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

SOLID FOUNDATIONS, SMART FUTURE

2026 INTERIM REPORT

CONTENT

Definitions

"A Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, which are subscribed in RMB and listed on the Shenzhen Stock Exchange (stock code: 002050)
"A Shareholder(s)"	holder(s) of the A Shares
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
"Company"	Zhejiang Sanhua Intelligent Controls Co., Ltd. (浙江三花智能控制股份有限公司), a joint stock company established in the PRC with limited liability, the A Shares (stock code: 002050) and the H Shares (stock code: 02050) of which are listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, respectively
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Hield International"	Hield International (H.K.) Limited, a Hong Kong company established on May 14, 2007, one of the controlling Shareholders of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars (stock code: 02050)
"H Shareholder(s)"	holder(s) of the H Shares
"Latest Practicable Date"	September 18, 2026, being the latest practicable date for ascertaining certain information in this report before its publication
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

Definitions

"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Prospectus"	the prospectus of the Company dated June 13, 2025
"Remuneration and Evaluation Committee"	the remuneration and evaluation committee of the Board
"Reporting Period"	from January 1, 2026 to June 30, 2026
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Sanhua Green Energy"	Zhejiang Sanhua Green Energy Industrial Group Co., Ltd. (浙江三花綠能實業集團有限公司), a PRC company established on September 30, 2001, one of the controlling Shareholders of the Company
"Sanhua Holding"	Sanhua Holding Group Co., Ltd. (三花控股集團有限公司), a PRC company established on July 11, 2000, one of the controlling Shareholders of the Company
"Share(s)"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Management and ESG Committee"	the strategy management and ESG committee of the Board
"U.S. dollars"	United States dollars, the lawful currency of the United States
"Wealth Info"	Wealth Info Limited, a Hong Kong company established on June 2, 2005, one of the controlling Shareholders of the Company
"Xinchang Huaqing Investment"	Xinchang Huaqing Investment Co., Ltd. (新昌華清投資有限公司), a PRC company established on February 29, 2016, one of the controlling Shareholders of the Company
"Xinchang Huaxin Industrial"	Xinchang Huaxin Industrial Co., Ltd. (新昌華新實業有限公司), a PRC company established on March 16, 2016, one of the controlling Shareholders of the Company
"Zhejiang Huateng Industrial"	Zhejiang Huateng Industrial Co., Ltd. (浙江華騰實業有限公司), a PRC company established on April 19, 2010, one of the controlling Shareholders of the Company
"%"	per cent

Corporate Information

COMPANY PROFILE

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

COMPANY STOCK OVERVIEW

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

MEDIA FOR INFORMATION DISCLOSURE

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

Corporate Information

CONTACT PERSON AND CONTACT INFORMATION

	Secretary to the Board and joint company secretaries	Representatives of securities affairs	
Name	Li Zhimi (李智密)	Wu Meijing (吳美靜)	Zhang Yuqing (張宇青)
Address	No. 289, 12th Street, Baiyang Sub-district, Qiantang District, Hangzhou, Zhejiang Province, the PRC	No. 289, 12th Street, Baiyang Sub-district, Qiantang District, Hangzhou, Zhejiang Province, the PRC	
Telephone	0571-28020008	0571-28020008	
E-mail	shc@zjshc.com	shc@zjshc.com	

OTHER RELATED INFORMATION

Executive Directors	Mr. Zhang Yabo (張亞波先生) *(Chairman of the Board and Chief Executive Officer)* Mr. Wang Dayong (王大勇先生) Mr. Ni Xiaoming (倪曉明先生) *(Employee representative Director)* Mr. Chen Yuzhong (陳雨忠先生)
Non-executive Directors	Mr. Zhang Shaobo (張少波先生) Mr. Ren Jintu (任金土先生) Mr. Shi Jianhui (石建輝先生) *(Appointed on June 29, 2026)*
Independent Non-executive Directors	Mr. Bao Ensi (鮑恩斯先生) Ms. Pan Yalan (潘亞嵐女士) Mr. Ge Jun (葛俊先生) *(Lead Independent Non-executive Director)* Mr. Shao Shuangquan (邵雙全先生) *(Appointed on June 29, 2026)*

Corporate Information

Audit Committee	Mr. Bao Ensi (鮑恩斯先生) *(Chairman)* Ms. Pan Yalan (潘亞嵐女士) Mr. Ge Jun (葛俊先生) *(Appointed on June 8, 2026)*
Remuneration and Evaluation Committee	Mr. Ge Jun (葛俊先生) *(Chairman) (Appointed on June 8, 2026)* 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) *(Chairwoman)* Mr. Zhang Yabo (張亞波先生) Mr. Ge Jun (葛俊先生) *(Appointed on June 8, 2026)*
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) *(Appointed on June 30, 2026)* Mr. Ge Jun (葛俊先生) Mr. Shao Shuangquan (邵雙全先生) *(Appointed on June 30, 2026)*
Joint Company Secretaries	Ms. Li Zhimi (李智密女士) *(Appointed on April 22, 2026)* Ms. Kwok Yan Ting Jennis (郭恩廷女士) *(Appointed on April 22, 2026)* Mr. Hu Kaicheng (胡凱程先生) *(Resigned on April 22, 2026)* Ms. Ho Wing Nga (何詠雅女士) *(Resigned on April 22, 2026)*
Authorized Representatives	Mr. Zhang Yabo (張亞波先生) Ms. Kwok Yan Ting Jennis (郭恩廷女士) *(Appointed on April 22, 2026)* Ms. Ho Wing Nga (何詠雅女士) *(Resigned on April 22, 2026)*
Legal Adviser as to Laws of Hong Kong, China	Clifford Chance 27/F, Jardine House, One Connaught Place, Central, Hong Kong
Legal Adviser as to PRC Laws	T&C Law Firm 3/F, 6-12/F, Block 1, Huixi Office Building International Finance Center, No. 118, Sanxin Road Shangcheng District, Hangzhou Zhejiang Province, PRC

Corporate Information

Compliance Adviser	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center, 99 Queen's Road Central, Hong Kong
Custodian of A Shares	China Securities Depository and Clearing Corporation Limited Shenzhen Branch 25th Floor, Shenzhen Stock Exchange Plaza No. 2012, Shennan Avenue, Lianhua Street Futian District, Shenzhen, China
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong

Management Discussion and Analysis

I. MAIN BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

(I) Main Businesses

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

1. Refrigeration and air-conditioning product components business

The Company mainly engages in the development and application of control components, subsystems and technology solutions, which empower energy-efficient heating, ventilation and air-conditioning systems for buildings and thermal management systems for household appliances. The Company is a key global supplier of refrigeration and air-conditioning control components. In the business segment, the Company offers valves, heat exchangers, pumps, controllers and sensors, among others. Its valve products include electronic expansion valves, four-way reversing valves, service valves, solenoid valves, and ball valves; heat exchangers include micro-channel heat exchangers and brazed plate heat exchangers; pump products include Omega pumps; and sensors cover temperature, pressure, and gas sensors. Such products are widely utilized in residential air-conditioning, small household appliances, commercial air-conditioning and refrigeration, and data center liquid cooling, among other fields.

2. **Automotive components business**

As an early entrant in the NEV thermal management market, the Company has taken a forward-looking approach, maintained a long-term commitment to the NEV thermal management sector, and consistently led industry innovation and development, which establishes the Company as a leading supplier of thermal management system components in the global market. The Company specializes in offering comprehensive and reliable thermal management and control solutions for NEVs, and continuously providing energy-efficient, high-performance products for traditional fuel vehicles.

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

(II) Industry Development Status

In the first half of 2026, the global economy continued to show signs of divergence, with geopolitical conflicts, trade barriers, and the restructuring of industrial chains exacerbating uncertainty in business operations. The appreciation of the RMB and rising raw material prices squeezed profit margins in the domestic manufacturing sector. AI accelerated the transition from technological breakthroughs to industrial applications, and has been gradually integrated into every stage of the process, including R&D and design, production and operations, supply chains, and customer service. At the same time, trends in AI, smart manufacturing, and green, low-carbon development continued to gain momentum, driving sustained growth in demand across various sectors for products that enable efficient thermal management, precision control, and intelligent sensing and actuation.

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

In the first half of 2026, the external business environment continued to evolve, and the residential air-conditioning industry entered a period of adjustment. According to the statistics from ChinaIOL, China's total production and sales of residential air-conditioning reached 115.525 million units in the first half of 2026, representing a year-on-year decline of 6.2%. In the domestic market, demand growth slowed due to factors such as the waning impact of the home appliance trade-in policy, adjustments in the real estate market, and the industry's inventory digestion efforts, while market competition intensified further. In overseas markets, overall demand came under pressure due to demand fluctuations in some mature markets and changes in the trade environment. However, rising air-conditioning penetration rates in regions such as Europe and Southeast Asia, along with periodic heat waves, continued to present structural growth opportunities. In the long term, trends such as global warming, rising air-conditioning penetration rates, improvements in energy efficiency, and the development of emerging applications such as heat pumps remain unchanged. Growing demand in emerging markets and product upgrades will continue to provide sustained momentum for the industry's development.

Meanwhile, the refrigerator industry has gradually shifted toward a model driven by product upgrades, with market competition characterized by the stock-market nature. Trends toward high-end products, intelligent features, and product structure upgrades continued to deepen. In the kitchen appliance sector, with the continuous elevation of global energy efficiency standards and the increasing stringency of gas safety regulatory requirements, products such as gas stoves, water heaters, and dishwashers are accelerating the transition toward high efficiency, energy saving, safety, and intelligence, driving stable growth in demand for core components such as gas controls and safety protection devices.

In the industrial refrigeration and cold chain logistics sectors, the ongoing advancement of global food cold chain and warehousing logistics infrastructure has shifted refrigeration equipment standards toward higher energy efficiency, operational reliability, and environmental sustainability, fueling steady growth in demand for industrial refrigeration systems, cold chain transportation equipment, and related core components.

Furthermore, emerging industries have been growing at an accelerated pace. In the data center sector, the continued growth in AI computing power has led to a rapid surge in demand for liquid cooling. The rapid development of AI has significantly accelerated global demand for data centers. As chip power and rack power continued to achieve breakthroughs, high-performance servers have placed ever-greater demands on cooling capabilities. Liquid cooling is rapidly penetrating thermal management scenarios in large data centers and is emerging as a key technological approach.

2. **Automotive components industry**

In the first half of 2026, market competition continued to intensify, and the industry's development shifted from scale growth to structural optimization and competition based on capabilities. According to MarkLines and the China Passenger Car Association, global NEV sales reached 11.19 million units in the first half of 2026, representing a 14% year-on-year increase. Among which, sales of new energy passenger vehicles in China grew by only 6%, while exports surged by 130%. Meanwhile, sales of new energy commercial vehicles grew by 36%, a growth rate significantly higher than the industry average. The high growth in NEV exports, the rising penetration rate of new energy commercial vehicles, and the accelerating electrification process in overseas markets such as Europe and Southeast Asia continued to drive demand for core thermal management components, thereby providing long-term development opportunities for the industry.

The accelerated development of intelligent and autonomous driving is facilitating the evolution of automobiles from mere modes of transportation to mobile living spaces. Growing demand for comfort features, such as vehicle refrigerators, hot and cold water dispensers, and personalized temperature control, is expanding the scope of thermal management into more cabin scenarios, opening up new opportunities for the design and application of thermal management products.

3. **Bionic robot industry**

In the first half of 2026, the bionic robot industry continued to transition from technology validation to implementation in industrial settings. Advances in technologies such as embodied intelligence drove pilot applications of robots in manufacturing, logistics, and inspection scenarios. As the intelligence of robots continues to improve and the application scenarios gradually expand, the industry has set higher standards for key technologies such as perception, actuation, and thermal management.

