

# AUX

奥克斯电气有限公司  
AUX ELECTRIC CO.,LTD.

(Incorporated under the laws of the Cayman Islands with limited liability)

STOCK CODE:2580

# 2025

ANNUAL REPORT



AUX AI SMART AC  
AI FOR AIR

奥克斯智能空调  
好空气 Ai调

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. ZHENG Jianjiang (*Chairman*)  
Mr. XIN Ning (*President*)

### Non-executive Directors

Mr. ZHENG Jiang  
Mr. HE Xiwan  
Ms. LI Jian

### Independent Non-executive Directors

Mr. XIANG Wei  
Dr. JING Xian  
Mr. TAO Shengwen

## AUDIT COMMITTEE

Mr. XIANG Wei (*Chairperson*)  
Dr. JING Xian  
Ms. LI Jian

## REMUNERATION COMMITTEE

Mr. XIANG Wei (*Chairperson*)  
Ms. LI Jian  
Mr. TAO Shengwen

## NOMINATION COMMITTEE

Dr. JING Xian (*Chairperson*)  
Ms. LI Jian  
Mr. TAO Shengwen

## AUTHORIZED REPRESENTATIVES

Mr. XIN Ning  
Ms. LAU Yee Wa

## JOINT COMPANY SECRETARIES

Mr. ZHANG Bo  
Ms. LAU Yee Wa  
*(an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)*

## AUDITOR

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

## REGISTERED OFFICE

PO Box 309, Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1166  
Mingguang North Road  
Jiangshan Town  
Yinzhou District, Ningbo  
Zhejiang Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Commercial Unit No. 3  
15th Floor, Emperor Group Centre  
288 Hennessy Road  
Hong Kong

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## **LEGAL ADVISOR OF THE COMPANY AS TO HONG KONG LAWS**

Kirkland & Ellis  
26/F, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

## **COMPLIANCE ADVISOR**

Somerley Capital Limited  
20/F, China Building  
29 Queen's Road Central  
Hong Kong

## **CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE**

Maples Fund Services (Cayman) Limited  
PO Box 1093  
Boundary Hall  
Cricket Square  
KY1-1102  
Cayman Islands

## **PRINCIPAL BANK**

**Agricultural Bank of China, Ningbo Yinzhou Branch**  
188 Huifeng East Road, Yinzhou District  
Ningbo, Zhejiang Province  
PRC

## **COMPANY WEBSITE**

[www.aux-home.com](http://www.aux-home.com)

## **STOCK CODE**

2580

## **LISTING DATE**

September 2, 2025

# Letter to Shareholders

Dear Shareholders,

In 2025, amid a complex and ever-changing macroeconomic environment, we remained focused on our core business and pursued progress while maintaining stability. Our revenue continued to grow steadily, with total operating revenue for the year reaching RMB30.048 billion, net profit attributable to the parent company amounting to RMB2.235 billion, and cash flow from operating activities reaching RMB2.887 billion. The year also marked a major breakthrough in the Company's strategic development. We successfully went listed on the Main Board of the Stock Exchange, officially opening access to international capital markets and ushering in a new phase of standardised, market-oriented and capital-enabled global operations.

Our brand was founded in 1994, when we entered the air-conditioner market. Over more than three decades, the Company has grown from modest beginnings into an established and progressive participant in a highly competitive industry. The key to our success has been our continuous focus on the needs of our customers. Over the years, we have continuously challenged and reinvented ourselves through innovation and transformation – we were among the first in the industry to embrace internet e-commerce, enabling us to gain a competitive edge; we pioneered the online wholesale new retail model, helping to reshape the industry; and we were also among the first to replicate this domestic model in overseas markets, breaking away from traditional international sales approaches. Each transformation has reflected the bold and entrepreneurial “wolf spirit” that defines AUX.

In 2025, the industry of household electric appliance faced a combination of pressures, including the withdrawal of supportive policies, the reshaping of the global trade landscape and a subdued recovery in end-market demand. Sales of air conditioners in both domestic and overseas markets came under pressure. In China, competition in the replacement market intensified, pricing pressure increased and raw material costs rose. In overseas, demand in Europe and the United States remained weak, inventory levels stayed elevated in certain regions, and the market was also affected by tariff barriers and geopolitical uncertainty.

