "Finance costs, net" (Note 8).

6. OTHER GAINS/(LOSSES), NET

	Three months ended March 31, 2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net losses on disposal of financial instruments	(22,632)	(14,806)
Fair value changes on derivative financial instruments	64,003	(39,318)
Net foreign exchange differences	17,485	16,672
Net losses on disposal of property, plant and equipment and other long-term assets	(4,698)	(2,727)
Others	507	789
	54,665	**(39,390)**

7. EXPENSE BY NATURE

Expenses included in cost of revenue, general and administrative expenses, selling and marketing expenses and research and development expenses are analyzed as follows:

	Three months ended March 31,	
	2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Raw materials and consumables used	4,310,415	3,574,147
Employee benefit expenses	1,283,254	1,056,594
Depreciation and amortisation	291,707	218,940
Utility costs	145,838	134,722
Office expenses	69,363	64,744
Professional services and other consulting fees	26,890	30,809
Surplus taxes	41,053	34,568
Marketing, conference and traveling expenses	21,506	21,301
Impairment losses on inventories	1,850	5,968
Listing expenses	2,567	–
Other expenses	426,647	458,613
	6,621,090	**5,600,406**

8. FINANCE COSTS, NET

	Three months ended March 31,	
	2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Finance income:		
Interest income from financial assets held for cash management purposes	8,503	17,495
Finance costs:		
Interest expenses on lease liabilities	(5,262)	(724)
Interest expenses on borrowings	(33,461)	(33,739)
Net exchange gains/(losses) on foreign currency borrowings and others	1,471	(213)
Finance costs total	(37,252)	(34,676)
Finance costs, net	**(28,749)**	**(17,181)**

9. INCOME TAX EXPENSES

The income tax expenses of the Group during the three months ended March 31, 2025 and 2024 are analyzed as follows:

	Three months ended March 31,	
	2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax	161,687	160,729
Deferred income tax	22,902	(6,031)
	184,589	**154,698**

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

(a) PRC Corporate Income Tax

Certain subsidiaries of the Group have obtained High and New Technology Enterprises certification ("**HNTE**") and hence they are entitled to a preferential corporate income tax rate of 15% for a valid period of 3 years. Other subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the rate of 25%.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2022 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "**Super Deduction for research and development**").

(b) US Corporate Income Tax

The applicable income tax rate of United States where the Company's subsidiaries having significant operations is 0%-10% and 21%, which is a blended state rate and federal rate respectively.

(c) Corporate Income Tax in Other Jurisdictions

The income tax rates of the subsidiaries from other jurisdictions, including Germany, Singapore, Mexico and Japan, had been calculated on the estimated assessable profit at the respective rates prevailing in the relevant jurisdictions.

(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 March 31, 2025, Pillar Two legislation has been enacted or substantively enacted and has taken effect from January 1, 2024, in nine jurisdictions where the Group operates. Additionally, it has newly taken effect from January 1, 2025 in four jurisdictions where the Group operates.

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

10. EARNINGS PER SHARE

(a) Basic Earnings Per Share

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

	Three months ended March 31,	
	2025	**2024**
	(Unaudited)	*(Unaudited)*
Profit attributable to ordinary shareholders of the Company used in calculating basic EPS (RMB'000)	903,416	647,743
Weighted average number of ordinary shares in issue (thousands)	3,699,933	3,713,773
Basic EPS (RMB per share)	**0.24**	**0.17**

(b) Diluted Earnings Per Share

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

	Three months ended March 31,	
	2025	**2024**
	(Unaudited)	*(Unaudited)*
Adjusted profit attributable to owners of the Company used in calculating diluted EPS (RMB'000)	903,416	647,743
Weighted average number of ordinary shares in issue (thousands)	3,699,933	3,713,773
Adjustments for potential shares arising from share schemes (thousands)	15,570	5,000
Weighted average number of ordinary shares used in calculating diluted EPS (thousands)	3,715,503	3,718,773
Diluted EPS (RMB per share)	**0.24**	**0.17**

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts of investments accounted for using the equity method recognized in the Interim Financial Information are as follows:

	As at March 31, 2025	As at December 31, 2024
	RMB'000	*RMB'000*
	(Unaudited)	
Associates	39,314	40,600

The movements of investments in associates during the three months ended March 31, 2025 and 2024 are as follows:

	Three months ended March 31,	
	2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
At the beginning of the period	40,600	37,924
Share of results of associates	2,414	1,252
Dividends	(3,700)	(6,250)
At the end of the period	**39,314**	**32,926**

The associates of the Group have been accounted based on the financial information prepared under the accounting policies consistent with the Group.

There was no associate of the Group as at March 31, 2025 which, in the opinion of the directors, was material to the Group.

12. PROPERTY, PLANT AND EQUIPMENT

	As at March 31, 2025	As at December 31, 2024
	RMB'000	*RMB'000*
	(Unaudited)	
Buildings	4,150,698	4,086,238
Freehold land	170,735	169,245
Machinery and equipment	5,658,063	5,540,560
Motor vehicles	21,285	21,140
Office equipment	148,429	146,517
Construction in progress	2,345,241	2,171,985
Leasehold improvement	157,459	138,873
	12,651,910	**12,274,558**

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

	Three months ended March 31,	
	2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of revenue	207,651	148,772
Selling and marketing expenses	312	65
General and administrative expenses	35,592	29,573
Research and development expenses	13,974	12,329
	257,529	**190,739**

13. LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts Recognized in the Consolidated Statement of Financial Position

	As at March 31, 2025	**As at December 31, 2024**
	RMB'000	*RMB'000*
	(Unaudited)	
Right-of-use assets		
Land use right	865,838	868,746
Buildings	308,443	331,340
Motor vehicles	5,537	5,245
	1,179,818	**1,205,331**
Lease liabilities		
Current	95,523	90,574
Non-current	216,337	237,913
	311,860	**328,487**

(b) Amounts Recognized in the Consolidated Statements of Profit or Loss

The consolidated statements of profit or loss and the consolidated statements of cash flows contain the following amounts relating to leases:

	Three months ended March 31,	
	2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Depreciation charge of right-of-use assets:		
– Land use right	5,268	4,663
– Buildings	25,985	19,230
– Motor vehicles	258	280
	31,511	**24,173**

	Three months ended March 31,	
	2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest expense (including in finance cost)	5,262	724
Expense relating to short-term and low value leases not included in lease liabilities	4,562	4,871
	9,824	**5,595**

The total cash outflows for lease payments during the three months ended March 31, 2025 and 2024 were approximately RMB31,482,000 and RMB22,618,000 respectively.

14. INTANGIBLE ASSETS

	As at March 31, 2025	**As at December 31, 2024**
	RMB'000	*RMB'000*
	(Unaudited)	
Software	27,704	25,928
Intellectual properties	10,096	10,592
	37,800	**36,520**

Amortization expenses have been charged to the consolidated statements of profit or loss as follows:

	Three months ended March 31,	
	2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
General and administrative expenses	1,806	3,112
Research and development expenses	654	538
	2,460	**3,650**

15. TRADE AND NOTES RECEIVABLES

	As at March 31, 2025	As at December 31, 2024
	RMB'000	*RMB'000*
	(Unaudited)	
Notes receivables	2,756,765	2,685,890
Trade receivables	8,207,936	7,317,720
Less: credit loss allowance	(428,276)	(375,273)
	10,536,425	**9,628,337**

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

	As at March 31, 2025	As at December 31, 2024
	RMB'000	*RMB'000*
	(Unaudited)	
Up to 3 months	6,329,306	5,800,080
3 to 6 months	1,194,630	784,254
6 to 12 months	657,865	697,599
1 to 2 years	18,094	26,881
2 to 3 years	6,210	8,523
Over 3 years	1,831	383
	8,207,936	**7,317,720**

(b) As at March 31, 2025 and December 31, 2024, trade receivables amounting to RMB69,823,000 and RMB84,120,000 were pledged for bank borrowings while notes receivables amounting to RMB2,390,925,000 and RMB1,839,462,000 were pledged for bank acceptance notes.

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at March 31, 2025 *RMB'000* *(Unaudited)*	As at December 31, 2024 *RMB'000*
Prepayments:		
Prepayments for materials	130,994	158,980
Other receivables:		
Tax refund receivables	90,861	172,315
Deposits and warranties	73,450	58,761
Others	33,629	35,318
	328,934	425,374
Less: provision for impairment	(9,331)	(8,335)
	319,603	**417,039**
Other current assets:		
Wealth management products measured at amortized cost (i)	1,741,403	1,499,928
Deductible input VAT	197,619	188,134
Prepaid corporate income tax	18,046	20,736
Capitalization of listing expenses	19,123	8,727
Others	7,651	3,015
	1,983,842	**1,720,540**

(i) As at March 31, 2025 and December 31, 2024, wealth management products mainly represent the principal and interests guaranteed income vouchers issued by the securities companies and reverse repurchase of government bond.

	As at March 31, 2025 *RMB'000* *(Unaudited)*	As at December 31, 2024 *RMB'000*
Other non-current assets:		
Prepayments for non-current assets	378,416	311,121
Others	77,103	65,910
	455,519	377,031
Less: provision for impairment	(209)	(206)
	455,310	**376,825**

17. INVENTORIES

	As at March 31, 2025 *RMB'000* *(Unaudited)*	As at December 31, 2024 *RMB'000*
Finished goods	3,251,933	3,833,666
Work in progress	755,020	787,733
Raw materials	1,188,501	774,517
Others	9,437	10,127
	5,204,891	5,406,043
Less: provision for impairment	(118,809)	(125,601)
	5,086,082	**5,280,442**

18. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED CASH

	As at March 31, 2025 *RMB'000* *(Unaudited)*	As at December 31, 2024 *RMB'000*
Cash and bank balances	4,743,641	5,248,568
Less: term deposits over three months	(1,597,074)	(1,739,651)
Less: restricted cash (i)	(43,239)	(65,414)
Cash and cash equivalents	**3,103,328**	**3,443,503**

(i) As at March 31, 2025 and December 31, 2024, the Group's demand deposits of RMB12,871,000 and RMB18,152,000 were pledged as a guarantee for the bank acceptance notes.

As at March 31, 2025 and December 31, 2024, the Group's bank balances of RMB27,169,000 and RMB44,063,000 were deposited as a guarantee for the future contracts.

As at March 31, 2025 and December 31,2024, another RMB3,199,000 deposits placed with banks were temporarily frozen for pending litigations.

19. BORROWINGS

	As at March 31, 2025 *RMB'000* *(Unaudited)*	As at December 31, 2024 *RMB'000*
Secured		
Bank loans	1,032,838	918,745
Unsecured		
Bank loans	3,189,000	3,174,000
Interest payables	6,761	6,794
Less: current-portion for long-term borrowings	(798,825)	(500,420)
Less: short-term borrowings	(1,667,581)	(1,553,346)
	1,762,193	**2,045,773**

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

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

(b) As at March 31, 2025, secured bank loans mainly included: (i) borrowings with a principal equivalent to approximately RMB1,029,979,000 guaranteed by the Company; (ii) borrowings with a principal equivalent to approximately RMB2,859,000 secured by the Group's certain notes receivables.

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

(c) As at March 31, 2025 and December 31, 2024, the Group's borrowings were repayable as follows:

	As at March 31, 2025 *RMB'000* *(Unaudited)*	As at December 31, 2024 *RMB'000*
Within 1 year	2,466,406	2,053,766
Between 1 and 2 years	1,664,193	1,396,236
Between 2 and 5 years	98,000	649,537
	4,228,599	**4,099,539**

(d) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest payable on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

20. TRADE AND NOTES PAYABLES

	As at March 31, 2025 *RMB'000* *(Unaudited)*	As at December 31, 2024 *RMB'000*
Trade and notes payables		
– Trade payables	5,809,693	5,985,427
– Notes payables	4,014,101	3,791,835
	9,823,794	**9,777,262**

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

	As at March 31, 2025 *RMB'000* *(Unaudited)*	As at December 31, 2024 *RMB'000*
Within 3 months	4,751,520	5,516,132
Between 3 and 6 months	497,066	137,789
Between 6 months and 1 year	371,778	225,306
Over 1 year	189,329	106,200
	5,809,693	**5,985,427**

21. ACCRUALS AND OTHER PAYABLES

	As at March 31, 2025	As at December 31, 2024
	RMB'000	*RMB'000*
	(Unaudited)	
Salaries, wages and benefits	483,974	726,001
Restricted share repurchase obligation	354,074	354,074
Taxes other than income tax payables	68,416	135,706
Deposits payables	40,956	40,069
Warranty provisions	18,330	22,692
Accrued listing expenses	11,320	9,242
Dividend payables	–	2,528
Other accruals	116,418	116,808
	1,093,488	**1,407,120**

22. OTHER CURRENT AND NON-CURRENT LIABILITIES

	As at March 31, 2025	As at December 31, 2024
	RMB'000	*RMB'000*
	(Unaudited)	
Other current liabilities		
Other tax to be recognized	1,298	1,274
Other non-current liabilities		
Deferred income in relation to government grants	645,687	607,754
Long-term salaries, wages and bonuses	34,871	33,943
Construction agency fees	18,154	18,154
	698,712	**659,851**

23. TREASURY SHARES

	Three months ended March 31,	
	2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
At the beginning of the period	381,848	423,469
Repurchase of shares (i)	5,813	285,997
At the end of the period	**387,661**	**709,466**

(i) For three months ended March 31, 2025 and 2024, the Group repurchased treasury shares amounting to approximately RMB5,813,000 and RMB285,997,000.