(III) Industry Status

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

II. ANALYSIS OF CORE COMPETITIVENESS

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

The Company places a high priority on R&D investment and technological innovation, and continuously strengthens forward-looking technological research and product development to lay the foundation for long-term growth. Leveraging its mature R&D system and ongoing technological accumulation, the Company is able to respond swiftly to technological reforms in the industry and evolving customer needs, continuously introducing new, market-competitive products and solutions.

The Company has accumulated strong R&D capabilities and the ability for rapid product iteration and advancement. While consolidating its existing product advantages, the Company is also swiftly expanding into new industries, leveraging the synergies among various business segments. The Company is dedicated to establishing a globally competitive R&D system that encompasses all stages from preliminary technical research and product development to large-scale production. It has accumulated a solid technical foundation in core thermal management components such as valves and pumps. The relevant technology platforms possess strong cross-scenario application capabilities, enabling technology reuse and product extension across different end markets. Furthermore, leveraging the technical expertise in thermal management, electromechanical actuation, and system integration, along with the capabilities in precision and large-scale manufacturing, the Company is actively expanding into strategic emerging fields such as bionic robot electromechanical actuators. It continues to advance product R&D, customer validation, and industrialization capabilities, thereby continuously enriching product portfolio and technological reserves to cultivate new avenues for business growth. As at the end of the Reporting Period, the Company had six major R&D centers and 4,877 domestic and foreign licensed patents, including 2,664 granted invention patents.

(II) Commitment to Lean Production and Efficient Resource Allocation

The Company's global manufacturing network, which uniformly employs lean production methodology, constitutes the core advantage of production capabilities. The Company benefits from economies of scale, with 9 production bases worldwide. The Company's production bases offer cost advantages through large-scale production line setups, while its individual factories located around the world provide the flexibility to swiftly respond to and meet the diverse needs of local customers. Moreover, its global production layout, which facilitates localized production or assembly, allows the Company to navigate the rapid global trade developments with greater ease and resilience.

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

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

The Company is dedicated to developing advanced manufacturing technologies and implementing a standardized quality control system to deliver superior products. The Company has established comprehensive quality standards that encompass all production processes and product categories. Its robust quality control system and procedures cover supplier management, new product development, procedure control and after-sales service. These efforts have earned the Company international certifications for quality, environmental health and safety and hazardous substance control systems, including ISO9001, IATF16949 and QC080000. The Company greatly enhances product consistency and precision through rigorous research and development, stringent quality control during production, standardization of components and the implementation of automation technology. This approach allows the Company to boost production efficiency and reduce costs while maintaining high product quality. The Company is equipped with advanced quality inspection equipment and has a dedicated quality inspection team, which help the Company achieve a low defect rate in its products. Additionally, the Company has a robust after-sales service team dedicated to addressing quality issues.

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

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

(V) Continuous Deepening of Digital and AI Applications to Build Efficient and Synergetic Business Management Capabilities

The Company continues to advance digital and intelligent construction. Based on top-level design, system integration, and data governance, it promotes the in-depth integration of digital technologies into key areas such as R&D and innovation, smart manufacturing, quality management, supply chain operations, and global business operations, thereby continuously improving operational efficiency and organizational synergy. Building on this foundation, the Company actively explores the application of AI in scenarios such as production and manufacturing, business management, and decision support. It promotes data-driven business optimization and management innovation, accelerates the accumulation and replication of best practices, and continuously enhances its ability to respond rapidly to market changes and conduct globally coordinated operations. Through the in-depth integration of the digital system with industry experience, technological expertise, and manufacturing capabilities, the Company continuously improves the efficiency of business decision-making and resource allocation, as well as the level of global operational management, thereby providing strong support for the Company's long-term development and core competitiveness.

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

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

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

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

III. ANALYSIS OF MAIN BUSINESSES

Overview

In the first half of 2026, faced with a complex and ever-changing external business environment, the Company remained focused on the core business, continued to strengthen product innovation, manufacturing capabilities, and operational management, actively advanced digital and intelligent construction, and continuously enhanced its capabilities in R&D, manufacturing, supply chain management, and global operations management, thereby further strengthening the Company's operational resilience and market competitiveness.

During the Reporting Period, the Company achieved operating revenue of RMB16,900.0 million, representing a year-on-year increase of 3.9%; net profit attributable to shareholders of the listed company was RMB2,044.1 million, representing a year-on-year decrease of 3.1%. By product, operating revenue from the refrigeration and air-conditioning product components business was RMB10,444.8 million, representing a year-on-year increase of 0.5%; and operating revenue from the automotive components business was RMB6,455.1 million, representing a year-on-year increase of 9.9%.

(I) Refrigeration and air-conditioning product components business

In the first half of 2026, the Company continued to strengthen the foundation of the refrigeration and air-conditioning product components business. Focusing on customer needs and industry trends, it continued to drive product innovation and optimize the product portfolio, while reinforcing the competitive advantages of the core products. By deepening cooperation with key customers, the Company continuously enhanced market competitiveness and operational quality. The Company continued to increase R&D investment, advance lean manufacturing and operational improvements, and further refine the product deployment in the sensor sector. Related products have already been deployed at scale across multiple application scenarios.

At the same time, the Company continued to expand into emerging application areas such as liquid cooling for data centers, making positive progress in customer development and product deployment. Product coverage has been further extended to key application scenarios including the primary side, CDUs, and server racks. Keeping pace with trends in data center liquid cooling technology, the Company continued to optimize product solutions and product deployment, enhance capabilities across various product lines, and improve product competitiveness and customer service capabilities, so as to build momentum for future business growth.

(II) Automotive components business

In the first half of 2026, the Company's automotive components business maintained steady growth, continuing to consolidate its competitive edge in thermal management for NEVs, while actively expanding into emerging application areas such as commercial vehicles, energy storage, and autonomous driving. Focusing on customer needs and industry trends, the Company continued to drive product innovation and upgrades, while relentlessly enhancing its system integration capabilities and product competitiveness. At the same time, it adhered to a quality first development philosophy to consistently improve product quality and customer service levels. Meanwhile, the Company continued to advance global expansion, and steadily improved the construction and operational systems of its overseas production bases. It continuously optimized the allocation of global manufacturing resources and the operational capabilities of overseas factories, enhanced end-to-end cost control and supply security, and provided more efficient and stable products and services to customers worldwide.

(III) Strategic emerging businesses

In the first half of 2026, the Company's bionic robot electromechanical actuator products received positive feedback from customers, with product development yielding positive results. Core products steadily progressed toward mass delivery and production ramp-up, while new product R&D and marketing efforts were carried out simultaneously.

IV. OUTLOOK FOR THE COMPANY'S FUTURE DEVELOPMENT

(I) The Company's Development Strategy

The Company adheres to the business philosophy of "focusing on excellence and innovating for success", and firmly grasps the product development themes of energy conservation, environmental protection and intelligent control, with a strong emphasis on researching and applying heat pump technology, thermal management systems, and electromechanical actuators. By expanding its global business layout through continuous and leading product and technological innovation, the Company provides competitive thermal management and intelligent control solutions for high-quality customers around the world, and is committed to becoming a globally leading provider of thermal management and intelligent control solutions.

(II) Business Plan for the Second Half of 2026

1. Refrigeration and air-conditioning product components business

The Company will continue to strengthen product innovation and product competitiveness, deepen cooperation with strategic clients, consolidate the market position of the core products, actively seize development opportunities arising from industry structural upgrades, and continuously enhance market competitiveness and operational quality. At the same time, the Company will further optimize the allocation of global manufacturing resources, enhance the synergy and operational efficiency of the global manufacturing system, continuously strengthen cost control and supply security capabilities, and deepen the application of digital and AI technologies to improve decision-making efficiency and operational management, thereby laying a solid foundation for long-term, steady development.

In emerging business areas, the Company will focus on development opportunities in the data center liquid cooling industry, continue to advance key client development and refine product portfolios, accelerate customer validation and industrialization processes, and further expand product coverage across application scenarios such as the primary side, CDUs, and server racks. The Company will closely follow trends in AI and computing infrastructure, continuously optimize product solutions and product deployment, and steadily enhance capabilities in thermal management, intelligent control, and sensors to lay the foundation for long-term business growth.

2. **Automotive components business**

The Company will continue to consolidate its competitive edge in the NEV thermal management business, deepen cooperation with key global customers, and actively expand into emerging application areas such as commercial vehicles, energy storage, and autonomous driving, thereby continuously enhancing its market competitiveness and market share. Focusing on customer needs and industry trends, the Company will continue to strengthen product innovation and upgrades, optimize product system deployment, enhance system integration capabilities and product competitiveness, and continuously reinforce intellectual property protection and the construction of its R&D system to support the long-term growth of its business.

At the same time, the Company will continue to adhere to the operational principle of "refined operations and efficiency through management", continuously improving operational management standards and the efficiency of resource allocation, strengthening risk management capabilities, advancing organizational optimization and business process improvements, and further leveraging new technologies such as digitalization and AI to continuously enhance operational efficiency and management standards, so as to steadily solidify the operational foundation for high-quality development. The Company will steadily advance its global industrial deployment, improve the construction and operational systems of its overseas production bases, optimize the allocation of global manufacturing resources, and enhance supply chain synergy, delivery assurance, and global operational management capabilities. It will continuously strengthen customer service capabilities, deepen long-term cooperative relationships with high-quality global customers, and lay a solid foundation for the sustainable development of the Company's global business.

3. **Strategic emerging businesses**

With respect to the bionic robot business, the Company will seize the opportunities presented by the rapid development of bionic robots, swiftly expand product lines, accelerate the construction of production bases, and fully leverage its customer and technological advantages to achieve rapid growth, optimize product design, and enhance product competitiveness.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2026, the Company adhered to sustainable and healthy development and achieved stable business growth. The revenue of the Group for the period was principally derived from (i) the sales of refrigeration and air-conditioning product components and (ii) the sales of automotive components. The total revenue of the Group reached RMB16,900.0 million, representing an increase of 3.9% as compared to the same period in 2025.

Revenue analysis by product and region

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

By product category:

	Period ended June 30, 2026		Period ended June 30, 2025	
	RMB'000	**%**	RMB'000	%
Refrigeration and air-conditioning product components	**10,444,845**	**61.8**	10,388,693	63.9
Automotive components	**6,455,128**	**38.2**	5,874,094	36.1
Total	**16,899,973**	**100.0**	16,262,787	100.0

Revenue from refrigeration and air-conditioning product components increased by 0.5% from RMB10,388.7 million for the period ended June 30, 2025 to RMB10,444.8 million for the period ended June 30, 2026, which was primarily due to the pressure exerted on traditional industries by the evolving external business environment during the first half of 2026.

Revenue from automotive components increased by 9.9% from RMB5,874.1 million for the period ended June 30, 2025 to RMB6,455.1 million for the period ended June 30, 2026, primarily due to strong sales performance driven by the Group's energy-efficient and high-performance products.

By sales region:

	Period ended June 30, 2026 RMB'000	%	Period ended June 30, 2025 RMB'000	%
China	**9,847,535**	**58.3**	9,051,921	55.7
Other countries or regions	**7,052,438**	**41.7**	7,210,866	44.3
Total	**16,899,973**	**100.0**	16,262,787	100.0

The Group generated revenue from both China and overseas markets. For the period ended June 30, 2026, revenue from China increased by 8.8% compared with the corresponding period of last year, mainly due to the Group's continued penetration into the Chinese market. Revenue from other countries or regions decreased by approximately 2.2% from RMB7,210.9 million to RMB7,052.4 million. The decrease was mainly attributable to pressure on overseas markets, particularly weaker demand in the U.S., amid continued geopolitical uncertainties and trade barriers.