Opportunity often emerges in times of challenge, and those who prevail are those who respond with execution. In the face of these headwinds, we acted decisively. In the domestic market, we launched a new sub-brand “AUFIT”, creating a multi-tiered brand portfolio comprising the “core AUX brand, AUFIT for online channels and Hutssom (華赫) for offline channels”. In 2025, AUFIT ranked first among China's emerging air-conditioner brands by sales volume, further strengthening our market position. In overseas markets, while regional performance became increasingly differentiated, emerging markets such as South-East Asia and the Middle East continued to demonstrate strong growth momentum and remained key areas of advantage for us. In 2025, we established five new overseas sales companies in Vietnam, Saudi Arabia, Dubai, Italy and Spain, accelerating the implementation of our localised operating model. In May 2025, our compressor plant in Wuhu, incorporating Panasonic technology, commenced production successfully. This made us the third air-conditioner enterprise in the industry with our in-house R&D and manufacturing capabilities for air-conditioning compressors, significantly enhancing our independent and controllable supply chain capabilities.

Looking ahead to 2026, while external uncertainties are expected to persist, our confidence remains firm. Our strengths in efficient decision-making, rapid response and strong execution give us the conviction to stay the course and move forward steadily. These capabilities have already been proven through previous industry cycles. Going forward, our operations will remain firmly centred on the following core strategies:

## **I. STEADFASTLY ADVANCING OUR INTERNATIONALISATION STRATEGY**

Overseas markets represent significant long-term opportunities. As the world's fifth-largest air-conditioner provider, our products are now sold in more than 160 countries and regions. We will continue to adopt a differentiated and targeted approach. With our advantages, we will further consolidate our leading position and continue to increase market share. For the markets where our presence is less established, we will deepen our understanding of local needs, develop products tailored to those needs, and strengthen both brand influence and market penetration. For the unserved markets, we will focus on large-potential countries such as Japan, Indonesia and Argentina, introducing products better suited to local demand, broadening our high-quality customer base and building a platform for sustained incremental growth. Our ODM business will continue to leverage its strong cost competitiveness and efficient delivery capabilities. Our Original Brand Manufacturer (OBM) business will continue to pursue the coordinated development of national distributor and overseas sales company models, progressing on both fronts as we move towards becoming a globally recognised brand.

## **II. FIRMLY PURSUING OUR OWN-BRAND STRATEGY**

We are building a global presence around "AUX" as our principal brand, while deepening our penetration of the mass market through "Hutssom (華赫)" and "AUFIT", and entering the premium segment with "ShinFlow", thereby establishing a multi-layered brand portfolio. With "the preferred choice for smart air conditioners" as our core brand positioning, we will continue to enhance brand visibility and strengthen brand awareness. At the same time, in response to the rise of AI, we will accelerate the integration of AI technologies, cloud-based voice capabilities and AIoT applications, driving our products from a value-for-money proposition towards one defined by intelligent value, thereby enhancing both brand premium and user value. Also, we will continue to develop our overseas own-brand business with determination. By establishing three to five new overseas sales companies each year and advancing the combined model of domestic distributors and sales companies, we aim to drive rapid growth in our self-owned brands and further enhance our global brand influence.

## **III. CONTINUING TO STRENGTHEN OUR CENTRAL AIR-CONDITIONER STRATEGY**

We will remain firmly committed to our core business, with household air conditioners as our foundation, while vigorously expanding our central air-conditioner operations. In domestic market, we will extend our presence in multi-split units, continue to launch highly competitive products, such as the multi-split units of X9 series, and focus on the municipal and industrial construction projects, commercial buildings, hotels and schools. At the same time, we will extend our product lines into new application scenarios and adjacent segments, including data centre cooling and liquid-cooling solutions. In overseas markets, we will accelerate the development of our heavy commercial business, with a particular focus on key regions such as the Middle East, North America, South-East Asia and Europe, we continue to increase the contribution of central air conditioner to our overall business mix.

#### IV. PLACING IMPORTANCE ON SHAREHOLDER RETURNS

We attach great importance to Shareholder returns. We remain committed to prudent operations and sound corporate governance, and maintain a stable dividend policy so that Shareholders may share in the success of the Company's development. The Board announced that, for each of the years from 2025 to 2027, annual dividends will be no less than 75% of the net profit attributable to owners of the Company for the relevant financial year.

