

Stock code: 002032

Short form: Supor

Announcement No.:2022-016

Announcement of Foreign Exchange Derivatives Trading

This Company and all members of the Board of Directors hereby warrant that all information disclosed here are true, accurate and complete, and contain no fictitious statement, misleading information or significant omission.

Important Notes:

1. Trading type: foreign exchange derivatives trading business for hedging purposes, including forward and swap.
2. Amount to be used: no more than US \$100 million or equivalent in other currencies and the funds within the limit can be used by rolling.
3. Special risk reminder: loss may be caused due to price fluctuation of foreign exchange derivatives caused by fluctuation of market price such as target interest rate and exchange rate

I. Basic Information of Investment

Zhejiang Supor Co., Ltd. (hereinafter referred to as the “Company”, “the Company” or “Supor”) adopted the *Proposal on Foreign Exchange Derivatives Trading* at the 12th Session of the Seventh Board of Directors, by which it agreed to carry out foreign exchange derivatives trading business with a total amount of no more than US \$100 million or other currencies of the same amount. The specific contents of foreign exchange derivatives trading business are detailed as follows:

(I) Purpose of conducting foreign exchange derivatives trading business

Part of the import and export business is denominated in foreign currency in the daily operation of the Company, in order to hedge the exchange rate risk and reduce the impact of exchange rate fluctuation and make full use of the hedging function of foreign exchange derivatives trading, the Company intends to carry out foreign exchange derivatives trading business that matches the scale, term and currency of the business.

(II) Amount to be used

The Company plan to carry out foreign exchange derivatives trading business with a maximum balance of no more than US \$100 million or equivalent in other currencies, and the funds within the limit can be used by rolling within 12 months.

(III) Trading type

The Company intends to carry out foreign exchange derivatives trading business for hedging purposes, including forward and swap but excluding options and no leverage multiple.

Within Max. balance not exceeding US \$100 million, the Company shall sign business contracts with counterparties on a month-to-month or transaction-by-transaction basis, depending on the net foreign exchange exposure. The period for single product should not exceed 6 months.

The counterparties of the foreign exchange derivatives trading business to be carried out by the Company should be large commercial banks with stable operation, international credit rate at least A- (S&P or equivalent), and stable cooperative relationship with the Company and having operation qualification for foreign exchange derivatives trading business. The Company shall obtain credit lines at all counterparties to cover the risk of fluctuations in the value of derivatives. The derivatives trading process shall be implemented and confirmed in the manner agreed with the banks through framework contracts or authorization letters.

Except for the execution of cash forward settlement of foreign currency to obtain RMB by selling full USD amount, all other forward or swap transactions are settled in cash by net difference amount. The implementation of foreign exchange derivative transactions does not affect the liquidity.

The foreign exchange derivatives trading business to be implemented by the Company is consist of the categories of investment regulated in the *Shenzhen Stock Exchange Regulatory Guidelines for Listed Companies No. 7 – Transaction and Connected Transaction*.

(IV) Business term

The Company intends to carry out foreign exchange derivatives business within the next 12 months after the approval by Board of Directors.

(V) Cash sources

The capital used by the Company for carrying out foreign exchange derivatives business is self-owned fund.

II.Approval Procedures

The 12th Session of the Seventh Board of Directors was held on March 31, 2022, which adopted the “*Proposal on Foreign Exchange Derivatives Trading*” with 9 votes in favor, 0 against, 0 abstention and 0 withdraw. The business belongs to the approval limit of Board of Directors, no need to submit to the General Meeting of Shareholders for approval.

III. Risk of foreign exchange derivatives trading business and countermeasures**1) Risks**

Market risk: loss may be caused due to price fluctuation of foreign exchange derivatives caused by fluctuation of market price such as target interest rate and exchange rate.

Internal control risk: foreign exchange derivatives trading business is highly specialized and complex, which may cause risks due to imperfect internal control mechanism.

Liquidity risk: the risk that a transaction cannot be completed due to insufficient market liquidity.

Performance risk: there is a risk of default caused by the failure to perform the contract.