24. RETAINED EARNINGS

	Three months ended March 31, 2025	2024
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
At the beginning of the period	11,650,312	10,002,942
Net profit	903,416	647,743
At the end of the period	**12,553,728**	**10,650,685**

25. OTHER RESERVES

	Share premium	Surplus reserve	Foreign currency differences	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2025	3,039,142	1,163,965	(138,363)	232,172	4,296,916
Currency translation differences	–	–	(13,540)	–	(13,540)
Share-based payment scheme:					
– Share-based compensation expenses	–	–	–	36,206	36,206
– Others	–	–	–	14,408	14,408
Balance at March 31, 2025 (unaudited)	**3,039,142**	**1,163,965**	**(151,903)**	**282,786**	**4,333,990**

	Share premium	Surplus reserve	Foreign currency differences	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024	3,291,388	1,011,915	114,757	164,255	4,582,315
Currency translation differences	–	–	(17,346)	–	(17,346)
Share-based payment scheme:					
– Share-based compensation expenses	–	–	–	6,341	6,341
Transaction with non-controlling interests	(6,363)	–	–	–	(6,363)
Balance at March 31, 2024 (unaudited)	**3,285,025**	**1,011,915**	**97,411**	**170,596**	**4,564,947**

26. NOTES TO INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of Profit Before Income Tax to Net Cash Generated from Operations:

	Three months ended March 31,	
	2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit before income tax for the period	1,108,059	800,852
Adjustments for:		
Interest income	(21,229)	(42,677)
Finance cost	37,252	34,676
Depreciation and amortization of non-current assets	291,707	218,940
Net losses on disposal of property, plant and equipment and other non-current assets	3,030	2,727
Net impairment losses on financial assets	46,316	48,569
Impairment provision for inventories and other non-current assets	3,704	6,069
Share of profit of associates, net	(2,414)	(1,252)
Net (gains)/losses on financial instruments	(41,371)	54,124
Net foreign exchange gains	(17,485)	(16,672)
Share-based compensation expenses	36,206	6,341
Change in working capital:		
Increase in receivables	(685,713)	(508,809)
(Decrease)/Increase in payables	(397,117)	43,698
Decrease/(Increase) in inventories	201,152	(375,248)
Cash generated from operations	**562,097**	**271,338**

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

The Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at March 31, 2025, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the Financial Information.

27.2 Capital Commitments

The following shows the major capital commitments of the Group:

	As at March 31, 2025 RMB'000 (Unaudited)	As at December 31, 2024 RMB'000
Property, plant and equipment commitments:		
– Contracted, but not provided for	1,550,345	1,525,863
– Authorized, but not contracted	5,797,364	5,457,978
	7,347,709	**6,983,841**

28. RELATED PARTY TRANSACTIONS

(a) Parent Entities

Name	Place of incorporation	Ownership interest As at March 31, 2025 RMB'000 (Unaudited)	Ownership interest As at December 31, 2024 RMB'000
Sanhua Holding Group Co., Ltd.	Zhejiang, PRC	43.57%	45.31%

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

(b) Names and Relationship with Related Parties

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

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group during the period:

Name of the related parties	Relationship with the Group
Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司)	A shareholder of the Company A fellow subsidiary of the parent company
Hangzhou Tongchan Machinery Co., Ltd. (杭州通產機械有限公司)	A fellow subsidiary of the parent company
Hangzhou Sanhua Research Institute Co., Ltd. (杭州三花研究院有限公司)	A fellow subsidiary of the parent company

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

(c) **Material Transactions with Related Parties**

The following transactions and balances were carried out between the Group and its related parties during the three months ended March 31, 2025 and 2024. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

	Three months ended March 31,	
	2025	**2024**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Purchase of goods and services:		
Fellow subsidiaries of the parent company	16,170	20,427
Associates of the Group	6,790	4,484
Associates of the parent company	27	36
	22,987	**24,947**
Sales of goods and rendering of services:		
Fellow subsidiaries of the parent company	985	20
Associates of the Group	–	45
Parent company	154	204
Associates of the parent company	67	60
	1,206	**329**
Rental income:		
Associates of the parent company	75	320
Rental expenses:		
Fellow subsidiaries of the parent company	1,696	555
Utility cost reallocation – received from:		
Fellow subsidiaries of the parent company	8,235	7,338
Parent company	176	231
Associates of the parent company	135	239
	8,546	**7,808**
Utility cost reallocation – paid to:		
Fellow subsidiaries of the parent company	2,708	2,471

(d) Balance with Related Parties

	As at March 31, 2025	As at December 31, 2024
	RMB'000	*RMB'000*
	(Unaudited)	
Trade and notes receivables		
– Fellow subsidiaries of the parent company	1,017	7,765
– Associates of the Group	–	80
– Associates of the parent company	41	–
– Others	–	125
	1,058	7,970
Less: credit loss allowance	(52)	(398)
	1,006	**7,572**

For three months ended March 31, 2025, the amount of expense reserved in respect of bad and doubtful debts is RMB346,000. For three months ended March 31, 2024, the amount of expense recognized in respect of bad and doubtful debts is RMB43,000.

	As at March 31, 2025	As at December 31, 2024
	RMB'000	*RMB'000*
	(Unaudited)	
Prepayments, other receivables and other assets:		
– Fellow subsidiaries of the parent company	3,639	670
– Others	–	458
	3,639	1,128
Less: provision for impairment	(178)	(67)
	3,461	**1,061**

For three months ended March 31, 2025 and 2024, the amount of expense recognized in respect of bad and doubtful debts are RMB111,000 and nil, respectively.

	As at March 31, 2025 *RMB'000* *(Unaudited)*	As at December 31, 2024 *RMB'000*
Trade and notes payables:		
– Fellow subsidiaries of the parent company	685	4,937
– Associates of the Group	12,602	9,565
	13,287	**14,502**
Accruals and other payables:		
– Fellow subsidiaries of the parent company	3,247	4,763
– Associates of the parent company	–	100
	3,247	**4,863**

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

29. EVENTS AFTER REPORTING PERIOD

A final dividend in respect of the year ended December 31, 2024 of RMB2.5 per 10 shares (tax inclusive) was approved by the Shareholders' meeting on April 16, 2025. The dividend was not recognized as a liability as at March 31, 2025.

The information set out in this Appendix does not form part of the Accountant's Report from Confucius International CPA Limited, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at December 31, 2024 (the "**Unaudited Pro Forma Financial Information**") which has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effects of the Global Offering as if it had taken place on December 31, 2024 and based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at December 31, 2024, assuming the offer size adjustment option and the Over-allotment Option is not exercised.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Global Offering or any future date after completion of the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at December 31, 2024	Unaudited pro forma adjusted consolidated net tangible assets per Share as at December 31, 2024	
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$21.21 per share	19,262,391	6,879,405	26,141,796	6.39	6.97
Based on an Offer Price of HK$22.53 per share	19,262,391	7,309,460	26,571,851	6.49	7.09

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at December 31, 2024 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at December 31, 2024 of RMB19,297,770,000 with adjustments for the intangible assets of RMB35,379,000 attributable to the owners of the Company.

(2) The estimated net proceeds from the Global Offering are based on 360,330,000 Shares at the indicative Offer Price of HK$21.21, and HK$22.53 per share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of RMB1,311,000 which have been accounted for in the consolidated statements of profit or loss prior to 31 December 2024) and takes no account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the offer size adjustment option and the Over-allotment Option, any Shares that may be issued by the Company pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time under the Restricted Share Incentive Schemes or any Shares which may be issued or repurchased by the Company after the Latest Practicable Date.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 4,092,719,535 Shares (including 1,200,921 treasury shares) were in issue assuming that the Global Offering has been completed on December 31, 2024 but takes no account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the offer size adjustment option and the Over-allotment Option, any Shares that may be issued by the Company pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time under the Restricted Share Incentive Schemes or any Shares which may be issued or repurchased by the Company after the Latest Practicable Date.

(4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in Hong Kong dollars are converted into Renminbi at the rate of RMB1.00 to HK$1.0913. No representation is made that Hong Kong dollars has been, could have been or may be converted to Renminbi, or vice versa, at that rate.

(5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2024. In particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company have not been adjusted to illustrate the effect of the following:

Pursuant to a shareholders' resolution dated 16 April, 2025, it was resolved that a dividend of RMB0.25 per share totaling RMB932.75 million would be paid for year 2024. This dividend is not recorded in the financial statements of the Company for the year ended 31 December 2024 or this unaudited pro forma financial information. Had this dividend been adjusted in the unaudited pro forma financial information, the net tangible assets of the Group would decrease by RMB932.75 million and the net tangible assets per share would decrease by RMB0.2279 (equivalent to HK$0.2487).

PAN-CHINA
天健國際會計師事務所有限公司
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Certified Public Accountants

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Zhejiang Sanhua Intelligent Controls Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhejiang Sanhua Intelligent Controls Co., Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at December 31, 2024 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's prospectus dated 13 June 2025, in connection with the proposed initial public offering of the H shares of the Company (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's consolidated financial position as at December 31, 2024 as if the proposed initial public offering had taken place at December 31, 2024. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended December 31, 2024, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*, ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at December 31, 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Confucius International CPA Limited
Certified Public Accountants
Hong Kong,
13 June 2025

This Appendix mainly provides investors with an overview of the Articles of Association. As the following information is in summary form, it does not contain all the information that may be important to investors.

SHARES AND REGISTERED CAPITAL

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank pari passu with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any entity or individual.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase and Decrease of Shares

Based on the operation and development needs of the Company and subject to laws and regulations, the Company may increase its share capital via the following methods upon approval by resolutions at general meeting:

(I) Public offering of shares;

(II) Non-public offering of shares;

(III) Issuing bonus shares to existing shareholders;

(IV) Converting capital reserve into share capital;

(V) Other methods permitted by laws, administrative regulations and the CSRC.

The Company may reduce its registered share capital in accordance with the Articles of Association. The Company shall reduce its registered share capital in accordance with the Company Law and other relevant requirements and the procedures required by the Articles of Association.

Repurchase of Shares

The Company shall not purchase its own shares, save as under one of the following circumstances:

(I) Reduce its registered share capital;

(II) Merge with other companies which hold shares in the Company;

(III) For the purpose of employee stock ownership plans or share incentive schemes;

(IV) Repurchase its shares held by the shareholders who vote against any resolution proposed at any general meeting on the merger or division of the Company upon their request;

(V) Use shares for the conversion of the convertible corporate bonds issued by the Company;

(VI) Necessary for the Company to maintain its value and safeguard the interests of shareholders.

A resolution at a general meeting is required when the Company repurchases its shares under the circumstances set out in (I) or (II) set out above. Where the Company repurchases its shares under the circumstances set out in (III), (V) or (VI) above, a board resolution shall be passed by more than two-thirds of the directors attending the board meeting, provided that it complies with the applicable securities regulatory rules of the places where the Company's shares are listed. After the Company has repurchased its own shares in accordance with the circumstances (I) to (VI) set out above, the shares repurchased under the circumstance set out in (I) above shall be canceled within 10 days from the date of repurchase, the shares repurchased under the circumstances set out in (II) or (IV) above shall be transferred or canceled within six months, and for the shares repurchased under the circumstances set out in (III), (V) or (VI) above, the total number of the Company's shares held by the Company shall not exceed 10% of the total issued shares of the Company, and the shares so repurchased shall be transferred or canceled within three years. If a share repurchase shall be made under the circumstances stipulated in (III), (V) or (VI) above, it shall be conducted by way of public centralized bidding transactions.

The Company may purchase its own shares by centralized bidding transactions or other means approved by laws, administrative regulations and the securities regulatory authorities, provided that it complies with the applicable securities regulatory rules of the places where the Company's shares are listed.

Transfer of Shares

The shares of the Company may be transferred in accordance with laws.

The shares of the Company issued prior to a public offering shall not be transferred within one year from the date on which the shares of the Company are listed and traded on a stock exchange.

The directors, supervisors, and senior management of the Company shall regularly declare the number of shares held by them and the relevant changes, the number of shares transferred each year during their term of office shall not exceed 25% of the total number of shares of the Company held by them. The shares of the Company held by them shall not be transferred within one year from the date on which shares of the Company are listed and traded on a stock exchange. The shares in the Company held by them shall not be transferred within half a year from the date on which they cease to be employed by the Company. For any directors, supervisors and senior management who leave before the expiration of their terms of service shall continue to comply with the requirements on sell-down as required under relevant laws and regulations including the Company Law and the securities regulatory rules of the places where the Company's shares are listed within their defined terms of service and within six months after the expiration of their terms of service.

For any transfers in respect of the shares of the Company held by promoters, directors, supervisors, or senior management of the Company above, where the securities regulatory rules of the places where the Company's shares are listed provide otherwise in respect of the restrictions on transfer of shares, such rules shall prevail.

Any gains from sale of the Company's shares or other securities with equity nature by the Company's directors, supervisors and senior management or shareholders holding more than 5% of its shares within six months after their purchase of the same, and any gains from the purchase of the shares or other securities with equity nature by any of the aforesaid parties within six months after their sale of the same, shall belong to the Company, and the board of directors of the Company shall recover such gains from the abovementioned parties, except for the circumstance that a securities company holds more than 5% of the Company's shares as a result of purchase of all the unsold underwritten shares and other circumstances stipulated by the securities regulatory authorities under the State Council.

If the board of directors of the Company fails to comply with the provisions as set out above, shareholders are entitled to request the board of directors to satisfy the same within 30 days. If the board of directors of the Company fails to satisfy the same within the aforesaid period, the shareholders are entitled to initiate legal proceedings directly in the people's court in their personal capacity for the benefit of the Company. If the board of directors of the Company fails to comply with the provisions as set out above, the responsible directors shall bear joint liabilities in accordance with laws.