The industry is changing rapidly, and only determined action can keep us moving forward. The Company's name is a transliteration of the English word "ox", and we also regard the "ox" as a symbol of our spirit. We recognise the gap between ourselves and the industry's leading players, yet we remain committed to continuous improvement and to never standing still. When rowing upstream, one either advances or falls behind; even slow progress may amount to retreat. With a solid work ethic and a practical, results-oriented approach, we will continue to navigate industry cycles with resilience, pursue steady growth, and strive to create long-term value for our Shareholders.

We would like to express our sincere gratitude to all Shareholders for your continued support, trust and companionship throughout this journey.

**ZHENG Jianjiang**  
*Chairman of the Board*

# Management Discussion and Analysis

## BUSINESS REVIEW

### 1. Business Overview and Principal Products

We have been deeply engaged in the industry for more than 30 years and integrates the design, R&D, manufacturing, sales and services of high-quality household and central air conditioners. We have always adhered to the philosophy of taking quality as the foundation and innovation as the soul. It currently operates seven major industrial bases in locations such as Ningbo, Nanchang, Ma'anshan, Thailand and Wuhu. It has also established three R&D centres in Ningbo, Zhuhai and Japan. Through its industry-first online wholesale new retail model, we have built a distinctive "Hello AUX (小奥直賣)" ecosystem, with business coverage across more than 160 countries and regions including North America, Europe, South America, Southeast Asia and the Middle East.

The products mainly consist of household air conditioners and central air conditioners. Its household air conditioners include wall-mounted, cabinet-style, and mobile units, while its central air conditioners comprise Variable Refrigerant Flow ("VRF") systems, packaged units, heat pumps, chillers, and terminal devices. We rapidly iterate our products and continuously enrich offerings to serve a wide spectrum of applications, including residential homes, office buildings, shopping malls, hotels, hospitals, and industrial parks.

It remains committed to smart technology as its core focus and has built a technological moat around eight major intelligent functions. From 2022 to 2024, its smart voice-controlled air conditioners ranked No. 1 in national sales for three consecutive years. In 2025, its AI smart air conditioners ranked No. 1 in national sales and smart air conditioners was also in a leading position in the world in terms of sales volume for two consecutive years of 2024 and 2025.

### 2. Industry Overview During the Reporting Period

According to AVC data estimates, total sales volume of residential air conditioners in China in 2025 amounted to 198.39 million units, representing a year-on-year decrease of 1.3%. Domestic sales amounted to 105.21 million units, representing a year-on-year increase of 0.7%, which was mainly attributable to the national subsidy policy for trade-ins and demand driven by high summer temperatures. Export sales amounted to 93.18 million units, representing a year-on-year decrease of 3.3%, which mainly driven by continued disruptions from overseas tariff policies, channel inventory backlog caused by cooler weather in certain regions, the export market showed a trend of "started high ended low".

According to AVC monitoring data, the online sales share of the price segment below RMB2,100 increased by 4.5 percentage points year-on-year to 44.9%, while the sales share of the middle-price segment ranged from RMB2,100 to RMB3,000 narrowed by 5.5 percentage points year-on-year to 32%. On the product side, AI has deeply driven product and service design, with rapid iteration in energy-saving features, human-sensing temperature and airflow control, intelligent interaction, and installation and delivery processes. On the channel side, traditional channels encountered bottlenecks, while emerging channels expanded rapidly. New e-commerce platforms represented by Douyin achieved remarkable growth, surging by 40% year-on-year. Regionally, due to extreme weather in July and August of 2025 and a low base for the corresponding period last year, the growth rates in Northeast and Northwest China far exceeded those of the same period in previous years.

### 3. Business Performance of the Company During the Reporting Period

#### 1. *Quality-Centred R&D Driving Technological Innovation and Rapid Product Iteration*

The Company has consistently persisted in continuous investment in core technology research and has established three major R&D centres in Ningbo, Zhuhai and Japan. The Ningbo centre serves as our core R&D hub, focusing on product development and technology transformation. The Japan centre is mainly dedicated to exploration in frontier fields, particularly central air-conditioning research, including control systems, ventilation channels and industrial design. The Zhuhai centre focuses on research in home appliances, inverter technologies, simulation and modularisation technologies.