Cost of Revenue

The cost of revenue of the Group for the period ended June 30, 2026 amounted to RMB12,188.0 million, representing an increase of 3.8% as compared to the same period in 2025, which was in line with the growth trend of revenue during the Reporting Period. The breakdown of the cost categorized by product category is set out below:

Cost of revenue analysis by product

	Period ended June 30, 2026 RMB'000	%	Period ended June 30, 2025 RMB'000	%
Refrigeration and air-conditioning product components	**7,490,801**	**61.5**	7,461,833	63.6
Automotive components	**4,697,190**	**38.5**	4,278,804	36.4
Total	**12,187,991**	**100.0**	11,740,637	100.0

Gross profit and gross profit margin

For the period ended June 30, 2026, the gross profit margin remained broadly stable at 27.9%, compared with 27.8% for the period ended June 30, 2025. The breakdown of the gross profit categorized by product category is set out below:

Gross profit analysis by product

	Period ended June 30, 2026 RMB'000	%	Period ended June 30, 2025 RMB'000	%
Refrigeration and air-conditioning product components	2,954,044	62.7	2,926,860	64.7
Automotive components	1,757,938	37.3	1,595,290	35.3
Total	4,711,982	100.0	4,522,150	100.0

General and administrative expenses

For the period ended June 30, 2026, the general and administrative expenses of the Group amounted to RMB942.9 million, representing a decrease of 5.9% from RMB1,002.2 million for the period ended June 30, 2025, mainly due to the effective cost control.

Selling and marketing expenses

For the period ended June 30, 2026, the selling and marketing expenses of the Group amounted to RMB309.7 million, representing an increase of 0.5% from RMB308.1 million for the period ended June 30, 2025, mainly due to the increase in employee salaries for sales personnel during the Reporting Period.

Research and development expenses

For the period ended June 30, 2026, the research and development expenses of the Group amounted to RMB763.3 million, representing an increase of 8.3% from RMB705.0 million for the period ended June 30, 2025, accounting for 4.5% of the Group's revenue during the Reporting Period. The increase in the Group's research and development expenses as compared to the corresponding period in 2025 was mainly attributable to the Group's continuous efforts to deepen its focus on core businesses while steadily concentrating on emerging business areas, along with a corresponding increase in the R&D team and direct investments in R&D projects.

Net impairment losses on financial assets

Net impairment losses on financial assets mainly included impairment losses from changes in the loss allowance for trade receivables and notes receivable at amortized cost, as well as impairment losses from changes in the loss allowance for other receivables. For the period ended June 30, 2026, the Group recorded net impairment losses on financial assets of RMB57.2 million, compared to net impairment losses on financial assets of RMB129.0 million for the period ended June 30, 2025. The change was primarily attributable to the changes in the aging profile of receivables and the corresponding expected credit loss assessment.

Other income

The other income of the Group mainly included government grants, additional deduction for VAT, interest income and others. For the period ended June 30, 2026, the other income of the Group amounted to RMB202.1 million, representing an increase of RMB23.6 million from RMB178.5 million for the period ended June 30, 2025, mainly driven by increased interest income from the Group's term deposits.

Other (losses)/gains, net

The Group's other (losses)/gains, net primarily consists of gains or losses on disposal of financial instruments, fair value changes on derivative financial instruments and equity instruments and net foreign exchange differences, net losses on disposal of property, plant and equipment, intangible assets and other long-term assets, and others. The Group recorded other losses, net of RMB414.2 million for the period ended June 30, 2026 as compared to other gains, net of RMB23.9 million for the period ended June 30, 2025, primarily due to the net loss of foreign exchange differences of RMB285.5 million and fair value changes on equity instruments of RMB197.7 million for the period ended June 30, 2026.

Income tax expense

For the period ended June 30, 2026, the Group's income tax expense was RMB342.5 million, representing a decrease of RMB55.9 million from RMB398.4 million for the period ended June 30, 2025, which was mainly due to the decrease in overall profitability for the period ended June 30, 2026.

FINANCIAL POSITION

The table below sets forth a summary of the Group's consolidated statements of financial position for the periods indicated:

	As at June 30, 2026 RMB'000	As at December 31, 2025 RMB'000
Total non-current assets	**15,811,106**	15,683,617
Total current assets	**35,652,293**	33,722,514
Total assets	**51,463,399**	49,406,131
Total non-current liabilities	**1,968,224**	2,000,662
Total current liabilities	**16,670,437**	15,365,239
Total liabilities	**18,638,661**	17,365,901
Equity attributable to owners of the Company	**32,501,982**	31,748,928
Net assets	**32,824,738**	32,040,230

The Group's total non-current assets increased from RMB15,683.6 million as at December 31, 2025 to RMB15,811.1 million as at June 30, 2026, primarily due to the increase in property, plant and equipment.

The Group's total current assets increased from RMB33,722.5 million as at December 31, 2025 to RMB35,652.3 million as at June 30, 2026, mainly due to higher trade and notes receivables.

The Group's total non-current liabilities decreased from RMB2,000.7 million as at December 31, 2025 to RMB1,968.2 million as at June 30, 2026, primarily due to the decrease of lease liabilities.

The Group's total current liabilities increased from RMB15,365.2 million as at December 31, 2025 to RMB16,670.4 million as at June 30, 2026, mainly due to the increase in trade and notes payables and accruals and other payables.

The Group's net assets increased from RMB32,040.2 million as at December 31, 2025 to RMB32,824.7 million as at June 30, 2026, primarily attributable to the profit generated during the Reporting Period.

CASH FLOWS

The table below sets forth a summary of the Group's consolidated statement of cash flows for the periods indicated:

	Period ended June 30, 2026 RMB'000	Period ended June 30, 2025 RMB'000
Net cash generated from operating activities	**2,415,069**	1,202,527
Net cash used in investing activities	**(2,256,880)**	(809,558)
Net cash (used in)/generated from financing activities	**(579,234)**	7,504,470
Net (decrease)/increase in cash and cash equivalents	**(421,045)**	7,897,439
Cash and cash equivalents at the beginning of the period	**12,487,189**	3,443,503
Effects of exchange rate changes on cash and cash equivalents	**(155,955)**	(11,490)
Cash and cash equivalents at the end of the period	**11,910,189**	11,329,452

For the six months ended June 30, 2026, the Group's net cash generated from operating activities amounted to RMB2,415.1 million, representing an increase of 100.8% from RMB1,202.5 million for the six months ended June 30, 2025. The increase was primarily attributable to the rise in cash received from sale of goods and provision of labor services from RMB14,631.0 million for the period ended June 30, 2025 to RMB16,374.5 million for the period ended June 30, 2026.

The Group's net cash used in investing activities amounted to RMB2,256.9 million, primarily attributable to capital expenditures of RMB1,367.3 million for the acquisition of property, plant and equipment, intangible assets and other non-current assets, as well as the net placement of term deposits and wealth management products during the period.

The Group's net cash used in financing activities amounted to RMB579.2 million, mainly due to the dividends paid to the Company's Shareholders of RMB504.0 million and dividends paid to the non-controlling interests of RMB5.6 million. The significant year-on-year change was primarily due to financing proceeds from issuance of H Shares in the corresponding period of 2025.

LIQUIDITY AND FINANCIAL RESOURCES

The total borrowings of the Group as at June 30, 2026, including all bank loans, amounted to approximately RMB3,722.8 million (December 31, 2025: RMB3,742.5 million). The repayment terms of the bank loans are as follows: approximately RMB2,817.8 million are due within one year, RMB904.9 million are due between one and two years.

As at June 30, 2026, the Group recorded net current assets of approximately RMB18,981.9 million compared to approximately RMB18,357.3 million as at December 31, 2025. The Group's current ratio (namely current assets divided by current liabilities as at the relevant dates) decreased from 2.2 as at December 31, 2025 to 2.1 as at June 30, 2026.

As at June 30, 2026, the Group's cash and cash equivalents amounted to approximately RMB11,910.2 million and RMB12,487.2 million as at December 31, 2025. The Group's cash and cash equivalents are mainly denominated in RMB, US$, and EUR.

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

CAPITAL STRUCTURE

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

The borrowings of the Group were mainly settled in RMB, while its cash and cash equivalents were mainly held in RMB, Euro, and U.S. dollars. The Group planned to maintain an appropriate portfolio of equity and debt during the Reporting Period to ensure an effective capital structure. As at June 30, 2026, the Group's outstanding loans are predominantly RMB-denominated, with a portion in USD and Euro. Approximately 36.4% of these outstanding loans bear interest at fixed rates, and the remainder at floating rates.

The Group monitored the capital structure by asset-liability ratio (i.e. total liabilities divided by total assets and multiplied by 100%), with its policies to maintain financial stability and support the sustainable, healthy and rapid development of the Group's business. The asset-liability ratio of the Group as at June 30, 2026 was 36.2% (December 31, 2025: 35.1%). The Group maintained its financial stability amidst rapid business development.

CAPITAL EXPENDITURES

For the period ended June 30, 2026, the Group's capital expenditures amounted to RMB1,003.1 million, representing a decrease of RMB472.8 million from RMB1,475.9 million for the period ended June 30, 2025. Capital expenditures primarily consist of expenditure on purchase of property, plant and equipment (including right-of-use assets) and intangible assets. The Group's capital expenditures were primarily funded by cash flows generated from operating activities, proceeds and bank borrowings.

CAPITAL COMMITMENTS

The contracted commitments decreased from RMB990.3 million as at December 31, 2025 to RMB908.9 million as at June 30, 2026, primarily reflecting the Group's ongoing construction of factories and R&D center in Hangzhou, Zhongshan and overseas.

The authorized, but not contracted commitments decreased from RMB5,321.7 million as at December 31, 2025 to RMB4,960.3 million as at June 30, 2026, primarily reflecting the Group's ongoing construction plans of factories for automotive components, in particular, for NEVs, in Hangzhou, Shaoxing, Zhongshan and overseas.

CHARGES ON ASSETS

As at June 30, 2026, the Group had notes receivables of RMB3,716.7 million, of which approximately RMB2,283.0 million (December 31, 2025: RMB2,436.7 million) were pledged for bank acceptance notes for daily payment of goods.

FOREIGN EXCHANGE RISK

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

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

CONTINGENT LIABILITIES

The Group may incur contingent liabilities arising from various claims or legal proceedings in the ordinary course of business. As at June 30, 2026, the Group did not have any significant contingent liabilities.

MATERIAL INVESTMENTS HELD

As at June 30, 2026, the Group did not hold any material investment, which refers to an investment with investment amounts in an investee company that accounted for 5% or more of the Group's total assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended June 30, 2026, the Group did not undertake any material acquisitions or disposals of subsidiaries, associates and joint ventures.

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

As at June 30, 2026, the Group had no other plans for material investments or acquisitions of capital assets.

USE OF PROCEEDS

Use of Proceeds from the Listing of H Shares

The Company's H Shares were listed on the Main Board of the Stock Exchange on June 23, 2025. A total of 414,379,500 H Shares were initially issued in the Global Offering; subsequently, on July 23, 2025, the Company issued additional 62,156,900 H Shares under the Over-allotment Option. A total of 476,536,400 H Shares with a nominal value of RMB1.00 each were issued in the Global Offering (including the issue of H Shares pursuant to the Over-allotment Option as described in the Prospectus). The Offer Price was HK$22.53 per H Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%). The total proceeds from the Global Offering of the Company amounted to approximately HK$10,736.4 million, and the net proceeds amounted to approximately HK$10,570.1 million (RMB9,650.7 million) (adjusted after listing fees and exchange rates). The net proceeds carried forward to January 1, 2026 amounted to RMB7,585.9 million.