Transfer of any H Shares shall be executed with a written instrument of transfer in usual or common form or any other forms accepted by the board of directors (including the standard transfer format or transfer form specified from time to time by the Hong Kong Stock Exchange), which may only be signed by hand or (if the transferor or transferee is a company) affixed with an effective corporate seal. If the transferor or transferee is a recognized clearing house or its agent thereof defined in the relevant provisions in force from time to time of the Hong Kong laws, the instrument of transfer may be signed by hand or by machine imprinted signatures. All instruments of transfer shall be kept at the legal address of the Company or other place designated by the board of directors from time to time.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Shareholders

The register of members shall be the sufficient evidence to prove that the shareholders hold the shares of the Company. The Company shall establish a register of members based on the certificates provided by the securities registration authorities. The original H Share register shall be kept in Hong Kong for inspection by shareholders. The Company may close the register of members in accordance with applicable laws and regulations and the securities regulatory rules of the places where the Company's shares are listed. Where a shareholder listed in the register of members or a person requesting to have his/her name entered in the register of members lose his/her share certificates, the said shareholder or person may apply to the Company for the replacement of share certificates in respect of the said shares. The domestic unlisted shareholders whose share certificates have been lost shall apply for replacement of the share certificates pursuant to the relevant provisions of the Company Law. The shareholders of overseas listed foreign shares shall apply for replacement of the share certificates pursuant to the laws, rules of the stock exchange or other relevant requirements of the place where the original register of the holders of overseas listed foreign shares is maintained. The shareholders shall enjoy rights and assume obligations according to the class of shares they hold; shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Shareholders of the Company shall be entitled to:

(I) receiving dividends and benefit distributions in other forms pro rata to the number of shares held;

(II) requesting, convening, presiding over, attending or appointing proxies to attend general meeting in accordance with laws;

(III) exercising voting rights pro rata to their shareholding;

(IV) supervising, advising on or making inquiries about the business operations of the Company;

(V) transferring, granting or pledging their shares in accordance with the provisions of the laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association;

(VI) inspecting and copying the Articles of Association, the register of members, minutes of general meetings, resolutions of the board of directors, resolutions of the board of supervisors, financial and accounting reports;

(VII) participating in the distribution of the remaining properties of the Company pro rata to their shareholdings in the event of the termination or liquidation of the Company;

(VIII) requesting the Company to repurchase the shares from the dissenting shareholders who vote against the Company's resolution on merger or division proposed at a general meeting;

(IX) other rights conferred by laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

If any resolution of a general meeting or a board meeting is in violation of the laws and administrative regulations, shareholders shall have the right to petition a people's court for invalidating the said resolution. Where the procedures for convening or the method of voting at a general meeting or a board meeting are in violation of the laws, administrative regulations or the Articles, or the contents of any resolution are in breach of the Articles, shareholders shall have the right to petition the people's court for revocation of such resolution within 60 days from the date of the resolution.

The shareholders of the Company shall assume the following obligations:

(I) to comply with the laws, administrative regulations and the Articles;

(II) to pay subscription monies based on the shares subscribed and the method of subscription;

(III) no share capital shall be withdrawn except in circumstances stipulated by laws and regulations;

(IV) not to abuse shareholders' rights to the detriment of the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal person or abuse of the limited liability of a shareholder to jeopardize the interests of the Company's creditors;

(V) other obligations stipulated by laws, administrative regulations and the Articles.

In the event of any loss caused to the Company or other shareholders arising from any abuse of the shareholder's right, such shareholder shall be liable for compensation in accordance with laws. In the event of any material damage caused to the interests of the creditors of the Company arising from any abuse of the Company's independent legal person status and the limited liability of the shareholders by any shareholder to evade from debts, such shareholder shall be jointly and severally liable for the Company's debts.

General Provisions for Shareholders' General Meetings

General meeting is the organ of authority of the Company, which exercises the following powers in accordance with the law:

(I) decide on the Company's operational policies and investment plans;

(II) elect and replace directors and supervisors who are not employee representatives, and determine on matters concerning their remuneration;

(III) consider and approve reports of the board;

(IV) consider and approve reports of the board of supervisors;

(V) consider and approve the Company's annual financial budget and final accounting proposals;

(VI) consider and approve the Company's profit distribution and loss recovery proposals;

(VII) resolve on the increase or reduction of the Company's registered capital;

(VIII) resolve on the issuance of corporate bonds;

(IX) resolve on matters concerning the merger, division, dissolution, liquidation or change of corporate form of the Company;

(X) amend the Articles of Association;

(XI) resolve on the engagement or dismissal of accounting firms;

(XII) consider and approve the guarantee matters stipulated in Article 43 of the Articles of Association;

(XIII) consider matters concerning the purchase or sale of major assets over the past year that exceeds 30% of the Company's latest audited total assets;

(XIV) consider and approve matters relating to the change of use of proceeds;

(XV) consider equity incentive plans and employee stock ownership plans;

(XVI) consider other matters required to be resolved at a general meeting pursuant to laws, regulations, securities regulatory rules of the places where the shares of the Company are listed and the Articles of Association.

The following external guarantees of the Company shall be subject to the consideration and approval at the general meeting.

(I) any single guarantee with an amount exceeds 10% of the latest audited net assets;

(II) any guarantee to be provided after the total amount of external guarantees provided by the Company and its holding subsidiaries exceeds 50% of the Company's latest audited net assets;

(III) any guarantee to be provided to a party whose asset-liability ratio exceeds 70% according to its latest financial statements;

(IV) any guarantee where the cumulative guarantee amounts over the past 12 months exceeds 30% of the Company's latest audited total assets;

(V) any guarantee to be provided after the total amount of external guarantees provided by Company and its holding subsidiaries exceeds 30% of the Company's latest audited total assets;

(VI) any guarantee to be provided to shareholders, de facto controllers and their related parties;

(VII) other guarantee circumstances stipulated in the Articles of Association or the securities regulatory rules of the places where the Company's shares are listed.

When a guarantee mentioned in paragraph (IV) above is considered at the general meeting, it shall be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting.

When a proposal on providing a guarantee for any shareholder, any de facto controller and their related parties is considered at the general meeting, the said shareholder or the shareholders controlled by the said de facto controller shall abstain from voting on the proposal, and the proposal shall be subject to approval by a simple majority of the voting rights of the other shareholders present at the meeting.

General meetings shall be categorized as annual general meetings and extraordinary general meetings. Annual general meeting shall be convened once a year and shall be held within six months from the end of the preceding financial year.

The Company shall convene an extraordinary general meeting within two months upon the occurrence of any of the following circumstances:

(I) when the number of directors is less than the quorum required by the Company Law or less than two-thirds of the number stipulated in the Articles;

(II) when the Company's unrecovered losses amount to one-third of the total share capital;

(III) when shareholders who individually or collectively hold more than 10% of total number of the Company's voting shares make a written request;

(IV) when the board of directors deems it necessary;

(V) when the board of supervisors proposes to convene;

(VI) other circumstances stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed or the Articles of Association.

Convening of Shareholders' General Meetings

Shareholders individually or jointly holding more than 10% of the shares of the Company shall be entitled to request the board of directors to convene an extraordinary general meeting, and such request shall be made in writing. The board of directors shall, in accordance with the laws, administrative regulations and the Articles, furnish a written reply stating whether it agrees or disagrees with the convening of the extraordinary general meeting within ten days after receiving such request.

In the event that the board of directors agrees to convene an extraordinary general meeting, the notice of the meeting shall be issued within five days after the board passes the relevant resolution. Any changes to the original request made in the notice shall be agreed by the relevant shareholders. In the event that the board of directors disagrees to convene an extraordinary general meeting or does not furnish any reply within ten days after receiving such request, shareholders individually or jointly holding more than 10% of the shares of the Company shall be entitled to propose to the board of supervisors to convene an extraordinary general meeting, and such proposal shall be made in writing.

In the event that the board of supervisors agrees to convene an extraordinary general meeting, the notice of the meeting shall be issued within five days after receiving such request. Any changes to the original request made in the notice shall be agreed by the relevant shareholders. Failure of the board of supervisors to issue the notice of general meeting within the prescribed time limit shall be deemed as failure of the board of supervisors to convene and preside over a general meeting, and shareholders individually or jointly holding more than 10% of the Company's shares for more than 90 consecutive days are entitled to convene and preside over a general meeting on their own accord.

Where the board of supervisors or shareholders decide(s) to convene a general meeting on their own accord, the board of directors shall be notified in writing, and records shall be filed with the CSRC branch at the location of the Company and the stock exchanges. Prior to announcement on the resolutions passed at the general meeting, the shareholding of the shareholders convening such meeting shall not be less than 10%. The shareholders convening the meeting shall submit the relevant materials as a proof to the CSRC branch at the location of the Company and the stock exchanges at the time of issuance of notice of the meeting and announcement on the resolutions passed at the meeting.

For the general meetings convened by the board of supervisors or the shareholders on their own accord, the necessary expenses in relation to the meetings shall be borne by the Company.

A general meeting shall be presided over by the chairman of the board of directors. If the chairman is unable to or fails to perform his/her duties, a director jointly elected by more than half of the directors shall preside over the meeting.

For general meetings convened by the board of supervisors, the convener of the board of supervisors shall preside over the meeting. If the convener of the board of supervisors is unable to or fails to perform his/her duties, a supervisor jointly elected by more than half of the supervisors shall preside over the meeting. A general meeting convened by the shareholders shall be presided over by a representative elected by the conveners. Where the chairman of the general meeting violates the Articles and the rules of procedure when holding the meeting and as a result, the general meeting is unable to continue, subject to the consent of the shareholders with more than half of voting rights of all the shareholders attending the general meeting, the general meeting may nominate a person to act as the chairman of the meeting and such meeting may continue.

Notice of Shareholders' General Meeting

The convener shall inform each shareholder of the forthcoming annual general meeting in writing (including by way of announcement) 21 days before the meeting, and shall inform each shareholder of the forthcoming extraordinary general meeting in writing (including by way of announcement) 15 days before the meeting. When calculating the starting date and ending date of the above notice, the date of the meeting shall be excluded.

The notice of general meeting shall include the following:

(I) time, venue and duration of the meeting;

(II) the matters and proposals submitted to the meeting for consideration;

(III) the notice shall state clearly that all ordinary shareholders (including preferred shareholders with voting rights resumed) are entitled to attend the general meeting or appoint proxies in writing to attend and vote at such meeting on their behalf and that such proxies need not to be a shareholder of the Company;

(IV) the record date for share registration to determine shareholders who are entitled to attend the general meeting;

(V) the names and telephone numbers of the contact person in relation to the meeting;

(VI) the time and procedures for online voting or voting by other means.

Proposals at Shareholders' General Meetings

When the Company convenes a general meeting, the board of directors, the board of supervisors, as well as shareholder(s) individually or jointly holding more than 1% of the shares of the Company, shall be entitled to put forward proposals to the Company. Shareholder(s) individually or jointly holding more than 1% of the shares of the Company may put forward provisional proposals and submit the same in writing to the convener ten days prior to the date of the general meeting. The convener shall issue a supplemental notice of the general meeting within two days after receiving such proposals and announce the content of the provisional proposals. If the securities regulatory rules of the places where the Company's shares are listed require the general meeting to be postponed as a result of the supplemental notice, the convening of the general meeting shall be postponed in accordance with the requirements of such securities regulatory rules.

Save for the circumstances referred to in the preceding paragraph, after the convener issues the notice of the general meeting, no changes shall be made to the proposals set forth in the notice of the general meeting and no further proposals shall be added. The general meeting shall not vote or resolve on proposals not set forth in the notice of the shareholders' general meeting or not in compliance with the provisions of Article 54 of the Articles.

Proxy for the Shareholders' General Meeting

A shareholder may attend, speak and vote at the general meeting in person or by proxy. A proxy does not need to be a shareholder of the Company.

Individual shareholders attending meeting in person shall produce their identity cards or other valid documents or proof and stock account cards to prove their identity. In the case of attending by proxies, the proxies shall produce valid documents and the proxy forms from the shareholders to prove their identity.

Where a shareholder is a legal entity, its legal representative or a proxy entrusted by such legal representative shall attend the meeting. If the meeting is attended by the legal representatives, they shall produce their identity cards and valid proof of their status as legal representatives; if the meeting is attended by agents of such legal representatives, such agents shall produce their identity cards and the written authorization letter legally issued by the legal representative of the legal entity shareholder (except for shareholders who are recognized clearing houses as defined by the relevant regulations in force from time to time under the Hong Kong laws or the securities regulatory rules of the places where the Company's shares are listed (the "**Recognized Clearing Houses**") and their agents).

If the shareholder is a Recognized Clearing House (or its agent), such shareholder shall be entitled to authorize one or more persons it thinks fit to act as its proxy at any general meeting or creditors' meeting. However, if more than one person is appointed as proxies, the proxy form shall clearly state the number and the class of shares represented by each of the proxies. The proxy forms shall be signed by the person authorized by the Recognized Clearing House. The proxies so appointed may represent the Recognized Clearing House (or its agent) in exercising its rights (without being required to present share certificate, notarized proxy forms and/or further evidence to prove they are duly authorized), and shall be entitled to the legal rights equivalent to those of other shareholders, including the right to speak and vote, as if that proxy is an individual shareholder of the Company.

Where a proxy form for appointing a voting proxy is signed by a person authorized by the appointing shareholder, the signed authorization letter or other authorization documents shall be notarized. The notarized authorization letter or other authorization documents and the proxy form shall be kept at the domicile of the Company or at such other places as designated in the notice of the meeting.

Where the appointing shareholder is a legal entity, its legal representative or the person authorized by a resolution of its board of directors or other decision-making body shall attend the Company's general meetings as the representative of such appointing shareholder.

The proxy form for appointing a proxy to attend the general meeting issued by a shareholder shall include the following:

(I) the name of the proxy;

(II) whether the proxy has the right to vote;

(III) the instructions on voting for, against or abstaining from voting on each item on the agenda to be considered at the general meeting;

(IV) the date of the proxy form and its validity period;

(V) signature (or seal) of the principal. Where the principal is a corporate shareholder, the corporate seal shall be affixed or the proxy form shall be signed by the legal authorized person.

The proxy form shall state whether the proxy may vote as he/she thinks fit in the absence of specific instructions from the shareholder.

Voting at the Shareholders' General Meeting

Resolutions of a general meeting shall be classified as ordinary resolutions and special resolutions. Ordinary resolutions of a general meeting shall be passed by votes representing more than 1/2 of the voting rights held by the shareholders (including their proxies) attending the general meeting. Special resolutions of a general meeting shall be passed by votes representing more than 2/3 of the voting rights held by the shareholders (including their proxies) attending the general meeting.

Shareholders (including their proxies) shall exercise their voting rights in respect of the number of voting shares they represent, and each share shall have one vote. When a poll is held, shareholders (including their proxies) having the right to cast two or more votes need not use all of their voting rights in the same way as "for", "against" or "abstain". When material matters affecting the interests of the small and medium-sized investors are considered at a general meeting, the votes of the small and medium-sized investors shall be counted separately. The separate voting results shall be disclosed to the public in a timely manner. The shares of the Company held by the Company do not have voting rights, and such shares shall not be included in the total number of voting shares present at the general meeting.

When a related party transaction is considered at a general meeting, the related shareholders shall abstain from voting, and the voting shares represented by them shall not be included in the total number of valid voting shares. The announcement of resolutions of the general meeting shall fully disclose the voting results of non-related shareholders. If a related shareholder is unable to abstain from voting due to any special circumstances, voting may proceed according to the normal procedures after the Company obtains an approval from relevant authorities, provided that a detailed explanation shall be included in the announcement of resolutions of the general meeting.