The Company currently has two national-level innovation platforms: a National Enterprise Technology Centre and a National Industrial Design Centre. For the year ended December 31, 2025, we had newly obtained two first-and second-class provincial/ministerial science and technology awards, bringing its cumulative total to 19 provincial/ministerial science and technology awards and 15 international awards. In industrial design, we won 15 industrial design awards in 2025, including 6 German iF Design Awards, 2 German Red Dot Awards, 6 U.S. IDEA Design Awards and 1 International CMF Design Award.

In 2025, we newly participated in the formulation or revision of 20 technical standards, including 10 national standards, 3 industry standards and 7 local and group standards, bringing the cumulative total of standards in which it has participated in formulating or revising to more than 172. The Company also continued to optimise the commercialisation of innovation and the layout of patent protection. In 2025, the Group obtained 1,217 newly authorised patents worldwide, including 6 overseas authorised patents. For the year ended December 31, 2025, the Group's global patent applications exceeded 18,500, and the number of maintained authorised invention patents exceeded 3,200. The Company continued to enhance patent quality and has won a cumulative total of 8 awards, all Excellence Awards, in previous accreditations of China Patent Award.

The Company has remained committed to deepening product R&D in four major directions: energy saving, comfort, health and intelligence. It has established cost monitoring models and selection decision-making models to conduct dynamic monitoring throughout the full product life cycle, deeply analyse component quality and cost structure, and promote continuous improvement. At the same time, it has carried out platform-based and modular design, strengthened compatibility and adaptability management for platforms and modules, and maximised module reuse, which enhancing competitiveness in product quality, cost and development efficiency at the source and forming an efficient and high-quality product R&D rhythm of one iteration per year and one innovation every two years.

Focusing on energy saving and low carbon development, The Company has built an intelligent energy-saving system based on "PID inverter technology + self-developed AI algorithms". Its "Power-Saver" Package won the 17th Red Top Award. Its AI self-learning system can dynamically adjust operating modes, with maximum energy savings of up to 48%. The Company also challenged the Guinness World Record at the Mars No. 1 Base in Jinchang, Gansu, lighting up 10,306 light bulbs with one kilowatt-hour of electricity, vividly demonstrating its strong energy-saving capabilities, reducing users' costs while also contributing to energy conservation and emission reduction for society as a whole.

Deepening intelligent interaction, The Company accelerated the intelligent transformation of its products. Among them, smart voice-controlled air conditioners ranked No. 1 in national sales for three consecutive years. Its voice recognition technology, developed in collaboration with Baidu's large language model, supports millions of command phrases and five dialects, with a recognition rate as high as 99.67%. Combined with "sound source positioning" technology, it enables "wind follows sound", meeting diversified user needs.

Based on comfort and health, The Company has developed intelligent gentle-breeze technology and temperature-humidity balancing technology to adapt to the climates of different regions and the needs of sensitive groups. Its pioneering dual-axis air-guiding technology combines aerodynamics and design aesthetics to achieve 157° ultra-wide-angle airflow delivery, with 12 airflow angles meeting diverse airflow preferences. The panel features a matrix of over 8,600 micro-holes for cinema-screen-style air outlet, softening strong airflow and reducing wind speed to as low as 0.1 m/s, thereby achieving a room filled with gentle cool air. Its self-developed ultra-silent bionic air duct, together with diagonal-flow silent fan blades and PID frequency control technology, reduces operating noise to as low as 15 decibels, thoroughly solving night-time noise disturbance. Its Four-Season Fresh Air series adopts the industry's first 45° fresh air outlet and, with dual-air-duct turbulent flow technology, achieves a gold-standard fresh air volume of 40 cubic metres, a fresh air replacement rate of 99%, renews the air throughout the home in one minute, and delivers eight air changes per night for the whole home, addressing the pain point of poor indoor air circulation.

At the same time, we develop corresponding adapted products for different overseas market scenarios to address customer needs and pain points. For example, anti-bumping structures and packaging designs are tailored for motorcycle transport scenarios in Southeast Asia, while dust-proof, anti-corrosion and voltage-instability-resistant designs are adapted for high-temperature, high-humidity and low-voltage scenarios in the Middle East and Southeast Asia.

### **2. *Deepening Sales Channel Transformation, Continuously Driving Innovation in Digital Business Models, Integrating Online and Offline Channels, Building a Smart Home Ecosystem and Enhancing User Stickiness***

The Company has continued to deepen the transformation of its online retail model, so as to advance "deep channel integration, omni-domain digital traffic acquisition and intelligent ecosystem development".