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

Item	Percentage of net proceeds	Net proceeds planned to be used (after the exercise of the Over-allotment Option) (RMB million)	Utilized amount during the Reporting Period (RMB million)	Utilized amount as of June 30, 2026 (RMB million)	Unutilized net amount as of June 30, 2026 (RMB million)	Expected timeline of full utilization[1]
Used for continuous global R&D and innovation of product mix	30%	2,895.2	347.4	530.2	2,365.0	By the end of 2028
Used to expand and establish production facilities and increase the production automation level in China over the next three years	30%	2,895.2	818.5	1,506.6	1,388.6	By the end of 2028
Used to deepen global layout by expanding the Group's overseas production capabilities	25%	2,412.7	246.8	458.9	1,953.8	By the end of 2028
Used to enhance the Group's digital intelligence infrastructure	5%	482.5	55.6	72.3	410.2	By the end of 2028
Used as working capital and for general corporate uses	10%	965.1	–	965.1	–	N/A
Total	100%	9,650.7	1,468.3	3,533.1	6,117.6	

Note:

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

Use of Proceeds from A Shares Convertible Bonds

Pursuant to the Approval on the Public Offering of Convertible Corporate Bonds by Zhejiang Sanhua Intelligent Controls Co., Ltd. (Zheng Jian Xu Ke [2021] No. 168) (《關於核准浙江三花智能控制股份有限公司公開發行可轉換公司債券的批覆》(證監許可[2021]168號)) issued by the China Securities Regulatory Commission, the Company publicly issued 30.0 million convertible corporate bonds (the "**Sanhua Convertible Bonds**") in June 2021, each with a nominal value of RMB100. A total of RMB3,000 million was raised. After deducting the issuance expenses of RMB12.5 million, the net amount of proceeds was RMB2,987.5 million. The net proceeds carried forward to January 1, 2026 amounted to RMB213.1 million.

During the Reporting Period, the Company used the net proceeds from the issuance of A Shares convertible bonds as described in the Prospectus for the Public Offering of Convertible Corporate Bonds of Zhejiang Sanhua Intelligent Controls Co., Ltd. As at June 30, 2026, the details of the use of proceeds are as follows:

Item	Total proceeds planned to be used (RMB million)	Adjusted total proceeds planned to be used (RMB million)	Utilized amount during the Reporting Period (RMB million)	Utilized amount as of June 30, 2026 (RMB million)	Balance as of June 30, 2026 (RMB million)	Expected time for using the total amount of unutilized proceeds[2]
Construction project for annual production of 65 million sets of commercial refrigeration and air-conditioning intelligent control components	1,487.0	1,487.0	–	1,254.2	N/A[4]	N/A
Technical transformation project for annual production of 50.5 million sets of high-efficiency energy-saving refrigeration and air-conditioning control components[1]	698.0	466.0	–	463.4	N/A[3]	N/A
Replenishment of working capital	815.0	815.0	–	812.7	N/A[3]	N/A
Zhejiang Sanhua Intelligent Drive Future Industry Center construction project	–	295.7	80.5	163.1	132.6	By the end of 2026[5]
Total	3,000.0	3,063.7	80.5	2,693.4	132.6	

Notes:

(1) The remaining proceeds amounted to approximately RMB295.7 million, comprising the balance of the proceeds together with interest income and gains from wealth management products. The remaining proceeds have been allocated to a new project (i.e. the Zhejiang Sanhua Intelligent Drive Future Industry Center construction project), which is expected to be fully utilized by the end of 2026.

(2) On August 21, 2025, the Company convened the first extraordinary general meeting of 2025, at which the resolution on the conclusion of proceeds-funded projects and the investment of surplus proceeds into new project and the permanent replenishment of working capital was considered and approved. For details, please refer to the circular of the Company dated July 30, 2025, and the announcement dated August 21, 2025.

(3) The difference between the utilized amount and the total amount is the bank charges.

(4) Upon approval by the Company's first extraordinary general meeting of 2025, the remaining balance from the construction project for annual production of 65 million sets of commercial refrigeration and air-conditioning intelligent control components shall be used to replenish working capital.

(5) The Company has adjusted the date on which the project is expected to reach its intended usable condition from June 2026 to December 2026. Please refer to section headed "Extension of Investment Project Funded by Proceeds from A Shares Convertible Bonds" in this report.

Extension of Investment Project Funded by Proceeds from A Shares Convertible Bonds

On June 30, 2026, the Board considered and approved the Resolution on the Extension of Investment Project Funded by Proceeds. After comprehensively considering the actual construction progress and subsequent acceptance arrangements for the Zhejiang Sanhua Intelligent Drive Future Industry Center construction project, the Company has adjusted the date on which the project is expected to reach its intended usable condition from June 2026 to December 2026. As at the end of the Reporting Period, the main construction work and the foundation work for the outdoor roadways of the project have been substantially completed. Related outdoor supporting works are proceeding in an orderly manner, and subsequent acceptance inspections still need to be completed. Apart from the aforementioned adjustment to the project schedule, there have been no changes to the project's implementing entity, the use of proceeds, the investment content, and the investment scale. This adjustment will not have a material adverse effect on the project's implementation or the Group's normal operations.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company aims to implement high standards of corporate governance, which the Company believes is crucial to safeguard the interests of Shareholders. The Company has adopted the code provisions of the Corporate Governance Code as the basis for its corporate governance practices. During the Reporting Period, to the best knowledge of the Directors, except for the deviation from code provision C.2.1 of part 2 of the Corporate Governance Code below, the Company has complied with all applicable code provisions in the Corporate Governance Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all the Directors, all Directors confirmed that they had complied with the provisions of the Model Code during the Reporting Period. The Company has also established written guidelines for securities transactions by employees who are likely to possess inside information of the Company on terms no less exacting than the Model Code. The Company is not aware of any incident of non-compliance with the written guidelines by the employees. When the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

MATERIAL CHANGES TO THE RELEVANT INFORMATION OF DIRECTORS

Mr. Shao Shuangquan was appointed as an independent non-executive Director of the Company on June 29, 2026, and as a member of the Strategy Management and ESG Committee on June 30, 2026.

Mr. Ge Jun was appointed as the chairman of the Remuneration and Evaluation Committee, a member of the Audit Committee and a member of the Nomination Committee, with effect from June 8, 2026.

Mr. Shi Jianhui ("**Mr. Shi**") ceased to act as an independent non-executive Director of the Company, the chairman of the Remuneration and Evaluation Committee, a member of the Audit Committee, a member of the Nomination Committee and a member of the Strategy Management and ESG Committee on June 7, 2026. He was appointed as a non-executive Director of the Company on June 29, 2026, and as a member of the Strategy Management and ESG Committee on June 30, 2026. On May 22, 2026, Mr. Shi was appointed as an independent non-executive director of Haitian International Holdings Limited (1882.HK).

Reference is made to the announcement of the Company dated June 5, 2026 and the circular of the Company dated June 8, 2026, in relation to the appointment of Mr. Shi as a non-executive Director. Prior to joining the Group in May 2020, Mr. Shi was disqualified from being a director of any listed or unlisted corporation incorporated in Hong Kong for three years, effective from November 27, 2019, pursuant to a court order (the "**Order**") obtained by the Securities and Futures Commission ("**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 stock code 00425) in an acquisition of two companies by a subsidiary of Minth in 2008 (the "**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 conflicts of interest, 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 SFC's investigation, after the then chairman, executive director and controlling shareholder of Minth confirmed no connected relationship with the acquisition targets, Mr. Shi, along with three other then executive directors of Minth, did not make further inquiries; if further inquiries had been made, the conflicts of interest 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 the Group and Mr. Shi's role as a non-executive Director of the Company.

With respect to Mr. Shi's appointment as a non-executive Director, the Nomination Committee and the Board have reviewed and assessed the Incident, and considered that notwithstanding the Incident, Mr. Shi is suitable to serve as a director under Rules 3.08 and 3.09 of the Listing Rules, for the reasons set out below:

(a) Mr. Shi possesses the experience, knowledge and skills required to serve as a director of a listed company, and his extensive experience will continue to bring valuable insight and contributions to the Group;

(b) the Incident occurred several years ago, and the Order expired on November 26, 2022. The Order did not prohibit Mr. Shi from acting as a director of any PRC-incorporated company under the PRC Company Law and the rules of the Shenzhen Stock Exchange. To the best of our knowledge after making all reasonable enquiries, apart from the Incident mentioned above, Mr. Shi has no other non-compliance records during his tenure as a director of the Company or any other listed company; and

(c) following the Incident, Mr. Shi has continued to serve as a director of several listed companies in the PRC, Hong Kong and overseas, demonstrating continued confidence in his ability to discharge directors' duties.

In light of the above reasons, and having made relevant enquiries of Mr. Shi, and taking into account Mr. Shi's background, expertise, skills and experience, the Nomination Committee and the Board consider that Mr. Shi remains suitable to act as a non-executive Director.

Save as disclosed above, the Board is not aware of any other matters in relation to Mr. Shi's appointment that are required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules or that need to be brought to the attention of the Shareholders.

Save as disclosed above, the Company is not aware of any other changes in the Directors' information that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

Number of Employees

As at June 30, 2026, the Group had 19,909 full-time employees worldwide. Total remuneration of employees amounted to RMB2,177.0 million.

Remuneration Policy

The Company has established a remuneration and incentive system that is closely aligned with its business development and human resources strategies. Based on market remuneration levels and a job valuation system, as well as taking into account employee capabilities and performance outcomes, the Company has established a comprehensive remuneration system structured on base salary, benefits, bonuses, and long-term incentives, along with supporting management systems. Through a scientific value assessment and feedback mechanism, this system effectively motivates employees to continuously create value, thereby providing internal momentum for the Company's high-quality development.

The Company conducts regular remuneration reviews and market salary surveys to ensure that its overall remuneration levels remain competitive. Additionally, the Company conducts evaluations each year for rewards such as the research and development achievement award, quality achievement award, management achievement award, patent award, cost reduction in procurement award, lean improvement award, and value contribution award. These initiatives effectively incentivize talent to actively innovate and create value, thereby driving the Company's high-quality development. In 2018, the Company launched its first equity incentive plan; in 2020, the second restricted equity incentive plan; in 2022, the third equity incentive plan; and in 2024, the fourth equity incentive plan. These plans have played a crucial role in motivating and retaining the Company's core and key talent, thereby laying a solid talent foundation for the Company's sustained development.

Training Programs

In line with the 2026–2030 development plan, the Company has implemented a talent strategy that "prioritizes internal development, with moderate external recruitment". The TDR (Talent Development Review) assessment serves as a long-term mechanism for realizing the "Talent of Sanhua" initiative, facilitating the alignment of strategy, business operations, organizational structure, and talent development. Through multi-level assessments, the Company identifies high-potential talent, standardizes management terminology, and develops retention and development plans for key personnel, thereby ensuring talent development meets the needs of the Company's strategic growth.

Integrating the TDR assessment, the Company has established a corporate talent development system focused on leadership development, professional development, and new hire training. Through "Hang" series of leadership development, the Company progressively enhances the comprehensive management capabilities of its managerial cadres and high-potential management trainees. Through the professional development, covering finance, HRBP (Human Resources Business Partner), marketing, IT, quality, business unit heads, and other professional development programs, the Company builds a professional talent pipeline of the Group. Through the new hire training, including management trainee and campus recruitment programs, the Company cultivates outstanding high-potential talent for the Company in the future.

At the same time, the Company strengthens foundational infrastructure, continuously introduces learning technologies, certifies internal instructors, develops internal course resources, and builds an internal learning platform of the Company. By leveraging the "five forces" mechanism, namely, traction (cultural traction), internal drive (growth-driven), external momentum (instructor-driven), support (resource-based support), and organizational learning (learning-oriented organizational building), the Company promotes self-directed learning among all employees and the transformation and upgrading of talent, thereby enhancing the global competitiveness of both the organization and talent.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any listed securities of the Company during the Reporting Period (including sales of treasury Shares). As of June 30, 2026, the Company held a total of 8,351,021 treasury A Shares. The treasury A Shares will be used for share incentive plans or employee stock ownership plans of the Company. If the treasury A Shares have not been fully utilized to implement the aforementioned purposes within the period prescribed by the relevant laws and regulations, the remaining treasury A Shares will be canceled.