Pursuant to the applicable laws and regulations and the Hong Kong Listing Rules, if any shareholder is required to abstain from voting on a particular resolution or restricted to voting only for (or against) a particular resolution, the number of votes cast by such shareholder or his/her proxy in breach of the relevant requirements or restrictions shall not be included in the total number of voting shares.

If a shareholder's purchase of the voting shares of the Company violates paragraphs 1 and 2 of Article 63 of the Securities Law, voting rights of the shares in excess of the prescribed proportion shall not be exercised within 36 months after the purchase and shall not be included in the total number of voting shares present at the general meeting.

The board of directors, independent directors and shareholders holding more than 1% of the voting shares or the investor protection institutions established in accordance with laws, administrative regulations or the requirements of the securities regulatory authorities of the State Council may act as solicitors, and publicly solicit the shareholders of the listed company, either by themselves or through an entrusted securities firm or securities service provider, to engage them as proxies to attend the general meeting and exercise shareholder's rights such as rights to propose or vote on their behalf.

Any public solicitation of shareholders' rights shall comply with laws, administrative regulations, relevant requirements of the CSRC and relevant provisions of the Articles, make sufficient disclosure of solicitation documents containing information on specific proposals and voting preference to the shareholders from whom the voting rights are being solicited, and shall be prohibited if it is for the purpose of any compensation or disguised compensation. The Company shall not impose any inappropriate obstacles that impair the legitimate rights and interests of the shareholders, such as limitation in respect of the minimum shareholding proportion, on the solicitation of voting rights.

The following matters shall be approved by ordinary resolutions at a general meeting:

(I) work reports of the board of directors and the board of supervisors;

(II) profit distribution plan and loss make-up plan formulated by the board of directors;

(III) appointment and dismissal of members of the board of directors and the board of supervisors, their remuneration and payment terms;

(IV) annual financial budgets and final accounts of the Company;

(V) the Company's annual report;

(VI) matters other than those to be approved by special resolutions as stipulated in the laws, administrative regulations, securities regulatory rules of the places where the Company's shares are listed or the Articles.

The following matters shall be approved by special resolutions at a general meeting:

(I) increase or reduction of the registered capital of the Company;

(II) division, merger, dissolution or change of corporate form of the Company;

(III) amendments to the Articles of Association and its appendixes (including rules of procedure for the general meeting, rules of procedure for the board of directors and rules of procedure for the board of supervisors);

(IV) purchase or disposal of material assets by the Company within one year, or any guarantee with an amount exceeding 30% of the latest audited total assets of the Company;

(V) equity incentive plans;

(VI) spin-off of its subsidiaries for the purpose of listing;

(VII) the issuance of shares, convertible corporate bonds, preferred shares and other classes of securities approved by the CSRC;

(VIII) repurchase shares for the purpose of reducing registered capital;

(IX) material asset restructuring;

(X) a resolution of a general meeting of the listed company to voluntarily withdraw the listing and trading of its shares on the Shenzhen Stock Exchange and/or the Hong Kong Stock Exchange, and its decision to cease trading on stock exchanges or application for trading or transferring on another stock exchange;

(XI) other matters that would have a material impact on the Company and therefore need to be approved by a special resolution as determined by a general meeting with an ordinary resolution;

(XII) other matters that need to be approved by special resolutions as stipulated by laws and regulations, securities regulatory rules of the places where the Company's shares are listed, the Articles of Association and the rules of procedure for the general meeting.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Directors of the Company may include executive directors, non-executive directors and independent directors. Non-executive directors refer to directors who do not hold operational management positions in the Company, and independent directors refer to persons who meet the provisions of Article 107 of the Articles (consistent with the meaning of "independent non-executive director" in the Hong Kong Listing Rules).

Directors shall be elected or replaced at a general meeting. Each term of office of a director shall be three years. Upon the expiry of a director's term of office, the director may be re-elected and re-appointed in accordance with the provisions of the securities regulatory rules of the places where the Company's shares are listed.

A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations, departmental rules and the Articles until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office. The chief executive officer or other senior management may concurrently serve as a director, provided that the aggregate number of the directors who concurrently serve as the chief executive officer or senior management and directors who are employee representatives, shall not exceed 1/2 of all the directors of the Company.

A director may resign before expiry of his/her term of office. A resigning director shall submit a written resignation report to the board of directors. The board of directors shall make disclosure of relevant information within two days. Where the number of members of the board of directors falls below the minimum requirement due to the resignation of any director, or the proportion of independent directors in the board of directors or its special committees does not meet the requirements of the laws and regulations as well as securities regulatory rules of the places where the Company's shares are listed or the Articles as a result of resignation of any independent director, or there is no accounting professional among independent directors, before a newly elected director takes office, the original director shall perform his/her duties as a director in accordance with laws, administrative regulations, departmental rules and the Articles. Save for the circumstances set out in the preceding paragraph, the resignation of a director shall take effect when the resignation report is delivered to the board of directors.

Chairman

The board of directors shall have one chairman. The chairman shall be elected by more than half of all the members of the board of directors.

The chairman shall exercise the following functions and authority:

(I) preside over the general meetings and convene and preside over the board meetings;

(II) supervise and inspect the implementation of resolutions of the board of directors;

(III) sign on the shares, corporate bonds and other securities issued by the Company;

(IV) sign on the important documents of the board of directors and other documents to be signed by the legal representative of the Company;

(V) exercise the functions and authority of the legal representative;

(VI) when a force majeure emergency such as an extreme natural disaster occurs, exercise the special authority to handle company affairs in compliance with legal provisions and in the interests of the Company, and report to the board of directors of the Company and the general meeting subsequently;

(VII) the chairman shall have the right to decide on external loans, external investments and asset acquisitions that account for less than 10% of the Company's latest total audited net assets;

(VIII) the chairman shall have the right to decide on the leasing, entrusted operation, joint operation with others, purchase, sale, loss reporting, replacement, pledge or liquidation of assets that account for less than 10% of the Company's latest total audited net assets;

(IX) other functions and authority conferred by the board of directors.

If the chairman is unable to perform his/her duties or fails to perform his/her duties, a director jointly nominated by more than half of the directors shall perform such duties.

Board of Directors

The Company shall have a board of directors, which shall be accountable to the general meeting. The board of directors shall consist of nine directors, comprising four executive directors, two non-executive directors and three independent non-executive directors. The Company shall have one chairman.

The board of directors shall exercise the following functions and authority:

(I) convene general meetings and submit work reports to the general meetings;

(II) implement resolutions of the general meetings;

(III) determine the business plans and investment plans of the Company;

(IV) formulate the Company's annual financial budget plan and final accounts plan;

(V) formulate the Company's profit distribution plan and loss recovery plan;

(VI) formulate plans for the Company for increase or reduction of registered capital, issuance of bonds or other securities and listing;

(VII) formulate plans for major acquisitions of the Company, acquisition of the Company's shares, or plans for merger, division, dissolution and change of corporate form;

(VIII) within the scope authorized by the general meeting or the Articles, decide on matters such as the Company's external investment, acquisition and sale of assets, asset pledges, external guarantees, entrusted financial management and related transactions; matters beyond the scope of authorization shall be submitted to the general meetings for consideration;

(IX) decide on the establishment of the Company's internal management body;

(X) appoint or dismiss the Company's chief executive officer and secretary to the board of directors; appoint or dismiss the Company's president, technology director, financial director and other senior management based on the nomination of the chief executive officer, and decide on the matters in relation to their remuneration, rewards and punishments;

(XI) formulate the Company's basic management system;

(XII) formulate proposed amendments to the Articles;

(XIII) manage the Company's information disclosure matters;

(XIV) make proposal to the general meeting on the engagement or change of the accounting firm performing audits for the Company;

(XV) listen to the work reports from the chief executive officer of the Company and review the work of the chief executive officer;

(XVI) subject to compliance with the provisions of the securities regulatory rules of the places where the Company's shares are listed, decide on the acquisition of the Company's own shares by the Company under the circumstances stipulated in Article 23(III), (V) and (VI) of the Articles as passed by a resolution by more than two-thirds of the directors attending the board meeting;

(XVII) the board of directors of the Company shall establish special committees for audit, strategic management and ESG, nomination, remuneration and evaluation, and formulate the working procedures for special committees. Special committees shall be accountable to the board of directors and perform their duties in accordance with the Articles and the authorization by the board of directors, and the proposals shall be submitted to the board of directors for consideration and approval. The members of the special committees shall be entirely composed of directors, among which independent directors constitute the majority of the audit committee, nomination committee, remuneration and evaluation committee and serves as the conveners. The conveners of the audit committee shall be an accounting professional, and the members of the audit committee shall be directors who do not serve as a senior management of the Company. The board of directors shall be responsible for formulating the working procedures of the special committees and regulating the operation of the special committees;

(XVIII) other functions and authority conferred by laws, administrative regulations, departmental rules, securities regulatory rules of the places where the Company's shares are listed or the Articles.

The board of directors shall hold at least four meetings each year, which shall be convened by the chairman and shall notify all directors and supervisors in writing 14 days prior to the meeting.

Shareholders representing more than one-tenth of the voting rights, more than one-third of the directors and more than half of the independent directors or the supervisory committee may propose to hold an extraordinary meeting of the board of directors. The chairman shall convene and preside over a board meeting within ten days after receiving the proposal.

The board of directors shall notify all directors in writing three days prior to the extraordinary meeting of the board of directors.

The board meetings shall be held only when more than half of the directors are present. Resolutions made by the board of directors must be passed by more than half of all directors. Resolutions of the board of directors are voted by way of poll with each director having one vote.

If any director is related to the enterprise involved in the resolution at a board meeting, the said director shall not exercise his/her voting rights on the said resolution for himself/herself or on behalf of another director. Such board meeting may be held when more than half of the non-related directors attend the meeting. The resolution of such board meeting shall be passed by more than half of the non-related directors. If the number of non-related directors attending the board meetings is fewer than three, the matters shall be submitted to the general meeting for consideration. Where the laws and regulations and securities regulatory rules of the places where the Company's shares are listed have any additional restrictions in respect of the participation and voting by directors in board meetings, such provisions shall prevail.

Directors shall attend the meetings of the board of directors in person. Where a director is unable to attend a meeting for any reason, he/she may authorize another director to attend the meeting on his/her behalf in writing. The authorization letter shall set out the name of the authorized person, the matters to be authorized, scope of authorization and valid period, which shall be signed or sealed by the director who authorizes. The directors who attend the meeting on behalf of another director shall exercise the rights as directors within the scope of authorization. If a director fails to attend a board meeting and does not authorize a representative to attend on his/her behalf, he/she shall be deemed to have waived his/her voting rights at such meeting.

Special Committees under the Board

The board of directors of the Company shall establish special committees for audit, strategic management and ESG, nomination, remuneration and evaluation, and formulate the working procedures for special committees. Special committees shall be accountable to the board of directors and perform their duties in accordance with the Articles and the authorization by the board of directors, and the proposals shall be submitted to the board of directors for consideration and approval. The members of the special committees shall be entirely composed of directors, among which independent directors constitute the majority of the audit committee, nomination committee, remuneration and evaluation committee and serve as the conveners. The convener of the audit committee shall be an accounting professional, and the members of the audit committee shall be directors who do not serve as a senior management of the Company. The board of directors shall be responsible for formulating the working procedures of the special committees and regulating the operation of the special committees.

Secretary to the Board

The Company shall have a secretary to the board of directors, who is responsible for the organization of the Company's general meetings and meetings of the board of directors, custody of documents as well as information management regarding the shareholders of the Company, dealing with information disclosure and other matters. The secretary to the board of directors shall comply with relevant requirements under the laws, administrative regulations, departmental rules and the Articles.

CHIEF EXECUTIVE OFFICER AND OTHER SENIOR MANAGEMENT

The Company has one chief executive officer who is appointed or dismissed by the board of directors. The Company's chief executive officer, president, technical officer, board secretary and financial officer are the senior management of the Company.

The term of office of a chief executive officer shall be three years, and renewable upon re-election.

The chief executive officer shall be accountable to the board of directors and shall exercise the following functions and authority:

(I) be in charge of the production, operation and management of the Company, organize the implementation of the resolutions of the board of directors, and report to the board of directors;

(II) arrange the implementation of the Company's annual business plans and investment plans;

(III) draft plans for the establishment of the internal management structure of the Company;

(IV) propose the basic management system of the Company;

(V) formulate detailed rules and regulations of the Company;

(VI) propose the appointment or dismissal by the board of directors of the Company's president, technical officer and financial officer;

(VII) decide on the appointment or dismissal of the executive officers other than those who shall be appointed or dismissed by the board of directors;

(VIII) other functions and authority conferred by the Articles or the board of directors.

The chief executive officer shall attend meetings of the board of directors.

If a senior management member violates the laws, administrative regulations, departmental rules or the Articles when performing his/her duties that result in loss to the Company, he/she shall be liable for compensation.

SUPERVISORS AND BOARD OF SUPERVISORS

Supervisors

The board of supervisors shall consist of shareholder representatives and an appropriate ratio of the Company's employee representatives, of which no less than one-third, i.e., one employee representative, shall be included in the board of supervisors. The employee representatives of the board of supervisors shall be democratically elected by employees of the Company at the employee representatives' meeting, employee meeting or otherwise.

The term of office of a supervisor shall be three years. A supervisor may be renewable by re-election upon the expiration of his/her term of office. Directors and senior management of the Company, as well as their spouses and immediate family members shall not serve as supervisors during the term of office of such directors and senior management.

A supervisor may be present at the meetings of the board of directors, and make enquiries or recommendations regarding resolutions of the board of directors.

If a supervisor is in breach of the requirements under the laws, administrative regulations, departmental rules or the Articles when performing his/her duties and causes losses to the Company, he/she shall be liable for compensation.

Board of Supervisors

The Company shall have a board of supervisors, which shall consist of three supervisors, one of whom shall act as convener. The convener of the board of supervisors shall be elected by the votes of more than half of all supervisors. The convener of the board of supervisors shall convene and preside over the meetings of the board of supervisors; if the convener of the board of supervisors is unable to or fails to perform his/her duties, a supervisor shall be nominated by more than a half of the supervisors to convene and preside over the meetings of the board of supervisors.