On the one hand, by entering into an exclusive strategic cooperation agreement with JD Five Star Electrical, the Company has fully established a presence in experience-oriented stores such as JD MALL to realise scenario-based experience and sales. On the other hand, it has actively deployed instant retail, launching "one-hour delivery and installation" services on Meituan and Douyin, and cooperated with Amap to accurately guide online search traffic to more than 1,000 offline stores nationwide. Meanwhile, the Company planned eight major marketing campaigns throughout the year, using stores as natural livestreaming rooms to create and convert traffic online and offline. In building an intelligent ecosystem to enhance user stickiness, the core breakthrough lies in AI voice technology. Its flagship product, AUX Zhiyin (奥知音) II Pro, integrates DeepSeek and Baidu large models to upgrade interaction from "passive response" to "proactive understanding". In addition, by connecting its all products to the HarmonyOS system, the Company has realised cross-device linkage with Huawei's smart ecosystem, such as remotely turning on a household air conditioner from inside a car, using the "AUX A+" App as the central connection hub.

## Management Discussion and Analysis

The Company has built a cloud warehouse system to improve service satisfaction by focusing on customer needs and achieving order pre-positioning, warehouse co-management, inventory sharing, and supply chain visibility. Through digital end-to-end management, it improves turnover, optimizes inventory, accelerates response, improves timeliness and reduces costs, supporting front-end sales and ensuring back-end support.

In terms of user operations, the Company has shifted towards a “diversified and premium” operating approach and has successfully created a series of signature activities such as “community group buying”, “theme pop-up events”, “cross-industry alliances” and “store livestreaming”, deepening user touchpoints. At the same time, it has actively experimented with more consumer-facing (To-C) communication approaches, breaking industry barriers and rejuvenating the brand through innovative co-branding campaigns with well-known consumer brands such as KFC. It has actively embraced the transformation of new retail by fully establishing a presence on core local lifestyle platforms such as Douyin, Meituan, Amap and Kuaishou, anchoring itself in new traffic channels. By deeply integrating with the WeChat ecosystem through a combination strategy of “mini-programs + social e-commerce + private domain operations”, the Company has built its own brand traffic pool, empowering customer fission and traffic generation. Through systematic traffic operation capability building, we have effectively driven growth in both store footfall and sales.

### **3. Accelerating Global Expansion, Strengthening Localisation of Overseas Operations and Increasing Sales of Self-Owned Brands**

In 2025, targeting ultra-high-temperature and sandstorm usage scenarios in the Middle East, we introduced an R32 inverter + refrigerant cooling technology solution, overcoming technical challenges relating to high-temperature capacity attenuation and inverter drive reliability. Through continuous iteration, the solution achieved stable operation at 68°C and 100% cooling capacity output under T3 conditions, promoting the development of T3 inverter and environmentally friendly refrigerants in the Middle East.

For Association of Southeast Asian Nations (“**ASEAN**”) and American markets, we have continued to upgrade products based on user needs and special usage scenarios. For example, in the Vietnam market, in response to horizontal motorcycle transportation and coastal humid-salt scenarios, we adopted sixth-generation inverter control technology and anti-corrosion processes for heat exchangers and electronic controls, thereby ensuring product reliability and durability.

In terms of intelligent products, we are also accelerating its global market expansion. For example, its voice-controlled wall-mounted air conditioners support six languages: English, Arabic, Vietnamese, Thai, Malay and Spanish. The new Series I wall-mounted air conditioners under its premium sub-brand ShinFlow feature multiple smart functions such as smart voice, smart control, smart remote operation and smart energy saving. They can also accurately identify human positions through millimetre-wave radar, enabling “wind follows human” and “smart airflow”.

In the central air-conditioning segment, we launched a T3 high-efficiency inverter series for the Middle East, leading the market in switching refrigerants to R32. The entire series adopts refrigerant cooling and achieves Grade B high energy efficiency, capable of maintaining undiminished cooling at 46°C and stable operation at 60°C high temperatures. The whole range is equipped with automatic constant air volume technology and modular electronic control design, facilitating installation and commissioning.