Legal risk: loss may be caused due to changes in relevant laws or violation of relevant laws by counterparties, prohibiting the execution of the contract.

2) Countermeasures

Clear principle: foreign exchange derivatives trading shall be based on the principle of hedging, to avoid the risk brought by exchange rate fluctuation to the greatest extent, and adjust the operation strategy in time in combination with the market situation, so as to improve the hedging effect.

System construction: the Company has established the internal control system for the administration of foreign exchange derivatives trading business, which clearly defines the scope of authorization, approval procedures, key points of operation, risk management and information disclosure of derivatives transactions, and can effectively regulate foreign exchange derivatives transactions and control the risks of foreign exchange derivatives transactions.

Product selection: comparative analysis shall be conducted for potential products. The foreign exchange derivatives that are most suitable for the Company's business background, strong liquidity and controllable risk shall be selected for trading. Forwards are used for hedging and Swaps are used for rolling hedging.

Counterparty management: carefully select the counterparties engaged in foreign exchange derivatives business. The Company only conducts foreign exchange derivatives trading business with large-scale commercial banks with legal qualifications and other foreign exchange institutions to avoid possible performance risk or legal risks.

Dedicated team: the Company's management representative, treasury department, the financial sharing service center, the audit department, the securities department and other relevant departments set up a special working team to be responsible for the risk assessment, trading execution, booking and monitoring. The working team shall take emergent measures to stop loss when the market changes significantly

IV. Feasibility analysis on foreign exchange derivatives trading

The trading type, currency involved and term set for single product in the derivative trading of the Company match the Company's business, make full use of the hedging function of foreign exchange

derivative trading which ensures the gains or losses arising from fluctuations in the price of derivatives to hedge losses or gains from fluctuations in the price of net foreign exchange exposure of operating activities, and to reduce the impact of exchange rate fluctuations on the Company. The Company has established the internal control system for the administration of foreign exchange derivatives trading business and specified risk countermeasures. Therefore, the risks involved in foreign exchange derivatives trading business are relatively under control and the implementation of this business will not harm the interests of the Company and its shareholders.

The Company shall timely disclose public announcement when the aggregated amount of the impairment of the fair value of the Company's foreign exchange derivatives and the change in the value of the assets or contracts used for risk hedging results in a loss or floating loss of 10% of the Company's latest audited net assets and the absolute amount exceeds CNY10 million.

V. Influence of foreign exchange derivatives trading business on production and business operation

1) Influence of foreign exchange derivatives trading business on production and business operation

The amount of the Company's assets and liabilities denominated in foreign currency is relatively large. With the increasing fluctuation of foreign exchange market, the impact of exchange rate fluctuation on the Company's operating results is gradually increasing. The Company intend to carry out foreign exchange derivatives trading business to avoid the risk of exchange rate fluctuations.

2) Influence of foreign exchange derivatives trading business on corporate finance

The relevant accounting policy and accounting principle of foreign exchange derivatives trading business will be executed according to the Accounting Standards for Business Enterprises No. 22- recognition and measurement of financial instruments, Business Enterprises No. 24- hedging and Business Enterprises No. 37- presentation of financial instruments. The foreign exchange derivatives used to carry out hedging business will be evaluated based on counterparty exchange rate quotations, and the changes in their fair value will be recognized in the Company's current profit or loss or owners' equity, which will increase or decrease the Company's comprehensive income.

VI. Opinions from independent directors

The foreign exchange derivatives business carried out by the Company is closely related to the daily operation demand, which is conducive to avoiding the risk of exchange rate fluctuation, enhancing the financial stability of the Company, and meeting the needs of the Company's operation and development. The Company has formulated the *Internal Control System of Foreign Exchange Derivatives* and relevant risk

control measures, which are conducive to strengthening the risk management and control of foreign exchange derivatives transactions. The Company has fulfilled the corresponding approval procedures and information disclosure obligations, and there is no damage to the interests of the Company and all shareholders, especially small and medium shareholders. We agree to carry out foreign exchange derivatives trading business.

Board of Directors of Zhejiang Supor Co., Ltd.

April 1, 2022