INTERIM DIVIDEND

The 2026 interim profit distribution plan of the Company is proposed as follows: based on the total share capital of the Company (excluding treasury Shares) on the record date for dividend distribution, the Company will distribute to A Shareholders and H Shareholders whose names appear on the register of members of the Company on the record date for the dividend distribution a cash dividend of RMB1.20 (tax inclusive) for every 10 Shares. The Company's A Shares in the Company's designated securities account for repurchase are not entitled to dividend distribution. As at the Latest Practicable Date, the Company's total share capital is 4,208,013,935 Shares, after deducting its 13,851,943 A Shares in the special account for repurchase, the total amount of cash dividends to be distributed is approximately RMB503.3 million, accounting for 24.6% of the net profit attributable to the owners of the parent company in the first half of 2026 consolidated statements.

The interim dividend shall be denominated and declared in Renminbi, and paid in Renminbi to A Shareholders and in Hong Kong dollars to H Shareholders.

The 2026 interim dividend was approved by the Company's Shareholders at the 2026 first extraordinary general meeting held on September 15, 2026 (the "**EGM**"). The actual amounts of the H Share dividend to be distributed in Hong Kong dollars will be calculated based on the average central parity rate of RMB to Hong Kong dollars (i.e., RMB1 to HK$1.157348) published by the People's Bank of China for the five working days preceding September 15, 2026 (the date of the EGM), being a cash dividend of HK$1.3888 (tax inclusive) for every 10 H Shares.

Distribution of the 2026 interim dividend and the record date for H Shareholders

The Company will pay the 2026 interim dividend to H Shareholders on Thursday, October 29, 2026. To determine the entitlement of H Shareholders to the 2026 interim dividend, the H Share register of members of the Company will be closed from Thursday, September 24, 2026 to Tuesday, September 29, 2026 (both days inclusive). The H Shareholders whose names appear on the H Share register of members of the Company on Tuesday, September 29, 2026 are entitled to the 2026 interim dividend. In order to qualify for receiving the 2026 interim dividend, all transfer documents accompanied by relevant share certificates must be lodged for registration with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, September 23, 2026.

REVIEW OF INTERIM REPORT BY THE AUDIT COMMITTEE

The Company has established the Audit Committee, which currently comprises three independent non-executive Directors, namely Mr. Bao Ensi, Ms. Pan Yalan and Mr. Ge Jun, with Mr. Bao Ensi being the chairman of the Audit Committee.

The Audit Committee under the Board of the Company has reviewed the accounting policies and practices adopted by the Group and has discussed matters of auditing, internal control, risk management and financial reporting (including the financial statements for the six months ended June 30, 2026) before making recommendations to the Board for approval of the relevant matters.

The Group's interim report has not been audited or reviewed by the auditor of the Company. The Audit Committee has reviewed the interim report of the Group for the six months ended June 30, 2026. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

EVENTS AFTER THE REPORTING PERIOD

Repurchase of A Shares

After June 30, 2026 and up to the date of this report, the Company repurchased an aggregate of 5,500,922 A Shares through centralized bidding transactions on the Shenzhen Stock Exchange, representing approximately 0.1% of the Company's total issued share capital. The highest trading price was RMB37.00 per share, the lowest trading price was RMB35.05 per share, and the total repurchase fund was approximately RMB197,804,651.84 (excluding transaction fees).

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

Unit: Yuan Currency: RMB

Month of repurchase	Number of repurchase	Lowest trading price per share	Highest trading price per share	Total funds (excluding transaction fees)
July 2026	2,798,178	35.05	36.09	99,932,325.34
August 2026	1,326,744	36.61	37.00	48,905,245.10
September 2026	1,376,000	35.50	35.67	48,967,081.40

Save as disclosed above, the Group has no other material events after June 30, 2026 and up to the Latest Practicable Date.

A SHARE INCENTIVE SCHEMES

The Company currently has two types of A Share incentive schemes, namely the restricted share incentive scheme (the "**Restricted Share Incentive Scheme**") and the stock appreciation right incentive plan (the "**Stock Appreciation Right Incentive Plan**").

(I) Restricted Share Incentive Scheme

During the Reporting Period, the Company's existing Restricted Share Incentive Scheme was the 2024 Restricted Share Incentive Scheme. The terms of Restricted Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of restricted Shares by the Company after the listing.

1. Purpose

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

2. Participants

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

3. Source and maximum number of Shares

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

Restricted Share Incentive Scheme	Maximum number of restricted Shares that can be granted and the percentage of the issued Shares (excluding treasury shares) as of the date of the interim report
2024 Restricted Share Incentive Scheme	24,910,000 (0.59%)

As of January 1, 2026 and June 30, 2026, the number of restricted Shares that can be granted under the 2024 Restricted Share Incentive Scheme was 0. During the Reporting Period, no restricted A Shares were granted under the 2024 Restricted Share Incentive Scheme.

4. **Maximum entitlement of participants**

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

5. **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 Scheme by the general 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 Scheme by the general meeting. The Restricted Share Incentive Scheme shall be effective from the date of completion of the grant of restricted Shares under the Scheme up to the date when the restricted Shares granted under the Scheme are no longer under any lock-ups or have been repurchased and canceled, provided that the term of the Scheme shall not each exceed 48 months.

6. **Sale restriction and vesting arrangements**

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

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

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

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

7. **Consideration for the grant of restricted Shares**

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

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

8. **Determination basis of grant price**

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

9. **Changes in the number of restricted Shares during the Reporting Period**

Name of Restricted Share Incentive Scheme	Name and category of the participants	Date of grant[1]	Grant price (RMB/share)	Number of locked-up restricted A Shares as of January 1, 2026 (shares)[1][2]	Number of restricted A Shares unlocked (i.e. vested) during the Reporting Period (shares)[1]	Number of restricted A Shares lapsed during the Reporting Period (shares)	Number of restricted A Shares repurchased and cancelled during the Reporting Period (shares)	Repurchase price of the cancelled restricted A Shares (RMB)	Number of locked-up restricted Shares as of June 30, 2026 (shares)[1][3]	Weighted average closing price of relevant Shares immediately before the vesting date (RMB/share)
2024 Restricted Share Incentive Scheme	WANG Dayong	2024.6.03	11.75	70,000	-	-	-	N/A	70,000	N/A
	NI Xiaoming	2024.6.03	11.75	56,000	-	-	-	N/A	56,000	N/A
	CHEN Yuzhong	2024.5.13	11.75	56,000	-	-	-	N/A	56,000	N/A
	Non-director employees	2024.5.13	11.75	16,513,000	-	512,000	-	N/A	16,001,000	N/A
		2024.6.03	11.75	112,000	-	-	-	N/A	112,000	N/A
	Total			16,807,000	-	512,000	-		16,295,000	

Notes:

(1) The vesting arrangements of the restricted Shares are as follows:

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

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

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

(2) No consideration was paid/required to be paid by the participants on the unlocking of restricted Shares under the Restricted Share Incentive Scheme.

(3) During the Reporting Period, the Company has not granted restricted Shares under the Restricted Share Incentive Scheme. Upon consideration and approval at the Company's Extraordinary General Meeting held on September 15, 2026, the Company resolved to repurchase and cancel the 648,500 restricted A Shares that had been granted to participants who no longer qualified under the incentive scheme and remained subject to lock-up restrictions. None of the participants is a connected person of the Company.

(II) Stock Appreciation Right Incentive Plan

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

1. Purpose

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

2. Participants

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

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

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

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

As of January 1, 2026 and June 30, 2026, the number of stock appreciation rights that can be granted under the 2024 Stock Appreciation Right Incentive Plan was 0. During the Reporting Period, no stock appreciation rights were granted under the 2024 Stock Appreciation Right Incentive Plan.

4. Maximum entitlement of participants

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

5. Source of Shares and participants' interest

The Stock Appreciation Right Incentive Plan does not involve actual Shares of the Company. Instead, it anchors at the Shares as virtual stock targets.

6. **Term**

The 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 Plan up to the date when all the stock appreciation rights are vested or deregistered, provided that the term of the Stock Appreciation Right Incentive Plan shall not exceed 48 months.

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

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

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

Name of Stock Ownership Scheme	Name and category of the participants[1]	Date of grant	Number of locked-up A Share appreciation rights as of January 1, 2026 (shares)[2]	Number of A Share appreciation rights vested during the Reporting Period (shares)[2]	Number of A Share appreciation rights lapsed during the Reporting Period (shares)	Number of A Share appreciation rights cancelled during the Reporting Period (shares)	Exercise price (RMB/ share)[3]	Number of locked-up A Share appreciation rights as of June 30, 2026 (shares)[2][4]	Weighted average closing price of relevant Shares immediately before the vesting date (RMB/share)
2024 Stock Appreciation Right Incentive Plan	Non-director employees	2024.5.13	322,000	–	92,000	–	N/A	230,000	N/A

Notes:

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

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

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

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

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

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

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

Interests/Short Positions in the Shares of the Company

As at June 30, 2026, to the best knowledge of the Directors, the Directors and chief executive of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provision of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to herein, or will be required, pursuant to the Model Code as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they apply to the chief executive), are as follows:

Name of Director/ chief executive	Nature of interests	Class of Shares	Number of Shares held (1)	Percentage in equity interests of the relevant class of Shares of the Company (2)	Percentage in total share capital of the Company (2)
Zhang Yabo	Interest in controlled corporation (3)(4)	A Shares	1,612,862,266(L)	43.22%	38.33%
	Beneficial owner (3)	A Shares	29,268,200(L)	0.78%	0.70%
	Others (5)	A Shares	8,351,021(L)	0.22%	0.20%
Wang Dayong	Beneficial owner	A Shares	264,462(L)	0.01%	0.01%
Ni Xiaoming	Beneficial owner	A Shares	243,862(L)	0.01%	0.01%
Chen Yuzhong	Beneficial owner	A Shares	416,750(L)	0.01%	0.01%
Zhang Shaobo	Interest in controlled corporation (3)(4)	A Shares	1,612,862,266(L)	43.22%	38.33%
	Interest held jointly with another person (3)	A Shares	29,268,200(L)	0.78%	0.70%
	Others (5)	A Shares	8,351,021(L)	0.22%	0.20%

Notes:

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

(2) The calculation is based on the total number of 4,208,013,935 Shares in issue as at June 30, 2026, comprising 3,731,477,535 A Shares (including treasury shares) and 476,536,400 H Shares.

(3) Mr. Zhang Yabo directly held 29,268,200 A Shares, and held 1,612,862,266 A Shares through Sanhua Holding. Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo are parties acting in concert in respect of their shareholding interests in the Company. Therefore, each of Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo is deemed to be interested in the interest of each other under the SFO. Sanhua Holding was held as to (i) 28.77% by Xinchang Huaqing Investment, which was held as to 51% by Mr. Zhang Daocai, 6% by Ms. Yu Qingjuan, who is the spouse of Mr. Zhang Daocai, 22% by Mr. Zhang Yabo, and 21% by Mr. Zhang Shaobo, (ii) 11.78% by Mr. Zhang Yabo, (iii) 10.04% by Mr. Zhang Shaobo, (iv) 12.35% by Xinchang Huaxin Industrial, which was held as to 38.84% by Mr. Zhang Yabo, and (v) 9.04% by Zhejiang Huateng Industrial, which was held as to 45.45% by Mr. Zhang Shaobo. Therefore, the A Shares held by Sanhua Holding are deemed to be held by Mr. Zhang Yabo and Mr. Zhang Shaobo.

(4) Sanhua Green Energy is held as to 46.22% by Sanhua Holding, 28.20% by Wealth Info, which is ultimately wholly-owned by Sanhua Holding through Hield International. Therefore, Sanhua Holding is deemed to be interested in all the A Shares held by Sanhua Green Energy under the SFO.