In response to the Europe's energy crisis and driven by policies such as replacing gas with electricity and promoting zero-carbon industry, we launched large-capacity commercial heat pumps for the European market, offering integrated air-conditioning and hot water solutions. Featuring a family-style premium "quiet blue" appearance, A+++ high energy efficiency, operation at ultra-low temperatures of -30°C, and outlet water temperatures up to 85°C, these products cover all scenarios from residential to commercial use.

We are committed to promoting "self-own brand" strategy. In 2025, we invested in establishing five new overseas sales companies in Vietnam, Saudi Arabia, Dubai, Italy and Spain, with their business operations covering Southeast Asia, the Middle East and Europe. At the same time, we will continue to deepen our presence in the mature markets such as Malaysia, Thailand and the United States.

We continued to advance the development of our overseas after-sales service system. Our overseas after-sales service network covers seven countries and regions, namely Malaysia, Thailand, Vietnam, Dubai, Saudi Arabia, Spain and Italy, with over 1,000 after-sales service outlets in total. Through warehouse deployment, targeted stockpiling of core components and pre-positioned inventory at outlets, it ensures delivery of spare parts within 24 hours and improves first-time repair rates. Relying on a multilingual call centre and the Global Customer Service System ("GCSS") after-sales service system, we conducts full-process monitoring and management of work orders, spare parts applications and follow-up visits, while also using the AUXService mobile application to support engineers in handling work orders online and accessing training materials on installation, maintenance and products anytime and anywhere, significantly improving service efficiency.

At present, the overseas service centres have achieved one-hour response, four-hour on-site attendance, and a 99% resolution rate within 48 hours, effectively improving customer satisfaction. On this basis, the Company has also introduced high-standard service policies in key overseas markets, such as a 10-year warranty and "365-day replacement-only", forming differentiated overseas service competitiveness and strengthening its after-sales service reputation in overseas markets.

#### **4. *Comprehensively Advancing Digital Transformation to Improve Efficiency and Sustain Competitiveness***

In the domestic market, driven by the dual engines of "channel digitalisation" and "operational intelligence", the Company has continuously advanced the digital transformation of its sales system. In terms of new customer development, the Company entered into a strategic cooperation with Amap to jointly build a digital channel network map, achieving full-domain visibility over potential and existing customers, and providing digital support for its channel penetration strategy.

For channel and operator management, the Company has continued to optimise "AUX Manager (小奥管家)", which supports multi-dimensional data dashboards, enabling frontline sales staff, agents and stores to grasp user profiles, inventory and marketing data in real time, thereby achieving precision marketing, scientific decision-making and efficient operations. At the same time, a series of operational activities are systematically carried out, such as store network expansion, on-site store inspections, execution of promotional campaigns, personnel training and terminal empowerment, further improving the management standards and operating efficiency of channel terminals.

## Management Discussion and Analysis

In overseas markets, the Company launched an automatic container loading system, using intelligent algorithms to optimise logistics loading, improve operational efficiency and reduce logistics costs. It also launched an automated business process authorisation platform to realise digital circulation and control of key processes, thereby strengthening risk control and operating efficiency. Over the year, cumulative efficiency improved by 50% and manual operations decreased by 30%.

On the R&D side, digitalisation has been adopted to enhance product development capabilities. The Company built a digital product planning platform to accelerate the conversion of technologies into products that meet customer needs. At the same time, it continuously deepened platform modularisation, effectively improving the accuracy of product planning and execution success rates. Leveraging its rich product combinations and scale development advantages, integrating digital consumer interaction models, and continuously enhancing user research and insight capabilities, the Company has empowered efficient R&D strategy formulation and created products, technologies and solutions aligned with market demand.

On the manufacturing side, the Company has continued to promote intelligent upgrades at its three major bases in Ningbo, Ma'anshan and Nanchang, and has been recognised as a "Provincial Intelligent Factory" and a "Provincial Intelligent Manufacturing Benchmark Enterprise". Through integrating intelligent production lines with modular design, it has achieved flexible production of multiple varieties in small batches, enabling rapid response to global customised demand.

We have focused on advancing iterations of full-process intelligent manufacturing systems such as Manufacturing Execution Systems ("**MES**"), Advanced Planning and Scheduling ("**APS**") and Warehouse Management Systems ("**WMS**"), while also self-developing core modules such as Manufacturing Operations Management ("**MOM**") and Internet of Things ("**IoT**") to achieve full connectivity of key factory equipment and real-time data interconnection, breaking information silos and improving the sophistication and coordination of production scheduling and operational control.