The board of supervisors shall exercise the following functions and authority:

(I) review the securities issuance documents and regular reports of the Company prepared by the board of directors and to provide written review opinions, and the supervisors shall sign a written confirmation. Supervisors shall ensure that the Company discloses information in a timely and fair manner and the information disclosed is true, accurate and complete. In the event that the truthfulness, accuracy, completeness of the securities issuance documents and regular reports cannot be guaranteed or is disputed, the supervisors shall express their opinions and state reasons in the written confirmation which the Company shall disclose. Where the Company refuses to disclose, the supervisors may directly apply for disclosure;

(II) inspect the financial condition of the Company;

(III) supervise the performance of duties in the Company by the directors and senior management, and propose dismissal of directors and senior management who are in violation of laws, administrative regulations, the Articles or resolutions of the general meetings;

(IV) demand rectifications to be made by a director and senior management when his/her acts impair the Company's interests;

(V) propose the convening of extraordinary general meetings and, in cases where the board of directors does not perform the obligations to convene and preside over the general meetings as stipulated by the Company Law, to convene and preside over the general meetings;

(VI) put forward proposals to the general meetings;

(VII) initiate legal proceedings against the directors and senior management in accordance with relevant requirements under the Company Law;

(VIII) conduct investigations upon discovery of abnormality in the Company's operations; and where necessary, engage an accounting firm, law firm or other professional institution to assist in its work at the Company's expense.

Meetings of the Board of Supervisors

The board of supervisors shall convene a meeting at least once every six months. The supervisors may propose to hold an extraordinary meeting of the board of supervisors. Resolutions of the board of supervisors shall be passed by more than half of the supervisors.

QUALIFICATIONS AND RESPONSIBILITIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

A person may not serve as a director, supervisor, chief executive officer or other member of senior management of the Company in any of the following circumstances:

(I) persons who have no or restricted capacity for civil conduct;

(II) persons who were sentenced to criminal punishment for corruption, bribery, embezzlement of property, misappropriation of property or disrupting the socialist market economic order, where less than five years have lapsed since the expiration of the execution period, or who have been deprived of political rights due to any criminal offenses, where less than five years have lapsed since the expiration of the execution period, and less than two years have lapsed since the date of the expiration of the probation period if probation is announced;

(III) persons who served as a director, factory manager or manager of a company or an enterprise that declared insolvent and liquidated and were personally liable for the insolvency of such company or enterprise, and less than three years have lapsed since the date of completion of the insolvency and liquidation of that company or enterprise;

(IV) persons who served as the legal representative of a company or an enterprise of which the business license was revoked and was ordered to close down due to violation of laws and who was personally liable for such revocation and order, where less than three years have lapsed since the date of the revocation of the business license and closure, as ordered, of that company or enterprise;

(V) persons who are listed as defaulters by a people's court since he/she has a substantial amount of personal debts due and unsettled;

(VI) persons who are penalized by CSRC to be prohibited from participating in the securities markets by serving as directors, supervisors or senior management of a listed company with a period yet to be expired;

(VII) persons who are publicly determined by a stock exchange as unsuitable to serve as directors, supervisors or senior management of a listed company with a period yet to be expired;

(VIII) other circumstances stipulated in laws, administrative regulations, departmental rules or the listing rules of the places where the Company's shares are listed.

If the election or appointment of a director is in violation of this article, such election, appointment or employment shall be invalid. If any of the circumstances under this article occurs during the period of employment of a director, the Company shall dismiss the director from his/her duties and re-elect a director in accordance with the provisions of the Articles.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall formulate its financial accounting system in accordance with the laws, administrative regulations and the requirements of relevant state departments.

The Company shall submit to the CSRC and the stock exchanges where the Company's shares are listed the annual financial and accounting report as required within four months from the end of a fiscal year, and the CSRC branch and the stock exchanges the interim financial and accounting report within two months from the end of the first six months of a fiscal year, as well as the CSRC branch and the places where the Company's shares are listed the quarterly financial and accounting report within one month from the end of the first three months and the first nine months of a fiscal year.

The aforesaid financial and accounting report shall be prepared in accordance with the relevant laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the shares are listed.

The Company shall not establish account books other than the statutory account books. The assets of the Company shall not be deposited into any personal account.

The Company shall, when allocating its after-tax profits for the current year, allocate 10% of its profits to the Company's statutory reserve. When the accumulated amount of the statutory reserve of the Company reaches 50% of its registered capital, no further allocations is required. If the statutory reserve of the Company is insufficient to make up for its losses for the previous years, the profits for the current year shall first be used to cover the losses before any statutory reserve is allocated according to the preceding paragraph.

After allocating the statutory reserve out of its after-tax profits, the Company may also, subject to the resolution at a general meeting, allocate its after-tax profits to its discretionary reserve. The remaining after-tax profits shall, after covering the losses and making allocations to the reserve, be distributed to the shareholders in proportion to their respective shareholdings, except those which shall not be distributed in accordance with the shareholding proportion under the Articles.

The Company's shares held by the Company are not entitled to any profit distribution.

Reserves of the Company are used for covering the Company's losses, expanding the Company's production and operation or being converted to increase the capital of the Company. However, the capital reserve shall not be used to cover the Company's losses. When the statutory reserve is converted into capital, the balance of the statutory reserve shall not fall below 25% of the Company's registered capital before the conversion.

The Company may distribute dividends in the form of cash, stocks, or a combination of both, or other methods permitted by laws and regulations. Subject to the principles of profit distribution and the above conditions for cash dividends, the Company shall, in principle, distribute cash dividends once a year. Within any three consecutive years, the cumulative profits distributed by the Company in cash shall not be less than 30% of the average distributable profits realized in the most recent three years. The specific dividend ratios shall be determined by the board of directors of the Company according to relevant regulations and the Company's operating conditions, and considered and resolved at the general meeting of the Company.

The Company shall appoint one or more payment receiving agent(s) in Hong Kong for shareholders of H Shares. The payment receiving agent(s) shall, on behalf of relevant shareholders of H Shares, receive dividends and other amounts payable by the Company in respect of H Shares and keep such payments for future payments to such shareholders of H Shares. The payment receiving agent(s) appointed by the Company shall satisfy the requirements under the laws and regulations and the securities regulatory rules of the places where the Company's shares are listed.

INTERNAL AUDIT

The Company shall implement an internal audit system and have dedicated audit personnel to perform internal audit and supervision on the Company's financial income and expenses and economic activities.

The internal audit system and the responsibilities of the audit personnel of the Company shall take effect upon approval by the board of directors. The head of audit shall be accountable to and report to the board of directors.

APPOINTMENT OF ACCOUNTING FIRM

The Company shall appoint an accounting firm which complies with the Securities Law to conduct financial statements audit, net assets verification and other related consulting services, etc. The term of appointment is one year and can be renewed.

The appointment of an accounting firm by the Company shall be agreed by a majority of all members of the audit committee before being submitted to the board of directors for consideration, and shall be determined by the general meeting, and the board of directors shall not appoint an accounting firm before the decision of the general meeting is made.

The Company shall guarantee to provide the accounting firm it appoints with true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information, and shall not refuse, conceal or make false statements.

The audit fees payable to the accounting firm shall be determined by the general meeting.

The Company shall notify the accounting firm 30 days in advance when it dismisses or no longer renews the accounting firm. The accounting firm may express its opinions when the resolution regarding the dismissing of the accounting firm is voted at the general meeting of the Company.

Where the accounting firm proposes to resign, it shall explain to the general meeting whether the Company has any improper situation.

MERGER, DIVISION, CAPITAL INCREASE AND REDUCTION OF THE COMPANY

A merger may be in the form of merger by absorption or merger by establishment of a new company.

In the case of merger by absorption, the company being absorbed shall be dissolved. Merger by establishment of a new company shall refer to the establishment of a new company as a result of merger of two or more companies and the merger parties shall be dissolved.

In the event of merger, the merger parties shall enter into a merger agreement, and prepare a balance sheet and an inventory list of assets. The Company shall notify its creditors within ten days from passing of the resolution on merger, and make an announcement on the newspaper(s) and website(s) (including the HKEXnews website of Hong Kong Stock Exchange (**www.hkexnews.hk**)) designated by securities regulatory authorities within 30 days. Creditors may require the Company to repay the debts or to provide corresponding guarantee within 30 days from receipt of notification or within 45 days from the day of announcement if they do not receive the notification.

Upon merger, the creditor's rights and debts of the merger parties shall be succeeded by the company which subsists after the merger or the newly-established company.

In the event of division, assets of the Company shall be divided correspondingly.

In the event of a division, a balance sheet and an inventory list of assets shall be prepared. The Company shall notify its creditors within ten days from passing of the resolution on division, and make an announcement on the newspaper(s) and website(s) (including the HKEX news website of Hong Kong Stock Exchange (**www.hkexnews.hk**)) designated by securities regulatory authorities within 30 days.

The companies after division shall jointly assume liabilities for debts of the Company prior to the division, save as otherwise agreed in the written agreement between the Company and its creditors on repayment of debts prior to the division.

If the Company needs to reduce its registered capital, it shall prepare a balance sheet and an inventory list of assets.

The Company shall notify its creditors within ten days from passing of the resolution on reduction of registered capital, and make an announcement on the newspaper(s) and website(s) (including the HKEX news website of Hong Kong Stock Exchange (**www.hkexnews.hk**)) designated by securities regulatory authorities within 30 days. Creditors are entitled to demand the Company to repay the debts or to provide corresponding guarantee within 30 days from receipt of notification or within 45 days from the day of announcement if they do not receive the notification.

The reduced registered capital of the Company shall not be lower than the minimum statutory amount.

Changes in particulars of the companies as a result of merger or division shall be registered with the company registration authorities in accordance with the laws. Deregistration of a company shall be performed in accordance with the laws when the Company is dissolved. Incorporation registration of a company shall be performed in accordance with the laws when a new company is incorporated.

When increasing or reducing the registered capital, the Company shall register such changes with company registration authorities in accordance with the laws.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

(I) Expiry of term of business stipulated in the Articles or occurrence of any other causes for dissolution stipulated in the Articles;

(II) A general meeting has resolved on the dissolution of the Company;

(III) As a result of the merger or division of the Company;

(IV) The Company's business license is revoked, or the Company is ordered to close down or dissolve in accordance with the laws;

(V) When the Company has serious difficulties in its operation and management and the Company's subsistence will cause material damages to the interests of its shareholders, and where the Company is unable to resolve the difficulties through any other means, the shareholders who hold more than 10% of the voting rights of the Company may apply to the People's Court for dissolution of the Company.

Under the circumstances set out in item (I) above, the Company may subsist through amendments to the Articles.

Where amendments to the Articles are made in accordance with the preceding paragraph, such amendments shall be passed by votes representing more than two-thirds of the voting rights held by shareholders attending the general meeting.

Where the Company is dissolved pursuant to items (I), (II), (IV) or (V) above, a liquidation team shall be set up within 15 days from the date of occurrence of event that causes dissolution and shall commence liquidation. The liquidation team shall consist of members determined by the directors or the general meeting. In case no such liquidation team is established to timely proceed with liquidation, the creditors may make an application to the People's Court for the appointment of relevant persons to form the liquidation team for liquidation.

The liquidation team shall exercise the following authority during the liquidation period:

(I) liquidate the Company's assets and prepare a balance sheet and an inventory list of assets respectively;

(II) notify creditors and publish announcement;

(III) handle outstanding businesses of the Company related to liquidation;

(IV) settle all taxes in arrears and taxes arising in the course of liquidation;

(V) liquidate creditor's rights and debts;

(VI) dispose of the Company's remaining assets after the debts are paid off;

(VII) conduct civil lawsuits on behalf of the Company.

The liquidation team shall, within ten days from its establishment, notify the creditors, and make an announcement on the newspaper(s) and website(s) (including the HKEX news website of Hong Kong Stock Exchange (**www.hkexnews.hk**)) designated by securities regulatory authorities within 60 days. The creditors shall declare their creditors' rights to the liquidation team within 30 days from receipt of notification or within 45 days from the day of announcement if they do not receive the notification.

Creditors declaring creditors' rights shall state the relevant information of the creditors' rights and provide proof materials. The liquidation team shall register the creditors' rights.

During the period for declaration of creditors' rights, the liquidation team shall not make repayment to creditors.

Upon sorting of the Company's assets and preparation of balance sheet and inventory list of assets, the liquidation team shall formulate a liquidation plan and submit it to the general meeting or the People's Court for confirmation.

The Company's assets, after being used respectively for payment of liquidation expenses, employees' wages, social insurance premiums and statutory compensation, payment of tax in arrears and the Company's debts, shall be distributed in proportion to the shareholding of the shareholders.

During the liquidation period, the Company shall subsist but shall not engage in business activities unrelated to liquidation. The Company's assets shall not be distributed to shareholders prior to making repayment pursuant to the provisions of the preceding paragraph.

Upon sorting of the Company's assets and preparation of balance sheet and inventory list of assets, if the liquidation team is aware that the Company's assets are inadequate for repayment of debts, it shall apply to the People's Court for declaration of insolvency.

Upon declaration of the Company's insolvency pursuant to the ruling of the People's Court, the liquidation team shall hand over the liquidation matters to the People's Court.

Upon completion of liquidation, the liquidation team shall formulate a liquidation report and shall submit the same to the general meeting or the People's Court for confirmation and submit to the company registration authorities and apply for deregistration, and announce the termination of the Company.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles:

(I) Following the amendment of the Company Law, the relevant laws, administrative regulations or the securities regulatory rules of the places where the Company's shares are listed, the matters stipulated in the Articles of Association are in conflict with the provisions of the amended laws, administrative regulations or the securities regulatory rules of the places where the Company's shares are listed;

(II) There is any change to the Company's particulars which result in inconsistency with the matters set out in the Articles of Association;

(III) A general meeting has decided on making amendments to the Articles of Association.

Where the approval from the competent authority is required for the amendments to the Articles resolved by the general meeting, such amendments shall be submitted to the competent authority for approval. Where an amendment to the Articles involves the particulars of the Company's registration, changes shall be made to the registration pursuant to the laws.