(5) Any Shareholder controlling one-third or more of the voting rights at a general meeting of the relevant listed corporation will also be deemed to have an interest in treasury shares. As at June 30, 2026, treasury shares were 8,351,021 A Shares.

Interests in associated corporations of the Company

Name of Director/ chief executive	Name of associated corporation	Nature of interests	Number of Shares held in associated corporation (1)	Approximate percentage of shareholding interests in associated corporation
Zhang Yabo	Sanhua Holding	Beneficial owner (2)	86,000,000(L)	11.78%
		Interest held jointly with another person (2)	349,300,000(L)	47.85%
		Interest in controlled corporation (2)	90,120,000(L)	12.35%
Wang Dayong	Sanhua Holding	Beneficial owner	19,000,000(L)	2.60%
Ren Jintu	Sanhua Holding	Beneficial owner	16,000,000(L)	2.19%
Ni Xiaoming	Sanhua Holding	Beneficial owner	15,000,000(L)	2.05%
Chen Yuzhong	Sanhua Holding	Beneficial owner	14,000,000(L)	1.92%
Zhang Shaobo	Sanhua Holding	Beneficial owner (2)	73,300,000(L)	10.04%
		Interest held jointly with another person (2)	386,120,000(L)	52.89%
		Interest in controlled corporation (2)	66,000,000(L)	9.04%

Notes:

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

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

Save as disclosed above, as at June 30, 2026, none of the Directors, chief executive or other persons of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at June 30, 2026, to the best knowledge of the Directors, the following persons (excluding Directors and chief executive of the Company) had interests or short positions in Shares and underlying Shares of the Company that shall be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or shall be recorded in the register of the interests required to be kept by the Company under Section 336 of the SFO:

Name of substantial Shareholders	Nature of interests	Class of Shares	Number of Shares held(1)	Percentage in equity interests of the relevant class of Shares of the Company(2)	Percentage in total share capital of the Company(2)
Zhang Daocai	Interest in controlled corporation (3)(4)	A Shares	1,612,862,266(L)	43.22%	38.33%
	Interests held jointly with another person (3)	A Shares	29,268,200(L)	0.78%	0.70%
	Others (5)	A Shares	8,351,021(L)	0.22%	0.20%
Yu Qingjuan	Interest in controlled corporation (3)(4)	A Shares	1,612,862,266(L)	43.22%	38.33%
	Interests held jointly with another person (3)	A Shares	29,268,200(L)	0.78%	0.70%
	Others (5)	A Shares	8,351,021(L)	0.22%	0.20%
Sanhua Holding	Beneficial owner	A Shares	948,487,077(L)	25.42%	22.54%
	Interest in controlled corporation	A Shares	664,375,189(L)	17.80%	15.79%
	Others (5)	A Shares	8,351,021(L)	0.22%	0.20%
Sanhua Green Energy	Beneficial owner	A Shares	664,375,189(L)	17.80%	15.79%
Schroders PLC	Investment manager	H Shares	66,903,500(L)	14.04%	1.59%
JPMorgan Chase & Co.	Beneficial owner	H Shares	15,655,881(L)	3.29%	0.37%
		H Shares	15,519,432(S)	3.26%	0.37%
	Investment manager	H Shares	71,000(L)	0.01%	0.002%
	Person having a security interest in Shares	H Shares	1,777,300(L)	0.37%	0.04%
	Approved lending agent	H Shares	6,608,681(P)	1.39%	0.16%
Baillie Gifford & Co	Interest in controlled corporation	H Shares	1,277,675(L)	0.27%	0.03%
	Investment manager	H Shares	31,916,425(L)	6.70%	0.76%

Notes:

(1) The letter (L) denotes the long positions in the Shares; the letter (S) denotes the short positions in the Shares; the letter (P) denotes the Shares available for lending.

(2) The calculation is based on the total number of 4,208,013,935 Shares in issue as at June 30, 2026, comprising 3,731,477,535 A Shares (including treasury shares) and 476,536,400 H Shares.

(3) As at June 30, 2026, Mr. Zhang Yabo directly held 29,268,200 A Shares in the Company. Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo are parties acting in concert in respect of their shareholding interests in the Company. Therefore, each of Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo is deemed to be interested in the interest of each other under the SFO. Sanhua Holding was held as to (i) 28.77% by Xinchang Huaqing Investment, which was held as to 51% by Mr. Zhang Daocai, 6% by Ms. Yu Qingjuan, who is the spouse of Mr. Zhang Daocai, 22% by Mr. Zhang Yabo, and 21% by Mr. Zhang Shaobo, (ii) 11.78% by Mr. Zhang Yabo, (iii) 10.04% by Mr. Zhang Shaobo, (iv) 12.35% by Xinchang Huaxin Industrial, which was held as to 38.84% by Mr. Zhang Yabo, and (v) 9.04% by Zhejiang Huateng Industrial, which was held as to 45.45% by Mr. Zhang Shaobo. Mr. Zhang Daocai is the father to Mr. Zhang Yabo and Mr. Zhang Shaobo. Therefore, the A Shares held by Sanhua Holding are deemed to be held by Mr. Zhang Daocai, Mr. Zhang Yabo and Mr. Zhang Shaobo.

(4) Sanhua Green Energy is held as to 46.22% by Sanhua Holding, 28.20% by Wealth Info, which is ultimately wholly-owned by Sanhua Holding through Hield International. Therefore, Sanhua Holding is deemed to be interested in all the A Shares held by Sanhua Green Energy under the SFO.

(5) Any Shareholder controlling one-third or more of the voting rights at a general meeting of the relevant listed corporation will also be deemed to have an interest in treasury shares. As at June 30, 2026, treasury shares were 8,351,021 A Shares.

Save as disclosed above, as at June 30, 2026, no other persons (excluding Directors and chief executive of the Company) had any interests or short positions in Shares, underlying Shares and debentures of the Company as required to be recorded under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules.

STATUS OF THE POTENTIAL SPIN-OFF

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

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

Interim Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Revenue	4	**16,899,973**	16,262,787
Cost of revenue		**(12,187,991)**	(11,740,637)
Gross profit		**4,711,982**	4,522,150
General and administrative expenses		**(942,882)**	(1,002,169)
Selling and marketing expenses		**(309,679)**	(308,079)
Research and development expenses		**(763,296)**	(704,999)
Net impairment losses on financial assets		**(57,233)**	(128,991)
Other income	5	**202,135**	178,528
Other (losses)/gains, net	6	**(414,204)**	23,909
Operating profit		**2,426,823**	2,580,349
Finance income		**58,573**	19,367
Finance costs		**(65,422)**	(67,376)
Finance costs, net		**(6,849)**	(48,009)
Share of results of associates		**3,776**	4,148
Profit before income tax		**2,423,750**	2,536,488
Income tax expenses	7	**(342,516)**	(398,377)
Profit for the period		**2,081,234**	2,138,111
Attributable to:			
– Owners of the Company		**2,044,065**	2,109,940
– Non-controlling interests		**37,169**	28,171
		2,081,234	2,138,111
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	9	**0.49**	0.57
– Diluted	9	**0.49**	0.57

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Profit for the period	**2,081,234**	2,138,111
Other comprehensive (expense)/income		
Items that may be reclassified to profit or loss in subsequent periods, net of tax:		
– Currency translation differences of foreign operations	**(138,389)**	153,225
Other comprehensive (expense)/income for the period, net of tax	**(138,389)**	153,225
Total comprehensive income for the period	**1,942,845**	2,291,336
Attributable to:		
– Owners of the Company	**1,905,676**	2,263,165
– Non-controlling interests	**37,169**	28,171
	1,942,845	2,291,336

Interim Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	**14,117,184**	13,920,809
Investment properties		**6,096**	6,905
Right-of-use assets		**1,067,918**	1,164,886
Deferred tax assets		**97,320**	129,819
Intangible assets		**45,338**	48,660
Investments in associates		**42,520**	44,589
Other non-current assets		**434,730**	367,949
Total non-current assets		**15,811,106**	15,683,617
Current assets			
Inventories	12	**5,762,296**	5,639,792
Prepayments and other receivables		**356,345**	322,076
Trade and notes receivables	11	**12,387,466**	10,993,194
Financial assets at fair value through profit or loss	3.3	**1,065,728**	527,065
Term deposits and restricted cash		**2,905,340**	2,424,796
Cash and cash equivalents		**11,910,189**	12,487,189
Current tax assets		**42,997**	40,810
Other current assets		**1,221,932**	1,287,592
Total current assets		**35,652,293**	33,722,514
Total assets		**51,463,399**	49,406,131
LIABILITIES			
Non-current liabilities			
Borrowings	13	**904,920**	862,697
Lease liabilities		**153,559**	205,928
Deferred tax liabilities		**216,682**	217,239
Other non-current liabilities		**693,063**	714,798
Total non-current liabilities		**1,968,224**	2,000,662

Interim Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Current liabilities			
Borrowings	13	**2,817,837**	2,879,815
Trade and notes payables	14	**11,064,853**	10,189,209
Contract liabilities	4	**110,947**	76,167
Lease liabilities		**77,118**	103,527
Current income tax liabilities		**108,418**	207,493
Financial liabilities at fair value through profit or loss	3.3	**16,326**	16,364
Accruals and other payables		**2,456,753**	1,881,893
Other current liabilities		**18,185**	10,771
Total current liabilities		**16,670,437**	15,365,239
Total liabilities		**18,638,661**	17,365,901
EQUITY			
Equity attributable to owners of the Company			
– Share capital	15	**4,208,014**	4,208,014
– Treasury shares	16	**(515,782)**	(520,488)
– Other reserves		**13,801,804**	13,922,401
– Retained earnings		**15,007,946**	14,139,001
		32,501,982	31,748,928
Non-controlling interests		**322,756**	291,302
TOTAL EQUITY		**32,824,738**	32,040,230
TOTAL LIABILITIES AND EQUITY		**51,463,399**	49,406,131

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended at June 30, 2026 (Unaudited)	Attributable to owners of the Company						
	Share capital RMB'000 (Note 15)	Treasury shares RMB'000 (Note 16)	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2026	**4,208,014**	**(520,488)**	**13,922,401**	**14,139,001**	**31,748,928**	**291,302**	**32,040,230**
Profit for the period	–	–	–	**2,044,065**	**2,044,065**	**37,169**	**2,081,234**
Other comprehensive income	–	–	**(138,389)**	–	**(138,389)**	–	**(138,389)**
Total comprehensive income	–	–	**(138,389)**	**2,044,065**	**1,905,676**	**37,169**	**1,942,845**
Share-based payment	–	**4,706**	**17,648**	–	**22,354**	–	**22,354**
Dividends declared (Note 8)	–	–	–	**(1,175,906)**	**(1,175,906)**	**(5,571)**	**(1,181,477)**
Transaction with non-controlling interests	–	–	**144**	–	**144**	**(144)**	–
Others	–	–	–	**786**	**786**	–	**786**
Balance at June 30, 2026	**4,208,014**	**(515,782)**	**13,801,804**	**15,007,946**	**32,501,982**	**322,756**	**32,824,738**