We focus on three key scenarios: AI quality inspection, predictive maintenance and flexible production, and has achieved remarkable results. First, through AI and machine learning technologies, it has established a 3D visual inspection system for air conditioner appearance and controller circuits, significantly enhancing inspection accuracy and efficiency. Second, relying on its self-developed IoT platform, it analyses big data from key equipment such as injection moulding machines in real time, promoting a shift in equipment maintenance towards predictive maintenance and reducing equipment abnormalities by 50%. Third, through EMS management of full-process energy consumption, it achieved a 9% year-on-year reduction in production energy consumption, thereby meeting green production targets.

In the area of IT infrastructure, the Company has built a digital foundation featuring "unified management, global deployment and shared resources". With hybrid cloud as its core architecture, it combines the elasticity advantages of public cloud and the compliance capabilities of private cloud, enabling localized deployment of core businesses and cloud-based expansion of flexible businesses, balancing security, compliance and scalability to suit diversified business scenarios.

The Company has advanced global deployment, with a data centre in Singapore serving as the core for global services, and has also piloted the launch of a data centre in Europe subject to full policy compliance. Relying on high-quality overseas links from domestic telecom operators, it has laid a global SD-WAN backbone network to ensure network latency performance for cross-border business and overseas branches, enabling IT capabilities to extend globally along with the business.

In connection with AI operations, the Company has established a computing power matrix to centrally schedule hybrid cloud computing resources, dynamically meeting diverse computing power needs such as AI applications and data analytics, and flexibly adapting to business scale, thereby providing continuous support for digital innovation and business operations. At the same time, adhering to the core principle of “cost reduction and efficiency enhancement”, it has further implemented pooled resource management to achieve global sharing and on-demand allocation of IT resources such as computing, storage and networks, reducing duplicate investment and improving resource utilisation by 30%.

### 4. Core Competitiveness

#### 1. *Focusing on Air Conditioner Production over 30 Years and Building a Renowned Brand*

We have been deeply rooted in the industry for over 30 years. Currently, it operates seven major industrial bases in locations such as Ningbo, Nanchang, Ma’anshan, Thailand and Wuhu. It has three R&D centres in Ningbo, Zhuhai and Japan, and its business has expanded to more than 160 countries and regions including North America, Europe, South America, Southeast Asia and the Middle East.

The Company was the exclusive official air conditioner supplier for the 19th Asian Games Hangzhou. From 2022 to 2024, it ranked No. 1 in national sales of smart voice-controlled air conditioners for three consecutive years. From 2023 to 2024, it ranked No. 1 in national sales of residential air-conditioners in the mass market for two consecutive years. From 2023 to 2024, it ranked among the top four globally in sales of residential air conditioners for two consecutive years. From 2018 to 2024, it ranked among the top three globally in terms of sales of household split-type air conditioners for seven consecutive years.

We built a multi-layered brand matrix, with “奥克斯 AUX” as its main brand for the global market, while “Hutssom (華蒜)” targets the high cost-performance mass market, “AUFIT” focuses on younger consumer groups, and “ShinFlow” positions itself in the premium market. This brand system achieves full coverage of “intelligence + affordability + youthfulness + premiumisation”, precisely matching the needs of different users.

#### 2. *Leveraging Globally Leading R&D Capabilities to Continuously Drive the Implementation of Innovation*

With a continued enhancement of the R&D philosophy that “quality is the foundation and innovation is the soul”, and a focus on global R&D deployment, substantial technology reserves and breakthroughs across multiple fields, it deeply integrates R&D innovation into the entire value chain of its core businesses such as home appliances and heat pumps, thereby achieving deep integration of technological innovation with market demand and green development.

The professional global R&D team of over 1,600 personnel, focusing on in-depth research in fundamental disciplines and core fields such as thermodynamics, fluid mechanics, energy-saving technology, inverter technology and human-machine interaction. It has obtained two national China National Accreditation Service for Conformity Assessment (“CNAS”) laboratory certifications, forming a complete R&D system from basic research and technical breakthroughs to product implementation, thereby ensuring the professionalism and forward-looking nature of technological innovation.