Appendixes to the Articles include the rules of procedure for general meetings, the rules of procedure for meetings of the board of directors and the rules of procedure for meetings of the board of supervisors. In case of any conflict between the Articles and the laws, administrative regulations, normative documents and securities regulatory rules of the places where the Company's shares are listed that are promulgated from time to time, such laws, administrative regulations, normative documents and securities regulatory rules of the places where the Company's shares are listed shall prevail.

1. FURTHER INFORMATION ABOUT OUR GROUP

A. Incorporation

Our former entity, Sanhua-Fujikoki Co., Ltd., (三花不二工機有限公司), was incorporated as a Sino-Japanese joint venture on September 10, 1994, marking the establishment of our Company. On December 19, 2001, it was converted to a joint stock company, which later changed its name to Zhejiang Sanhua Intelligent Controls Co., Ltd. Our Company completed the listing of the A Shares on the Shenzhen Stock Exchange (stock code: 002050) on June 7, 2005 (the "**A-Shares Listing**"). For further details of the A-Shares Listing, see "History and Corporate Structure — Major Shareholding Changes of Our Company — Conversion into Joint Stock Limited Company and Listing on the Shenzhen Stock Exchange" in this prospectus.

Our registered office is located at No. 219 Woxi Avenue, Chengtan Street, Xinchang, Shaoxing, Zhejiang Province, China. We were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on January 8, 2025, and our principal place of business in Hong Kong is at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Ms. Ho Wing Nga (何詠雅) has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in PRC, its operations are subject to the relevant laws and regulations of mainland China. A summary of the relevant aspects of laws and regulations of mainland China and the Articles of Association is set out in this prospectus.

B. Changes in Share Capital of our Company

Save as disclosed below, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

As approved by the Board on June 20, 2023 and by the shareholders on July 6, 2023, 180,400 A Shares repurchased by our Company under the repurchase mandate for 2020 Restricted Share Incentive Scheme and 2022 Restricted Share Incentive Scheme were canceled on September 20, 2023. The total registered capital of our Company was then decreased from RMB3,590,797,158 comprising 3,590,797,158 A Shares of nominal value of RMB1.00 each to RMB3,590,616,758 comprising 3,590,616,758 A Shares of nominal value of RMB1.00 each.

Pursuant to the convertible notes issued by our Company and listed on the Shenzhen Stock Exchange on June 30, 2021 (stock code: 127036, the "**Convertible Bonds**"), the period for conversion by way of our Company issuing new Shares was between December 7, 2021 and May 31, 2027. As approved by the 13th interim meeting of the seventh session of the Board on July 7, 2023, all outstanding Convertible Bonds on July 31, 2023 were redeemed by our Company. During the conversion period between December 7, 2021 and July 31, 2023, a total of 141,998,777 A Shares were converted into from the Convertible Bonds. The total registered capital of our Company was then increased to RMB3,732,615,535 comprising 3,732,615,535 A Shares of nominal value of RMB1.00. The Convertible Bonds were delisted on August 9, 2023.

As approved by the 23rd interim meeting of the seventh session of the Board convened on June 3, 2024 and the second 2024 interim shareholders meeting convened on June 20, 2024, 226,000 A Shares repurchased by our Company under the repurchase mandate for 2022 Restricted Share Incentive Scheme were canceled on September 25, 2024. The total registered capital of our Company was then decreased to RMB3,732,389,535 comprising 3,732,389,535 A Shares of nominal value of RMB1.00 each.

A repurchase mandate for the repurchase of A Shares for the purpose of our Company's employee share incentive scheme was approved by the 30th meeting of the seventh session of the Board on December 30, 2024. The repurchase mandate was valid for 12 months from the date of approval of the repurchase mandate by the Board. Upon repurchase, the repurchased A Shares are held under our Company stock repurchase account and do not carry any shareholders' rights, including but not limited to voting rights at the Shareholders' meeting and dividend rights. Any repurchased A Shares not granted to employees within 36 months after the completion of the repurchase shall be canceled.

According to the repurchase mandate, the amount could be used for the repurchase will be no more than RMB600 million and no less than RMB300 million. Calculating based on the repurchase price of no higher than RMB35.75 per A Share as of the Latest Practicable Date (adjusted from the initial repurchase price of no higher than RMB35.75 per A Share due to dividends distribution for the year ended December 31, 2024), the amount of A Shares could be repurchased under the repurchase mandate will be no more than 16,800,000 shares and no fewer than 8,390,000 shares.

As of the Latest Practicable Date, the Company has repurchased 1,506,800 A Shares under the mandate.

C. Further Information about Our Major Subsidiaries

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 26 of Appendix D1A to the Listing Rules in relation to the disclosure of information relating to the changes in the share capital of any member of our Group within the two years immediately preceding the date of this prospectus. For details, see "Waivers from Strict Compliance with the Listing Rules — Waiver in respect of alteration in share capital" in this prospectus.

The following Major Subsidiaries have been incorporated within two years immediately preceding the date of this prospectus:

Name of Subsidiary	Place of Incorporation	Date of Incorporation
Sanhua Automotive Investment	Singapore	November 20, 2023

On October 13, 2023, February 2, 2024 and May 29, 2024, the registered capital of Sanhua International Singapore was increased from USD150,580,583.00 to USD151,513,249.00, from USD151,513,249.00 to USD173,151,245.40 and from USD173,151,245.40 to USD175,151,245.40, respectively.

On December 28, 2023, the registered capital of Sanhua Automotive Thermal Management was increased from RMB550 million to RMB1.35 billion.

On November 29, 2024, the registered capital of Guangdong Sanhua was increased from RMB300 million to RMB1 billion.

On May 24, 2024, the registered capital of Sanhua Mexico was increased from MXN46,311,239 to MXN1,044,741,239.

On June 4, 2024, the registered capital of Sanhua Thailand was increased from 150,000,000 Thai Baht to 369,185,190 Thai Baht.

Save as disclosed above, no alteration in the registered capital of our Major Subsidiaries has taken place within the two years preceding the date of this prospectus.

D. Resolutions Passed by Our Shareholders' General Meeting of Our Company in Relation to the Global Offering

Pursuant to the shareholders' meeting held on December 30, 2024, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the Over-allotment Option shall not exceed 10% of the enlarged share capital of our Company upon completion of the Global Offering and granting the Underwriters the Over-allotment Option of no more than 15% of the above number of H Shares to be issued;

(c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on Listing Date; and

(d) authorization of the Board and its authorized person to handle relevant matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this prospectus that are or may be material:

(a) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, Schroder Investment Management Limited, Schroder Investment Management (Singapore) Ltd, Schroder Investment Management (Hong Kong) Limited, and China International Capital Corporation Hong Kong Securities Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 142,000,000;

(b) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, GIC Private Limited, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 90,000,000;

(c) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, Greenwoods Asset Management Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000;

(d) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, Huatai Capital Investment Limited, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000;

(e) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, Green Better Limited, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 30,000,000;

(f) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, Verition Multi-Strategy Master Fund Ltd., China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 30,000,000;

(g) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, Eastern Bell Capital VIII Investment Limited, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 30,000,000;

(h) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, Mirae Asset Securities Co., Ltd., China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000;

(i) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, ICBC Wealth Management Co., Ltd. (工銀理財有限責任公司), Invesco Great Wall Fund Management Co., Ltd. (景順長城基金管理有限公司), China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000;

(j) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, PSBC Wealth Management Co., Ltd. (中郵理財有限責任公司), China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000;

(k) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, TAIKANG LIFE INSURANCE CO., LTD, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000;

(l) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, GREATER BAY AREA DEVELOPMENT FUND MANAGEMENT LIMITED (大灣區發展基金管理有限公司) acting for and on behalf of the managed account of MEGA PRIME DEVELOPMENT LIMITED, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000;

(m) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, Wind Sabre Fund SPC acting on behalf of and for the account of Wind Sabre Opportunities Fund SP, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000;

(n) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, Martis Fund, L.P., China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000;

(o) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, Morgan Stanley & Co. International plc, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000;

(p) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, Jane Street Asia Trading Limited, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000;

(q) a cornerstone investment agreement dated June 10, 2025 entered into among our Company, 3W Fund Management Limited, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 20,000,000; and

(r) the Hong Kong Underwriting Agreement.

B. Our Material Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material in relation to our business.

(a) Trademarks

(i) Registered Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Place of registration
1.	三花	the Company	PRC
2.	三花	the Company	PRC
3.		the Company	PRC
4.		the Company	PRC
5.		the Company	PRC

No.	Trademark	Registered owner	Place of registration
6.		the Company	PRC
7.		the Company	PRC
8.	三 花	the Company	PRC
9.	三 花	the Company	PRC
10.	三 花	the Company	PRC
11.	三花 SANHUA	the Company	PRC
12.	三花 SANHUA	the Company	PRC
13.	SANHUA	the Company	PRC
14.	SANHUA	the Company	PRC
15.	SANHUA	the Company	PRC
16.	三花智控	the Company	PRC

No.	Trademark	Registered owner	Place of registration
17.	三花智控	the Company	PRC
18.	三花智控	the Company	PRC
19.	亚威科	the Company	PRC
20.	亚威科	the Company	PRC
21.	亚威科	the Company	PRC
22.	SANHUA AWECO	the Company	PRC
23.	SANHUA AWECO	the Company	PRC
24.	SANHUAMC	the Company	PRC
25.	SANHUAMC	the Company	PRC
26.	SHC	the Company	PRC
27.	AWECO	the Company	PRC
28.	AWECO	the Company	PRC
29.	AWECO	the Company	PRC

No.	Trademark	Registered owner	Place of registration
30.	SANHUA	the Company	PRC
31.	三花先途	the Company	PRC
32.	SANHUA	the Company	PRC (Hong Kong)
33.	MCHE	Sanhua Micro Channel Heat Exchanger	PRC
34.	三花汽控	Sanhua Automotive Components	PRC
35.		Sanhua Automotive Components	PRC

(b) Patents

(i) Registered Patents

As of the Latest Practicable Date, we had registered the ownership of and/or had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent	Patent Owner	Patent category	Place of Registration	Patent number
1.	An electric control valve and its valve body device	the Company	Invention patent	PRC	201010111743.8
2.	A heat exchange device and an electric valve	the Company	Invention patent	PRC	201110123524.6
3.	An electronic expansion valve	Sanhua Commercial Refrigeration	Invention patent	PRC	201110175336.8
4.	An electric valve device	the Company	Invention patent	PRC	201110184918.2

No.	Patent	Patent Owner	Patent category	Place of Registration	Patent number
5.	An electric driven valve and a manufacturing method thereof	the Company	Invention patent	PRC	201110374268.8
6.	An electronic expansion valve	the Company	Invention patent	PRC	201210284810.5
7.	Heat exchanger	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	201210479036.3
8.	The refrigerant distribution device and the heat exchanger with it	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	201310340612.0
9.	Heat exchanger	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	201310381531.5
10.	Heat exchanger	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	201510689627.7
11.	An electronic expansion valve and its coil device	the Company	Invention patent	PRC	201310465007.6
12.	A seat assembly of an electronic expansion valve and its method of manufacture	the Company	Invention patent	PRC	201410113974.0
13.	Fin and bent heat exchanger with the fin	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	201410154301.X
14.	Bending heat exchanger	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	201410188198.0

No.	Patent	Patent Owner	Patent category	Place of Registration	Patent number
15.	An adjustable refrigerant dispensing device and a heat exchanger with it	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	201410229143.X
16.	A thermal expansion valve with a unidirectional control function	Sanhua Commercial Refrigeration	Invention patent	PRC	201510266833.7
17.	Electronic expansion valve and its seat assembly	the Company	Invention patent	PRC	201510423990.4
18.	Double-row bent heat exchanger and its manufacturing method	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	201511027379.6
19.	A thermostat and a temperature control system	Sanhua Automotive Components	Invention patent	PRC	201610257372.1
20.	Fluid pump	Sanhua Automotive Components	Invention patent	PRC	201610435981.1
21.	Electronic expansion valve	Sanhua Automotive Components	Invention patent	PRC	202010106026.X
22.	Heat exchanger core and heat exchanger with its	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	201610841633.4
23.	Electronic expansion valve	the Company	Invention patent	PRC	201710056865.3
24.	A heat exchange device	Sanhua Automotive Components	Invention patent	PRC	201710992920.X

No.	Patent	Patent Owner	Patent category	Place of Registration	Patent number
25.	Electronic expansion valve and has its refrigeration system	the Company	Invention patent	PRC	201711029773.2
26.	Fluid management components and thermal management system	the Company	Invention patent	PRC	201711230865.7
27.	Electronic oil pump	the Company	Invention patent	PRC	201810519275.4
28.	A temperature regulating valve and a thermal management system with the temperature regulating valve	Sanhua Automotive Components	Invention patent	PRC	201810536002.0
29.	Infrared gas sensor	the Company	Invention patent	PRC	201810670505.7
30.	Infrared gas sensor	the Company	Invention patent	PRC	202111655582.3
31.	An electronic expansion valve and its assembly method	the Company	Invention patent	PRC	201810745173.4
32.	An electric ball valve and a manufacturing method thereof	Sanhua Commercial Refrigeration	Invention patent	PRC	201810781935.6
33.	An electric valve	Sanhua Commercial Refrigeration	Invention patent	PRC	202210032861.2
34.	Heat exchanger	the Company	Invention patent	PRC	201811155652.7
35.	A heat exchange device	Sanhua Automotive Components	Invention patent	PRC	201811290988.4

No.	Patent	Patent Owner	Patent category	Place of Registration	Patent number
36.	An electric valve and a thermal management assembly	the Company	Invention patent	PRC	201811435988.9
37.	Fluid heat exchange device and thermal management system	Sanhua Automotive Components	Invention patent	PRC	201811479055.X
38.	Heat exchanger	the Company	Invention patent	PRC	201811474620.3
39.	Heat exchanger	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	201811639355.X
40.	Gas and liquid separation device	the Company	Invention patent	PRC	201910198325.8
41.	Heat exchanger and heat exchange system	the Company	Invention patent	PRC	201910265996.1
42.	Microchannel flat tube and microchannel heat exchanger	the Company	Invention patent	PRC	201910366880.7
43.	Device for bending of heat exchanger and bending method of heat exchanger	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	201910470365.3
44.	An electric ball valve and a manufacturing method thereof	Sanhua Commercial Refrigeration	Invention patent	PRC	201980045089.4
45.	Gas and liquid separation device	the Company	Invention patent	PRC	201710992920.X
46.	Heat exchanger and its processing method	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	202010481352.9