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

Interim Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**2,778,356**	1,557,610
Interest received		**58,573**	19,367
Income tax paid		**(421,860)**	(374,450)
Net cash generated from operating activities		**2,415,069**	1,202,527
Cash flows from investing activities			
Proceeds from return on investments		**15,948**	13,400
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets		**27,858**	224
Withdraw of term deposits and wealth management products		**6,133,166**	4,166,519
Government grant received in relation to assets		**20,074**	66,547
Payments for purchase of investments		**(654)**	–
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		**(1,367,254)**	(1,596,603)
Placement of term deposits and wealth management products		**(7,153,848)**	(3,453,593)
Net proceeds from settlement of derivative financial instruments		**67,830**	(34,885)
Others		**–**	28,833
Net cash used in investing activities		**(2,256,880)**	(809,558)
Cash flows from financing activities			
Gross proceeds from issuance of H shares		**–**	8,528,595
Transaction with non-controlling interests		**(199)**	7,394
Proceeds from borrowings		**1,517,845**	1,026,776
Repayments of borrowings		**(1,481,459)**	(884,084)
Principal elements of lease payments		**(45,753)**	(42,183)
Interests paid		**(55,555)**	(74,412)
Dividends paid to the Company's shareholders		**(503,960)**	(932,420)
Dividends paid to the non-controlling interests		**(5,571)**	(5,978)
Payments for repurchase of shares		**–**	(35,978)
Payments for listing expenses		**–**	(131,302)
Others		**(4,582)**	48,062
Net cash (used in)/generated from financing activities		**(579,234)**	7,504,470
Net (decrease)/increase in cash and cash equivalents		**(421,045)**	7,897,439
Cash and cash equivalents at beginning of the period		**12,487,189**	3,443,503
Effects of exchange rate changes on cash and cash equivalents		**(155,955)**	(11,490)
Cash and cash equivalents at the end of the period		**11,910,189**	11,329,452

1. GENERAL INFORMATION

Zhejiang Sanhua Intelligent Controls Co., Ltd. (the "**Company**") is a joint stock company with limited liability incorporated in the People's Republic of China (the "**PRC**") and its shares are listed on the Shenzhen Stock Exchange (stock code: 002050) on June 7, 2005 and The Stock Exchange of Hong Kong Limited (stock code: 02050) on June 23, 2025, respectively. The parent and the ultimate holding company of the Company is Sanhua Holding Group Co., Ltd. (三花控股集團有限公司) (the "**Holding Company**"), which is also incorporated in the PRC. 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 and its subsidiaries (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 unaudited interim condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries established in the PRC. Other than those subsidiaries established in overseas whose functional currencies are their local currencies. All values are rounded to the nearest thousands (RMB'000) except when otherwise indicated.

These unaudited interim condensed consolidated financial statements have been approved for issue by the Board on August 26, 2026.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation and accounting policies

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board ("**IASB**") and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2025, which have been prepared in accordance with IFRS Accounting Standards, as set out in the 2025 annual report of the Company (the "**2025 Financial Statements**").

The accounting policies and methods of computation used in the preparation of the Interim Financial Information are generally consistent with those used in the 2025 Financial Statements, except for the adoption of amendments to standards which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2026.

The adoption of these amendments to standards does not have a material impact on the Group's accounting policies.

2. BASIS OF PREPARATION AND PRESENTATION (continued)

2.2 Critical Accounting Estimates and Judgements

The preparation of the interim condensed consolidated 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 condensed consolidated 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 2025 Financial Statements.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

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

The interim condensed consolidated financial 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 2025 Financial Statements. There were no significant changes in any material risk management policies during the six months ended 30 June 2026.

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, 2025 and the six months ended June 30, 2026.

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital Management (continued)

The Group monitors capital on the basis of the liabilities to asset ratio as at June 30, 2026 and December 31, 2025 are as follows:

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Total assets	**51,463,399**	49,406,131
Total liabilities	**18,638,661**	17,365,901
Liabilities to asset ratio	**36.2%**	35.1%

3.3 Fair Value Estimation

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

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

As at June 30, 2026 (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				
– Equity instruments	153,719	–	–	153,719
– Structured deposit product	–	879,899	–	879,899
– Derivative financial assets	2,607	29,503	–	32,110
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	3,872	12,454	–	16,326

As at December 31, 2025 (Audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity instruments	408,317	–	–	408,317
– Structured deposit product	–	100,015	–	100,015
– Derivative financial assets	6,603	12,130	–	18,733
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	9,055	7,309	–	16,364

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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

(b) Valuation Techniques Used to Determine Fair Values

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

4. OPERATING SEGMENT INFORMATION AND REVENUE

(a) Description of Segments and Principal Activities

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

As at June 30, 2026, the CODM has identified the following reportable segments from a product perspective:

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

(b) Segment Information

For the six months ended June 30, 2026 and 2025, the CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, general and administrative expenses and research and development expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Net 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 segments.

4. OPERATING SEGMENT INFORMATION AND REVENUE (continued)

(b) Segment Information (continued)

Segment information for the six months ended June 30, 2026 is as follows:

	Refrigeration and air-conditioning product components RMB'000 (Unaudited)	Automotive components RMB'000 (Unaudited)	Inter segment elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with external customers	10,431,228	6,452,186	–	16,883,414
Other revenue (i)	13,617	2,942	–	16,559
Segment revenue	10,444,845	6,455,128	–	16,899,973
Operating costs	(7,490,801)	(4,697,190)	–	(12,187,991)
Segment profit	2,954,044	1,757,938	–	4,711,982
Share of results of associates	3,776	–	–	3,776
Other profit or loss				(2,292,008)
Profit before income tax				2,423,750
Total assets	33,386,547	18,076,852	–	51,463,399
Total liabilities	11,369,596	7,269,065	–	18,638,661
Investments in associates	42,520	–	–	42,520
Increase in non-current assets (ii)	623,695	379,379	–	1,003,074
Net impairment losses on financial assets	51,523	5,710	–	57,233
Depreciation and amortization	378,827	320,366	–	699,193

4. OPERATING SEGMENT INFORMATION AND REVENUE (continued)

(b) Segment Information (continued)

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

	Refrigeration and air-conditioning product components RMB'000 (Unaudited)	Automotive components RMB'000 (Unaudited)	Inter segment elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with external customers	10,382,763	5,871,026	–	16,253,789
Other revenue (i)	5,930	3,068	–	8,998
Segment revenue	10,388,693	5,874,094	–	16,262,787
Operating costs	(7,461,833)	(4,278,804)	–	(11,740,637)
Segment profit	2,926,860	1,595,290	–	4,522,150
Share of results of associates	4,148	–	–	4,148
Other profit or loss				(1,989,810)
Profit before income tax				2,536,488
Total assets	31,366,810	15,016,022	–	46,382,832
Total liabilities	10,579,193	6,491,982	–	17,071,175
Investments in associates	40,298	–	–	40,298
Increase in non-current assets (ii)	746,717	729,166	–	1,475,883
Net impairment losses on financial assets	118,436	10,555	–	128,991
Depreciation and amortization	327,071	281,384	–	608,455

Notes:

(i) Other revenue mainly represents lease income.

(ii) Increase in non-current assets other than long-term investments, goodwill, deferred tax assets and other non-current assets.

4. OPERATING SEGMENT INFORMATION AND REVENUE (continued)

(c) Revenue

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

	Six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognized under IFRS 15		
– Refrigeration and air-conditioning product components	**10,431,228**	10,382,763
– Automotive components	**6,452,186**	5,871,026
	16,883,414	16,253,789
Revenue recognized under other accounting standard		
– Rental income from investment properties	**16,559**	8,998
	16,899,973	16,262,787

The Group's operations are located on the PRC and other countries or regions. Information about the Group's revenue from external customers is presented based on the location of the customers.

	Six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	**9,847,535**	9,051,921
Other countries or regions	**7,052,438**	7,210,866
	16,899,973	16,262,787

4. OPERATING SEGMENT INFORMATION AND REVENUE (continued)

(d) Contract Liabilities

During the six months ended June 30, 2026 and 2025, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liabilities were primarily due to the recognition of revenues upon fulfilment of performance obligations.

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Contract liabilities	**110,947**	76,167

	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Revenue recognized that was included in the beginning balance	**76,167**	49,462

Management expects that the unsatisfied obligation of RMB110,947,000 as at June 30, 2026 will be recognized as revenue during the next twelve months.

5. OTHER INCOME

	Six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	**68,975**	91,039
Additional deduction for VAT (i)	**56,439**	57,246
Interest income (ii)	**74,066**	27,539
Others	**2,655**	2,704
	202,135	178,528

(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".

6. OTHER (LOSSES)/GAINS, NET

	Six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net gains/(losses) on disposal of financial instruments	**30,267**	(23,454)
Fair value changes on derivative financial instruments	**11,319**	68,743
Fair value changes on equity instruments	**(197,719)**	–
Net foreign exchange differences	**(285,465)**	(12,175)
Net gains/(losses) on disposal of property, plant and equipment and other long-term assets	**9,884**	(8,311)
Others	**17,510**	(894)
	(414,204)	23,909

7. INCOME TAX EXPENSES

The income tax expenses of the Group during the six months ended June 30, 2026 and 2025 are analyzed as follows:

	Six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	**320,598**	377,861
Deferred income tax	**21,918**	20,516
	342,516	398,377

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

(a) PRC Corporate Income Tax

Certain subsidiaries of the Group have obtained High and New Technology Enterprises certification ("**HNTE**") and hence they are entitled to a preferential corporate income tax rate of 15% for a valid period of 3 years. Other subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the rate of 25%.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2022 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "**Super Deduction for research and development**").

(b) US Corporate Income Tax

The applicable income tax rate of the United States where the Company's subsidiaries having significant operations is 0%-10% and 21%, which is a blended state rate and federal rate, respectively.

(c) Corporate Income Tax in Other Jurisdictions

The income tax rates of the subsidiaries from other jurisdictions, including Germany, Singapore, Mexico and Japan, had been calculated on the estimated assessable profit at the respective rates prevailing in the relevant jurisdictions.

7. INCOME TAX EXPENSES (CONTINUED)

(d) OECD Pillar Two Model Rules

The Group is within the scope of the Global Anti-Base Erosion ("**GloBE**") Model Rules (the "**Pillar Two Model Rules**"). The Group has applied the mandatory temporary exception provided under the relevant accounting standards and therefore does not recognise or disclose deferred tax assets and liabilities related to Pillar Two income taxes. Pillar Two income taxes will be recognised as current tax when incurred.

As at June 30, 2026, Pillar Two legislation had been enacted or substantively enacted in 13 jurisdictions in which the Group operates, with the relevant rules becoming effective progressively from 2024 to 2026.

The Group has performed a preliminary assessment of its potential Pillar Two income tax exposure based on the financial information available as at June 30, 2026. Based on the current assessment, the Group expects that the majority of the relevant jurisdictions will qualify for the Transitional Country-by-Country Reporting ("**CbCR**") Safe Harbour.

For jurisdictions that are not expected to qualify for the Transitional CbCR Safe Harbour, the Group has also performed a preliminary assessment of the potential Pillar Two income tax exposure based on currently available information. For certain jurisdictions where the effective tax rate calculated based on interim financial information is relatively low, after taking into account the relevant Pillar Two rules and adjustments applicable in 2026, the Group's preliminary assessment indicates that no material top-up tax is expected to arise.

Accordingly, based on the information available as at June 30, 2026, the Group does not expect Pillar Two income taxes to have a material impact on the Group's financial statements for the period then ended. As the assessment is based on interim financial information, the actual Pillar Two income tax impact may vary depending on the Group's full-year financial performance, income tax expense, applicable adjustments and further developments in the relevant legislation. The Group will continue to monitor the legislative developments and implementation of the Pillar Two rules and will further assess the potential impact when full-year financial and tax information becomes available.

8. DIVIDENDS

	Six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividends in respect of the previous year, declared during the period (i)	**1,175,906**	932,420
Interim dividends in respect of current period, declared during the period (ii)	**–**	–
Total	**1,175,906**	932,420

(i) Final dividends attributable to owners of the Company in respect of 2025 and 2024 of RMB2.80 per 10 shares (tax inclusive) and RMB2.50 per 10 shares (tax inclusive), were approved by the shareholders in the Annual General Meeting, respectively.

(ii) On August 26, 2026, the Directors of the Company proposed an interim dividend of RMB1.20 (six months ended June 30, 2025: RMB1.20) per 10 ordinary shares (tax inclusive) payable to the shareholders of the Company for the six months ended June 30, 2026. This proposed interim dividend is not reflected as a dividend payable as of June 30, 2026, but will be recorded as a distribution of retained earnings for the subsequent period. The interim dividend was subject to approval by the Shareholders at the Extraordinary General Meeting of the Company and was subsequently approved at the Extraordinary General Meeting held on September 15, 2026.