No.	Patent	Patent Owner	Patent category	Place of Registration	Patent number
47.	The heat exchange assembly and the heat exchange system with the heat exchange component	Sanhua Micro Channel Heat Exchanger	Invention patent	PRC	202010665060.0
48.	Plate heat exchanger	the Company	Invention patent	PRC	202010982825.3
49.	An electric valve	the Company	Invention patent	PRC	202110176835.2
50.	Fluid control components and their manufacturing methods	Sanhua Automotive Components	Invention patent	PRC	202110345642.5
51.	A connection device and an integrated assembly	Sanhua Automotive Components	Invention patent	PRC	202110409751.9
52.	A connection device and an integrated assembly	Sanhua Automotive Components	Invention patent	PRC	202110482766.8
53.	An electric valve	the Company	Invention patent	PRC	202111307370.6
54.	Electronic expansion valve and its fabrication method	Sanhua Commercial Refrigeration	Invention patent	PRC	201310304567.3
55.	An electric valve and a heat exchanger assembly having the electric valve	the Company	Invention patent	PRC	201711181362.5
56.	Oil pump	the Company	Invention patent	PRC	201910529395.7

(c) Software Copyrights

As of the Latest Practicable Date, our Group had registered the following software copyrights which we consider to be material to our business:

No.	Software name	Place of Registration	Registered owner
1.	Sanhua Electronic Expansion Valve Control Software with Current Holding Function V1.0	PRC	Sanhua Automotive Components
2.	Sanhua Three-Phase Motor Water Pump Control Software V1.0	PRC	Sanhua Automotive Components
3.	Sanhua Water Valve Control Software V1.0	PRC	Sanhua Automotive Components
4.	Sanhua Electronic Expansion Valve Control Software V1.0	PRC	Sanhua Automotive Components
5.	Sanhua Single-Phase Motor Water Pump Control Software V1.3.0	PRC	Sanhua Automotive Components
6.	Sanhua Electronic Valve Control Software V1.0	PRC	Sanhua Automotive Components
7.	Sanhua Electronic Pump A6 Control Software V1.0	PRC	Sanhua Automotive Components
8.	Sanhua Electronic Valve A5 Control Software V1.0	PRC	Sanhua Automotive Components
9.	Sanhua Electronic Valve A2 Control Software V1.0	PRC	Sanhua Automotive Components
10.	Sanhua Electronic Valve A3 Control Software V1.0	PRC	Sanhua Automotive Components
11.	Sanhua Electronic Valve A4 Control Software V1.0	PRC	Sanhua Automotive Components
12.	Sanhua Electronic Pump A7 Control Software V1.0	PRC	Sanhua Automotive Components

No.	Software name	Place of Registration	Registered owner
13.	Sanhua Electronic Pump A9 Control Software V1.0	PRC	Sanhua Automotive Components
14.	Sanhua Electronic Pump A5 Control Software V1.0	PRC	Sanhua Automotive Components
15.	Sanhua Electronic Pump A8 Control Software V1.0	PRC	Sanhua Automotive Components
16.	Sanhua Electronic Pump A10 Control Software V1.0	PRC	Sanhua Automotive Components
17.	Sanhua Electronic Pump A3 Control Software V1.0	PRC	Sanhua Automotive Components
18.	Sanhua Electronic Pump A2 Control Software V1.0	PRC	Sanhua Automotive Components
19.	Sanhua Electronic Valve A7 Control Software V1.0	PRC	Sanhua Automotive Components
20.	Sanhua Electronic Valve A6 Control Software V1.0	PRC	Sanhua Automotive Components
21.	Sanhua Domain Controller A1 Control Software V1.0	PRC	Sanhua Automotive Components
22.	Server Automatic Detection and Connection PLC Application Software V1.0	PRC	Sanhua Automotive Components
23.	SEC Series Electronic Expansion Valve Controller System V1.0	PRC	Sanhua Commercial Refrigeration
24.	Wuhu Sanhua Automatic Production Control System V1.0	PRC	Wuhu Sanhua Auto-Control
25.	Workshop Management System Based on U9 V1.0	PRC	Sanhua Micro Channel Heat Exchanger
26.	Hangzhou WMS Android System Based on SAP V1.0	PRC	Sanhua Micro Channel Heat Exchanger

No.	Software name	Place of Registration	Registered owner
27.	WMS Android System Based on U9 System V1.0	PRC	Sanhua Micro Channel Heat Exchanger
28.	Workshop Management System Based on SAP (B1) V1.0	PRC	Sanhua Micro Channel Heat Exchanger
29.	Automated Master Data Maintenance System Based on SAP V1.0	PRC	Sanhua Micro Channel Heat Exchanger

(d) Domain Name

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be or may be material to our business:

No	Registered owner	Domain name
1	the Company	zjshc.com
2	the Company	sanhuashop.com
3	Sanhua Automotive Components	sanhuaautomotive.com
4	Sanhua Micro Channel Heat Exchanger	sanhuamc.com

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters

We have entered into a service contract or appointment letter with each of the Directors and Supervisors. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

B. Remuneration of Directors and Supervisors

Save as disclosed in the sections headed "Directors, Supervisors and Senior Management" and in the "Appendix I — Accountant's Report" in this prospectus, no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of each of the three financial years ended December 31, 2022, 2023 and 2024.

C. Disclosure of Interests

Save as disclosed below, immediately following the completion of the Global Offering and assuming that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules to be notified to our Company, once the H Shares are listed on the Hong Kong Stock Exchange.

(i) Interest in Shares of our Company

Name of Director or Supervisor	Position	Shares to be held after the Global Offering	Nature of interest	Number of Shares	Approximate % interest in Shares of our Company immediately after the Global Offering[1]
Mr. Zhang Yabo	Executive Director, Chairman of the Board and Chief Executive Officer	A Shares	Beneficial Owner and Interest in controlled corporation[1]	1,668,070,478[1]	40.76%
Mr. Wang Dayong	Executive Director and President	A Shares	Beneficial Owner	352,562	0.0086%
Mr. Ni Xiaoming	Executive Director	A Shares	Beneficial Owner	325,062	0.0079%
Mr. Chen Yuzhong	Executive Director and Chief Engineer	A Shares	Beneficial Owner	416,750	0.01%

Name of Director or Supervisor	Position	Shares to be held after the Global Offering	Nature of interest	Number of Shares	Approximate % interest in Shares of our Company immediately after the Global Offering(1)
Mr. Zhang Shaobo	Non-executive Director	A Shares	Interest in controlled corporation and held jointly with other persons(1)	1,668,070,478(1)	40.76%
Mr. Mo Yang	Supervisor	A Shares	Beneficial Owner	14,568	0.0004%
Mr. Chen Xiaoming	Employee Supervisor	A Shares	Beneficial Owner	11,100	0.0003%

Note:

(1) The 1,668,070,478 A Shares comprise 39,024,200 A Shares directly held by Mr. Zhang Yabo, 1,629,046,278 A Shares held through Sanhua Holding (out of which, 155,103,526 A Shares held through Sanhua Green Energy were pledged and placed in a security and trust account maintained in respect of the Sanhua Green Energy Exchangeable Bonds, see "History and Corporate Structure — Exchangeable Bonds Issued by Sanhua Green Energy") and the 2,707,721 A Shares repurchased by our Company as treasury shares as of the Latest Practicable Date. Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo are parties acting in concert in respect of their shareholding interests in the Company. Therefore, each of Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo is deemed to be interested in the interest of each other under the SFO. As of the Latest Practicable Date, Sanhua Holding was held as to (i) 28.77% by Xinchang Huaqing Investment, which was held as to 51% by Mr. Zhang Daocai, 6% by Ms. Yu Qingjuan, who is the spouse of Mr. Zhang Daocai, 22% by Mr. Zhang Yabo, and 21% by Mr. Zhang Shaobo, (ii) 11.78% by Mr. Zhang Yabo, (iii) 10.04% by Mr. Zhang Shaobo, (iv) 12.35% by Xinchang Huaxin Industrial, which was held as to 38.84% by Mr. Zhang Yabo, and (v) 9.04% by Zhejiang Huateng Industrial, which was held as to 45.45% by Mr. Zhang Shaobo. Therefore, the A Shares held by Sanhua Holding are deemed to be held by Mr. Zhang Yabo and Mr. Zhang Shaobo.

(ii) Interest in our Associated Corporations

Name of Director or Supervisor	Position in our Company	Nature of Interest	Approximate % of Shareholding
Sanhua Holding			
Mr. Zhang Yabo	Executive Director, Chairman of the Board and Chief Executive Officer	Beneficial Owner and Interest held jointly with other persons(1)	71.98%(1)
Mr. Wang Dayong	Executive Director and President	Beneficial Owner	2.60%

Name of Director or Supervisor	Position in our Company	Nature of Interest	Approximate % of Shareholding
Mr. Ren Jintu	Non-executive Director	Beneficial Owner	2.19%
Mr. Ni Xiaoming	Executive Director	Beneficial Owner	2.05%
Mr. Chen Yuzhong	Executive Director and Chief Engineer	Beneficial Owner	1.92%
Mr. Zhang Shaobo	Non-executive Director	Beneficial Owner and Interest held jointly with other persons(1)	71.98%(1)
Ningbo Fuerda Smartech Co., Ltd. (寧波福爾達智能科技股份有限公司)			
Mr. Wang Dayong	Executive Director and President	Beneficial Owner	0.46%
Mr. Ren Jintu	Non-executive Director	Beneficial Owner	0.69%
Mr. Ni Xiaoming	Executive Director	Beneficial Owner	0.14%
Mr. Chen Yuzhong	Executive Director and Chief Engineer	Beneficial Owner	0.40%
Mr. Zhang Shaobo	Non-executive Director	Beneficial Owner	5.70%
Mr. Zhao Yajun	Supervisor and Chairman of the Supervisory Committee	Beneficial Owner	0.05%

Note:

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

(iii) Interests of substantial shareholders in Members of Our Group (Excluding Our Company)

As of the Latest Practicable Date, save as disclosed below, our Directors are not aware of any other person (other than our Directors or Chief Executive Officer of our Company) who will, immediately following completion of the Global Offering, assuming that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing, have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

Member of our Group	Name of substantial shareholder	Approximate % held by the substantial shareholder
Suzhou Sanhua Air-conditioning Components Co., Ltd. (蘇州三花空調部件有限公司)	Xinyi Enterprise Management Partnership Enterprise (General Partnership) in Xinchang County (新昌縣安益企業管理合夥企業(普通合夥))	30%
Wuhan Sanhua Refrigeration Components Co., Ltd. (武漢市三花製冷部件有限公司)	Pan Xinjiang (潘新江)	25%
	Xinchang Runjin Enterprise Management Partnership Enterprise (General Partnership) 新昌潤金企業管理合夥企業(普通合夥)	10%
Sanhua Refrigerating Parts Co., Ltd. (中山市三花製冷配件有限公司)	Wuhu Xinglianchen Trading Co., Ltd. (蕪湖星聯臣商貿有限責任公司)	30%
Zhongshan Sanhua Air-Conditioner Cooling Parts Co., Ltd. (中山市三花空調製冷配件有限公司)	Average Enterprise Management Partnership Enterprise (General Partnership) in Xinchang County (新昌縣平均企業管理合夥企業(普通合夥))	40%
Shaoxing Shangyu Sanli Copper Co., Ltd. (紹興市上虞三立銅業有限公司)	Zhang Liusong (張柳松)	20%

Member of our Group	Name of substantial shareholder	Approximate % held by the substantial shareholder
Xinchang County Sitong Electromechanical Co., Ltd. (新昌縣四通機電有限公司)	Xinchang County Sixin Enterprise Management Partnership Enterprise (General Partnership) (新昌縣四新企業管理合夥企業(普通合夥))	12%
Zhejiang Sanhua Board Exchange Technology Co., Ltd. (浙江三花板換科技有限公司)	Su Jun (蘇駿)	30%
Zhejiang Sanhua Minshi Automotive Parts Co., Ltd. (浙江三花敏實汽車零部件有限公司)	Minth Automotive Technology Research & Development Co., Ltd. (敏實汽車技術研發有限公司)	49%
Zhejiang Shengtai Paper Co., Ltd. (浙江盛泰紙業有限公司)	Song Xiaobo (宋曉波)	30%

D. Disclaimer

Save as disclosed in this section and the section headed "Business" in this prospectus:

(i) none of our Directors or the Chief Executive Officer of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are listed;

(ii) none of our Directors, Supervisors or any of the experts referred to under the paragraph headed "— 5. Other Information — E. Qualification of Experts" has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iii) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(iv) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(v) none of our Directors or Supervisors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(vi) so far as is known to our Directors, no person (not being a Director or Chief Executive Officer of our Company or any member of our Group) will, immediately following the completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(vii) none of our Directors, Supervisors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers of our Group in each year during the Track Record Period or the five largest suppliers of our Group in each year during the Track Record Period.

4. OUR INCENTIVE SCHEMES

A. Restricted Share Incentive Schemes

The following is a summary of the principal terms of 2022 Restricted Share Incentive Scheme and 2024 Restricted Share Incentive Scheme (collectively, the "**Restricted Share Incentive Schemes**") which were outstanding as of the Latest Practicable Date. No further Shares can be granted under the Restricted Share Incentive Schemes after listing. The terms of Restricted Share Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of restricted Shares by our Company after our Listing. Save as otherwise disclosed, the terms of each of the Restricted Share Incentive Schemes are substantially similar and are summarized below.

(i) Purpose

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

(ii) Administration

The Restricted Share Incentive Schemes are subject to the approval of the Shareholders' meeting, administration of the Board and the supervision of the Supervisory Committee and Independent Non-executive Directors of the Company.

(iii) Participants

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

(iv) Source and maximum number of Shares

The Shares underlying the Restricted Share Incentive Schemes shall be A Shares purchased by our Company from the secondary market. Each restricted Share granted represents the right to purchase one A Share within the agreed period at the grant price. The restricted Shares are subject to a lock-up period and will only be unlocked upon fulfilling the unlocking conditions stipulated. The maximum number of restricted Shares that can be granted under each of the Restricted Shares Incentive Schemes are as follows:

Restricted Share Incentive Scheme	Total number of restricted Shares granted	Number of grantees
2022 Restricted Share Incentive Scheme	17,585,000	1,366
2024 Restricted Share Incentive Scheme	24,910,000	1,933

(v) Date of grant and term of the Scheme

The date on which the restricted Shares are granted shall be determined by the Board within 60 days after the date of approval of the Restricted Share Incentive Schemes by the shareholders' meeting. The grant of restricted Shares shall be approved by the Board, registered and announced within 60 days after the approval of the Restricted Share Incentive Schemes by the Shareholders' meeting. The Restricted Share Incentive Schemes shall be effective from the date of completion of the grant of restricted Shares under the Schemes up to the date when the restricted Shares granted under the Schemes are no longer under any lock-ups or have been repurchased and canceled, provided that the term of the Schemes shall not each exceed 48 months.

(vi) Lock-up for Directors and the senior management team

If the grantee is a Director or a senior management of our Company who terminates the employment before expiry of the term, during the period of the original term of employment, the Shares to be transferred in each year shall not exceed 25% of the total Shares he or she holds. No share held by such Director or senior management can be transferred within six months after termination of his or her employment. If the grantee is a Director or senior management of our Company, income gained through sale of Shares within six months of the purchase or purchase of Shares within six months of the sale shall belong to our Company and will be forfeited by the Board. If there is any change in the applicable laws and regulations on the foregoing lock-up requirements, the grantee shall comply with the amended laws and regulations.

(vii) Conditions to the grant of restricted Shares

The restricted Shares under the Restricted Share Incentive Schemes will only be granted to selected participants when the following conditions are fulfilled:

(a) With respect to our Company, none of the following circumstances having occurred:

(1) An audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to our Company's accountant's report for the most recent fiscal year;

(2) An audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the internal control report contained in accountant's report for the most recent fiscal year;

(3) The Company has not distributed dividends in accordance with the laws and regulations, the Articles of Association or the public commitment within the last 36 months after its listing;

(4) Applicable laws and regulations prohibit the implementation of any share incentive scheme; or

(5) Any other circumstances determined by the CSRC.

(b) With respect to a grantee, none of the following circumstances having occurred:

(1) The grantee has been regarded as an inappropriate person by the relevant stock exchange within the last 12 months;

(2) The grantee has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months;

(3) The grantee has been punished or prohibited from entering into the securities market by the CSRC or its local office within the last 12 months;

(4) The grantee is not qualified to serve as a director or senior management according to the PRC Company Law;

(5) The grantee is prohibited from participating in any incentive plan of listed companies according to applicable laws and regulations; or

(6) Any other circumstances determined by the CSRC.

(viii) Unlocking of restricted Shares

The lock-up period for restricted Shares commences from date of grant of restricted Shares to the grantee. The lock-up periods of the restricted Shares are divided into three schedules: 12 months, 24 months and 36 months. During the lock-up period, the restricted Shares granted to the grantee shall not be transferred, used as guarantee or for repayment of debt. In addition, the restricted Shares will only be unlocked when (i) the conditions set out under paragraph (vii) above are fulfilled; and (ii) the annual assessment and performance targets as set out under the Schemes are achieved.

The restricted Shares will be unlocked after the lock-up period in accordance with the unlocking schedule as set out under the scheme during a period of 12 to 36 months as follows:

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

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

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

The grantees shall pay the grant price upon fulfillment of all the conditions of the restricted Shares to purchase the A Shares from our Company. The grant price of each restricted Shares under the 2022 Restricted Share Incentive Scheme shall not be lower than the higher of (1) 50% of the average trading price of the A Shares on the trading date before the announcement of the draft scheme; and (2) 50% of the average trading price of the A Shares during the 20 trading dates before the announcement of the draft 2022 Restricted Share Incentive Scheme; the grant price of each restricted Shares under the 2024 Restricted Share Incentive Scheme shall not be lower than the higher of (1) 50% of the average trading price of the A Shares on the trading date before the announcement of the draft scheme; and (2) 50% of the average trading price of the A Shares during the 60 trading dates before the announcement of the draft 2024 Restricted Share Incentive Scheme.

The number of restricted Shares granted and/or the grant prices will be adjusted upon the occurrence of certain events, including payment of dividend, rights issue, increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares and issue of new shares. The Company may repurchase the restricted Shares upon occurrence of certain events as set out in the Schemes, including but not limited to the change of the positions of the grantee or termination of employment. Subject to the price adjustment mechanisms and other terms and conditions as set out under the Schemes, the price payable by our Company for the repurchase of restricted Shares shall be equivalent to the grant price of the relevant restricted Shares.

(ix) Dividend and voting rights

Upon transfer of the A Shares by our Company, the grantees of restricted Shares will be entitled to exercise the right of Shareholders, including but not limited to the right to receive dividends and voting rights. Before the unlocking of the restricted Shares, the restricted Shares (including the right to receive dividends) shall be locked and such restricted Shares shall not be transferred or used to guarantee or repay debts.

(x) Outstanding restricted Shares

As of the Latest Practicable Date, the number of restricted Shares granted under the Restricted Share Incentive Schemes was 31,780,000, representing approximately 0.85% of the issued Shares immediately following the completion of the Listing (assuming no changes to our issued and outstanding shares between the Latest Practicable Date and the Listing).

The following table sets forth the number of outstanding restricted Shares granted to Directors and senior management under the Restricted Share Incentive Schemes as of the Latest Practicable Date:

Name of grantee	Position	Date of grant	Number of outstanding restricted Shares	Grant Price	Lock-up period	Approximate percentage of issued Shares immediately after completion of the Global Offering[(1)]
Mr. Wang Dayong	Executive Director and President	May 31, 2022	32,000	10.00	30%, 30% and 40% of the share awards granted under the Restricted Share Incentive Schemes will be released from lock-up in each of the three periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant, respectively	0.0008%
		June 3, 2024	100,000	11.75		0.0024%
Mr. Ni Xiaoming	Executive Director	May 31, 2022	28,000	10.00		0.0007%
		June 3, 2024	80,000	11.75		0.0020%
Mr. Chen Yuzhong	Executive Director and Chief Engineer	May 31,2022	32,000	10.00		0.0008%
		May 13, 2024	80,000	11.75		0.0020%
Mr. Hu Kaicheng	Vice President and Board Secretary	May 31, 2022	32,000	10.00		0.0008%
		June 3, 2024	80,000	11.75		0.0020%
Mr. Yu Yingkui	Vice President and Chief Financial Officer	May 31, 2022	32,000	10.00		0.0008%
		June 3, 2024	80,000	11.75		0.0020%

Note:

(1) The calculation is based on the assumption that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing.

The table below sets forth the details of outstanding restricted Shares granted to connected persons of the Company and other grantees under the Restricted Share Incentive Schemes as of the Latest Practicable Date:

Restricted Share Incentive Scheme	Position	Date of grant	Number of outstanding restricted Shares	Grant Price	Lock-up period	Approximate percentage of issued Shares immediately after completion of the Global Offering(1)
2022 Restricted Share Incentive Scheme	connected persons	May 31, 2022	250,000	10.00	30%, 30% and 40% of the share awards granted under the Restricted Share Incentive Schemes will be released from lock-up in each of the three periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant, respectively	0.0061%
	other grantees		6,628,000			0.1619%
2024 Restricted Share Incentive Scheme	connected persons	May 13 and June 3, 2024	690,000	11.75		0.0169%
	other grantees		23,800,000			0.5815%

Note:

(1) The calculation is based on the assumption that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing.

B. Stock Appreciation Right Incentive Plan

The Company adopted the 2022 Stock Appreciation Right Incentive Plan and 2024 Stock Appreciation Right Incentive Plan, (collectively, the "**Stock Appreciation Right Incentive Plans**") which were outstanding as of the Latest Practicable Date. Given the Stock Appreciation Right Incentive Plans does not involve issue of new Shares by the Company and is not funded by any existing Shares, the terms of the Stock Appreciation Right Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) Participants of the plans

The participants of the Stock Appreciation Right Incentive Plans include key talents of the Company who make important contribution to the operation and development of the Company and key talents who are PRC citizens employed by the Group and work outside the PRC. The scope of participants excludes independent directors, supervisors and shareholders or actual controller who individually or collectively hold 5% or more of the shares of our Company and their spouse, parents and children. All participants must be engaged or have entered into employment contracts with the Group when the stock appreciation rights were granted and during the appraisal period.

(ii) Source of shares and participants' interest

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

(iii) Term of the plans

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

(iv) Administration of the scheme

The Stock Appreciation Right Incentive Plans are subject to the approval of the Shareholders' meeting, administration of the Board, and supervision of the Supervisory Committee. Independent Non-executive Directors of the Company should seek from all shareholders proxy voting rights.

(v) Waiting period and exercising period of the stock appreciation rights

The stock appreciation rights held by the Stock Appreciation Right Incentive Plans are subject to a waiting period of 12 months, commencing from date of grant of the stock appreciation rights and the date when the rights can be vested. After the waiting period, subject to the exercising of rights during 12 months, 24 months, and 36 months, respectively, and the attainment of performance targets and personal evaluation, the participants' entitlement to the corresponding portion of the stock appreciation rights will be exercised in three tranches in the proportion of 30%, 30% and 40% respectively. The vesting price of each stock appreciation right under 2022 and 2024 Stock Appreciation Right Incentive Plan equals the 2022 and 2024 Restricted Shares Incentive Scheme, respectively. When vesting, the Company will pay for each stock appreciation right the difference between the price of each Share of the day of vesting and the vesting price.

(vi) Total number of stock appreciation rights held by the Stock Appreciation Right Incentive Plans

As of the Latest Practicable Date, the total number of stock appreciation rights granted by the Stock Appreciation Right Incentive Plans was 742,000, equals to approximately 0.02% of the issued Shares immediately following the completion of the Listing (assuming no changes to our issued Shares between the Latest Practicable Date and the Listing Date).

The table below sets forth the details of the stock appreciation rights held by the Stock Appreciation Right Incentive Plans as of the Latest Practicable Date:

Name of Stock Ownership Scheme	Number of Grantees	Number of stock appreciation rights as of the Latest Practicable Date	Approximate percentage of issued Shares as of the Latest Practicable Date	Approximate percentage of issued Shares immediately after completion of the Global Offering[(1)]
2022 Stock Appreciation Right Incentive Plan	38	182,000	0.005%	0.004%
2024 Stock Appreciation Right Incentive Plan	47	560,000	0.015%	0.014%

Note:

(1) The calculation is based on the assumption that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under PRC laws is likely to fall upon any member of our Group.

B. Litigation

Save as disclosed in the sections headed "Business" and "Financial Information" in this prospectus, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

C. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the H Shares of our Company. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

Each of Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between our Company and the Joint Sponsors, we have agreed to pay each Joint Sponsor a fee of US$400,000 to act as a sponsor of our Company in connection with the proposed listing on the Stock Exchange.

D. Compliance Adviser

Our Company has appointed Huatai Financial Holdings (Hong Kong) Limited as our compliance adviser in compliance with Rules 3A.19 of the Listing Rules.

E. Qualification of Experts

The qualification of the experts, as defined under the Listing Rules, who have given opinions in this prospectus are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities as defined under the SFO
T&C Law Firm	Legal adviser to our Company as to PRC laws
Confucius International CPA Limited	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

F. Consents of Experts

Each of the experts as referred to in "— 5. Other Information — E. Qualification of Experts" in this Appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

G. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

H. No Material Adverse Change

Our Directors confirm that, there has been no material adverse change in our business, financial condition and results of operations since December 31, 2024, being the latest balance sheet date of our consolidated financial statements as set out in the Accountant's Report in Appendix I to this prospectus, and up to the date of this prospectus.

I. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

J. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to "Increase, Decrease, Repurchase and Transfer of Shares" in Appendix III to this prospectus.

K. Preliminary Expenses

We have not incurred any material preliminary expenses.

L. Promoters

Within two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

M. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in "Appendix I — Accountant's Report — 37. Related Party Transactions."

N. Miscellaneous

Save as disclosed in this section and in the section headed "Financial Information" in this prospectus:

(i) within the two years immediately preceding the date of this prospectus:

(a) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries had been under option or is agreed conditionally or unconditionally to be put under option;

(c) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(d) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(ii) there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(iv) our Company has no outstanding convertible debt securities or debentures;

(v) there is no arrangement under which future dividends are waived or agreed to be waived;

(vi) save for the A Shares of our Company that are listed on the Shenzhen Stock Exchange, and save for the H Shares to be issued in connection with the Global Offering, none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(vii) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

O. Bilingual Document

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Appendix IV — Statutory and General Information — 2. Further Information about our Business — A. Summary of Our Material Contracts" in this prospectus; and

(b) the written consents referred to in the section headed "Appendix IV — Statutory and General Information — 5. Other Information — F. Consents of Experts" in this prospectus.

B. DOCUMENTS AVAILABLE ON DISPLAY

Electronic copies of the following documents will be available on display on the website of our Company at **https://zjshc.com** and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** during a period of 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountant's report from Confucius International CPA Limited, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for the years ended December 31, 2022, 2023 and 2024;

(d) the report from Confucius International CPA Limited on review of the interim financial information of our Group for the three months ended 31 March 2025, the text of which is set out in the section headed "Unaudited Interim Condensed Consolidated Financial Information" in Appendix IA to this prospectus;

(e) the report from Confucius International CPA Limited on the unaudited pro forma financial information of our Group, the text of which is set out in the section headed "Appendix II — Unaudited Pro Forma Financial Information" in this prospectus;

(f) the industry report issued by Frost & Sullivan referred to in "Industry Overview" in this prospectus;

(g) the PRC legal opinions issued by T&C Law Firm in respect of certain aspects and property interests in Mainland China of our Group;

(h) the material contracts referred to in "Appendix IV — Statutory and General Information — 2. Further Information about our Business — A. Summary of Our Material Contracts" in this prospectus;

(i) the written consents referred to in "Appendix IV — Statutory and General Information — 5. Other Information — F. Consents of Experts" in this prospectus;

(j) the service contracts or letters of appointment referred to in the section headed "Appendix IV — Statutory and General Information — 3. Further Information About Our Directors and Supervisors — A. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters" in this prospectus; and

(k) the PRC Company Law, PRC Securities Law, and the Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies, together with unofficial English translations thereof.

ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.

浙江三花智能控制股份有限公司