9. EARNINGS PER SHARE

(a) Basic Earnings Per Share ("EPS")

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

	Six months ended June 30,	
	2026	2025
	(Unaudited)	(Unaudited)
Profit attributable to ordinary shareholders of the Company *(RMB'000)*	**2,044,065**	2,109,940
Less: Dividends payable to expected vested restricted shares *(RMB'000)*	**(4,706)**	(7,855)
Profit attributable to ordinary shareholders of the Company used in calculating basic EPS *(RMB'000)*	**2,039,359**	2,102,085
Weighted average number of ordinary shares in issue *(thousands)*	**4,183,368**	3,717,672
Basic EPS *(RMB per share)*	**0.49**	0.57

(b) Diluted Earnings Per Share

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

	Six months ended June 30,	
	2026	2025
	(Unaudited)	(Unaudited)
Profit attributable to ordinary shareholders of the Company *(RMB'000)*	**2,044,065**	2,109,940
Weighted average number of ordinary shares in issue *(thousands)*	**4,183,368**	3,717,672
Adjustments for potential shares arising from share schemes *(thousands)*	**11,897**	15,498
Weighted average number of ordinary shares used in calculating diluted EPS *(thousands)*	**4,195,265**	3,733,170
Diluted EPS *(RMB per share)*	**0.49**	0.57

10. PROPERTY, PLANT AND EQUIPMENT

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Buildings	**5,244,912**	5,062,067
Freehold land	**361,944**	362,295
Machinery and equipment	**6,271,521**	6,391,560
Motor vehicles	**23,321**	24,878
Office equipment	**178,196**	194,727
Construction in progress	**1,899,978**	1,742,467
Leasehold improvement	**137,312**	142,815
	14,117,184	13,920,809

During the six months ended June 30, 2026 and 2025, additions to the Group's property, plant and equipment were RMB991,871,000 and RMB1,290,134,000, respectively.

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

	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Cost of revenue	**514,575**	398,297
Selling and marketing expenses	**3,606**	997
General and administrative expenses	**84,044**	80,207
Research and development expenses	**33,897**	26,178
	636,122	505,679

11. TRADE AND NOTES RECEIVABLES

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Notes receivables	3,716,707	3,639,996
Trade receivables	9,081,982	7,707,720
Less: credit loss allowance	(411,223)	(354,522)
	12,387,466	10,993,194

(a) The Group generally grants credit terms ranging from 60 to 120 days to the customers. The aging analysis of trade receivables based on revenue recognition date is as follows:

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Within 1 year	9,065,600	7,693,369
1 to 2 years	9,995	10,846
2 to 3 years	3,824	1,769
Over 3 years	2,563	1,736
	9,081,982	7,707,720

(b) As at June 30, 2026 and December 31, 2025, notes receivables amounting to RMB 2,283,025,000 and RMB 2,436,746,000 were pledged for bank acceptance notes.

12. INVENTORIES

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Finished goods	**3,680,314**	4,221,049
Work in progress	**917,730**	764,787
Raw materials	**1,261,147**	773,084
Others	**15,589**	9,733
	5,874,780	5,768,653
Less: provision for impairment	**(112,484)**	(128,861)
	5,762,296	5,639,792

13. BORROWINGS

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Secured		
Bank loans	**866,051**	1,880,727
Unsecured		
Bank loans	**2,853,287**	1,857,507
Interest payables	**3,419**	4,278
Less: current portion for long-term borrowings	**(1,447,630)**	(1,488,037)
Less: short-term borrowings	**(1,370,207)**	(1,391,778)
	904,920	862,697

(a) As at June 30, 2026 and December 31, 2025, the annual interest rate of short-term borrowings ranged from 2.40% to 4.91%, and 2.11% to 5.03%, respectively.

As at June 30, 2026 and December 31, 2025, the annual interest rate of long-term borrowings ranged from 1.95% to 2.80%, and 1.95% to 2.80%, respectively.

(b) As at June 30, 2026, guaranteed bank borrowings mainly included: borrowings with a principal equivalent to approximately RMB866,051,000 guaranteed by the Company.

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

13. BORROWINGS (continued)

(c) As at June 30, 2026 and December 31, 2025, the Group's borrowings were repayable as follows:

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Within 1 year	**2,817,837**	2,879,815
Between 1 and 2 years	**904,920**	862,697
	3,722,757	3,742,512

(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.

14. TRADE AND NOTES PAYABLES

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Trade and notes payables		
– Trade payables	6,601,787	5,894,903
– Notes payables	4,463,066	4,294,306
	11,064,853	10,189,209

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

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Within 1 year	6,498,768	5,813,152
Over 1 year	103,019	81,751
	6,601,787	5,894,903

15. SHARE CAPITAL

	Six months ended June 30,			
	2026		2025	
	Share capital RMB'000 (Unaudited)	Number of shares '000 (Unaudited)	Share capital RMB'000 (Unaudited)	Number of shares '000 (Unaudited)
At the beginning of the period	4,208,014	4,208,014	3,732,390	3,732,390
Issuance of H shares	–	–	414,379	414,379
At the end of the period	4,208,014	4,208,014	4,146,769	4,146,769

As of June 30, 2026, the Company had a total of 4,208,014,000 ordinary shares issued. The details of the Company's equity changes for the six months ended June 30, 2026 and 2025 are as follows:

	Six months ended June 30,	
	2026 (Unaudited)	2025 (Unaudited)
A Shares	3,731,478	3,732,390
H Shares	476,536	414,379
Total	4,208,014	4,146,769

16. TREASURY SHARES

	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
At the beginning of the period	**520,488**	381,848
Repurchase of shares (i)	**–**	35,978
Redemption of dividends on restricted shares	**(4,706)**	(7,855)
At the end of the period	**515,782**	409,971

(i) For the six months ended June 30, 2025, the Group repurchased treasury shares amounting to approximately RMB35,978,000.

17. 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 share appreciation rights to 41 incentive participants. The grant date was May 31, 2022, and the granted price was RMB10.00 per share. Under these schemes, the shares are vested based on the service conditions and performance conditions.

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

17. SHARE INCENTIVE SCHEME (continued)

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

	Six months ended June 30,	
	2026	2025
	('000)	('000)
	(Unaudited)	(Unaudited)
At the beginning of the period	**17,129**	32,146
Lapsed	**(604)**	(686)
At the end of the period	**16,525**	31,460

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 June 30, 2026 was 0.52 years. The weighted average remaining contractual life of share appreciation rights outstanding as at June 30, 2026 was 0.52 years.

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

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

The Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in the ordinary course of business from time to time. As at June 30, 2026, the directors of the Company did not anticipate that any material liabilities would arise from the contingent liabilities other than those provided for in the Financial Information.

18.2 Capital Commitments

The following shows the major capital commitments of the Group:

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Property, plant and equipment commitments:		
– Contracted, but not provided for	908,934	990,289
– Authorized, but not contracted	4,960,317	5,321,745
	5,837,827	6,312,034

19. RELATED PARTY TRANSACTIONS

(a) Parent Entities

Name	Place of incorporation	Ownership interest As at June 30, 2026 (Unaudited)	Ownership interest As at December 31, 2025 (Audited)
Sanhua Holding Group Co., Ltd.	Zhejiang, PRC	38.33%	38.33%

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

19. RELATED PARTY TRANSACTIONS (continued)

(b) Names and Relationship with Related Parties

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

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group during the 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 Sanhua Research Institute Co., Ltd. (杭州三花研究院有限公司)	A fellow subsidiary of the parent company
Xinchang County Sanhua Property Management Co., Ltd. (新昌縣三花物業管理有限公司)	A fellow subsidiary of the parent company
Shanghai Sanhua Electric Co., Ltd. (上海三花電氣有限公司)	A fellow subsidiary of the parent company
Zhejiang Haoyuan Technology Co., Ltd. (浙江灝源科技有限公司)	A fellow subsidiary of the parent company before September 2025; currently an associate 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
Zhiwei Xingyi (Shanghai) Intelligent Technology Co., Ltd. (知微行易(上海)智能科技有限公司)	An independent 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 ZheNeng Sanhua Integrated Energy Co., Ltd. (新昌浙能三花綜合能源有限公司)	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 before September 2025
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
Zhejiang Sanhua Jingqu Future Technology Co., Ltd. (浙江三花精驅未來科技有限公司)	A fellow subsidiary of the parent company
Sanhua Youxuan Trading (Hangzhou) Co., Ltd. (三花優選商貿(杭州)有限公司)	A fellow subsidiary of the parent company

19. RELATED PARTY TRANSACTIONS (continued)

(c) Material Transactions with Related Parties

The following transactions and balances were carried out between the Group and its related parties during the six months ended June 30, 2026 and 2025. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

	Six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Purchase of goods and services:		
Fellow subsidiaries of the parent company	**27,344**	32,974
Associates of the Group	**10,458**	8,367
Parent company	**147**	–
Associates of the parent company	**1,178**	1,271
	39,127	42,612
Sales of goods and rendering of services:		
Fellow subsidiaries of the parent company	**19,914**	1,724
Parent company	**268**	169
Associates of the parent company	**739**	166
Associates of the Group	**10**	66
	20,931	2,125
Rental income:		
Fellow subsidiaries of the parent company	**474**	1,317
Associates of the parent company	**678**	643
Parent company	**3,423**	–
	4,575	1,960
Rental expenses:		
Fellow subsidiaries of the parent company	**8,281**	2,544
	8,281	2,544

For the six months ended June 30, 2026 and 2025, additions of right-of-use assets is RMB1,454,000 and nil, respectively.

As at June 30, 2026, the balance of lease liabilities is RMB7,250,000.

19. RELATED PARTY TRANSACTIONS (continued)

(c) Material Transactions with Related Parties (continued)

	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Utility cost reallocation – received from:		
Fellow subsidiaries of the parent company	**16,461**	16,859
Parent company	**267**	295
Associates of the parent company	**228**	269
Associates of the Group	**100**	–
	17,056	17,423
Utility cost reallocation – paid to:		
Fellow subsidiaries of the parent company	**5,260**	5,197
Associates of the Group	**1,080**	–
	6,340	5,197

(d) Balance with Related Parties

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Trade and notes receivables		
– Fellow subsidiaries of the parent company	**16,236**	14,699
– Associates of the Group	**26**	7
– Associates of the parent company	**148**	2
	16,410	14,708
Less: credit loss allowance	**(738)**	(919)
	15,672	13,789

For the six months ended June 30, 2026 and 2025, the amounts of expense reserved in respect of bad and doubtful debts are RMB181,000 and RMB217,000, respectively.

19. RELATED PARTY TRANSACTIONS (continued)

(d) Balance with Related Parties (continued)

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Prepayments, other receivables and other assets:		
– Fellow subsidiaries of the parent company	166	–
– Associates of the Group	–	1,000
	166	1,000
Less: provision for impairment	(8)	–
	158	1,000

For the six months ended June 30, 2026 and 2025, the amounts of expense recognized in respect of bad and doubtful debts are RMB8,000 and RMB126,000, respectively.

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Trade and notes payables:		
– Associates of the Group	47	10,471
– Associates of the parent company	1,022	3,459
– Fellow subsidiaries of the parent company	4,708	589
– Others	1,685	–
	7,462	14,519
Accruals and other payables:		
– Parent company	41	1,783
– Fellow subsidiaries of the parent company	1,459	–
– Associates of the parent company	99	100
	1,599	1,883

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

20. EVENTS AFTER REPORTING PERIOD

Distribution plan for interim dividend

After the end of the Reporting Period, the Directors proposed an interim dividend. Further details are disclosed in Note 8 (ii).