## Management Discussion and Analysis

The R&D focuses on four core directions: energy saving and low carbon, intelligent interaction, adaptation to extreme environments and scenario-based solutions. It has achieved key technological breakthroughs in multiple business areas, with a number of achievements reaching industry-leading levels and completing deep transformation into products.

The self-developed AI energy-saving core algorithms and high-efficiency inverter drive technology, together with core components such as large-displacement compressors, achieve precise temperature control within  $\pm 0.2^{\circ}\text{C}$ . Its "Power-Saver" Package Ultra model achieves up to 48% energy savings and can save one kilowatt-hour of electricity over four hours. Its innovative patented dual-axis micro-hole technology and ultra-circular airflow technology solve the pain points of hard direct airflow and uneven temperature distribution in traditional air conditioners, and its Changxiang Wind 2 Plus air conditioner won the "Annual Product Innovation" award. At the same time, digitalisation is used to empower product development capabilities through the establishment of a digital product planning platform, accelerating the conversion of technologies into products that meet customer needs. The Company also continues to deepen platform modularisation, effectively improving the accuracy of product planning and implementation success rates. Leveraging its rich product portfolio and economies of scale, integrating digital consumer interaction models, and continuously refining user research and insight capabilities, the Company empowers efficient R&D strategy formulation and creates products, technologies and solutions aligned with market demand.

It adheres to a combination of independent R&D and open collaboration, continuously deepening cross-sector ecosystem cooperation and promoting the application of frontier technologies. It has entered into AI technology cooperation with leading companies such as Alibaba and Baidu, deeply integrating its air-conditioning hardware capabilities with AI software strengths to realise dialect recognition, personalised airflow delivery and proactive decision-making functions in smart voice-controlled air conditioners, upgrading air conditioners from mere "cooling and heating appliance" to "emotional intelligent agents". At the same time, at the level of basic research, the Company has engaged and cooperated with top domestic and overseas research institutions including Tsinghua University, Shanghai Jiao Tong University, Zhejiang University, Harbin Institute of Technology and Xi'an Jiaotong University, establishing joint research institutes, postgraduate training bases and other deeper technological cooperation arrangements.

### **3. Comprehensive, Innovative and Streamlined Sales Channels**

The pioneering "Hello AUX (小奥直賣)" ecosystem addresses on five key business scenarios: procurement, sales, promotion, training and service. It has implemented six major initiatives, namely policy visualisation, Aux Terminal, Aux Training, Aux Promotion, seamless updates and Aux Partners. Internally, it deeply connects and empowers the entire value chain operations, including procurement, sales and services, achieving 100% support coverage for terminal business. Externally, it seamlessly connects with partners across all channels. It breaks down the barriers of the traditional distribution system, which is characterised by complex layers and inefficient circulation, and achieves direct connectivity from factories to stores.

At the same time, the Company has further deepened sales channel transformation. It continues to consolidate the fundamental strengths of the highly streamlined and efficient offline “online retail” model, and supports sales channels with system base. Through system-based precise product differentiation, stronger policy support, and the introduction of omni-domain digital traffic acquisition tools (such as Location Based Services (“LBS”) precision customer acquisition) and cloud warehouse fulfilment networks, the Company empowers offline terminal stores to promote market refinement of regional market and global user capture capabilities.

#### **4. Continuously Deepening Global Layout**

In the domestic market, the Company’s self-developed end-to-end “Hello AUX (小奧直賣)” intelligent digital marketing engine serves as an industry features business ecosystem of mutual benefit and win-win cooperation. Through system restructuring and scenario empowerment, it comprehensively improves business collaboration and digital operational efficiency, precisely empowering terminal retail operations and refined cultivation of regional markets.

In overseas markets, the Company has replicated its mature domestic “Hello AUX (小奧直賣)” new retail model abroad. Its self-developed overseas sales app, “Hello AUX”, helps users complete online product selection and order placement. Its self-developed overseas service app, “AUXService”, provides users with fast and convenient after-sales service, already achieving one-hour response, four-hour on-site attendance and a 99% resolution rate within 48 hours, effectively improving customer satisfaction. At the same time, through its self-developed “Supply Chain and Distribution Platform (“SDP”)” system for ocean shipping integration and the “Global Logistics Management System (“GLMS”)” system for local logistics transportation connectivity, the Company has established an integrated full-chain data platform covering factories, overseas warehouses, customers, sales and after-sales services, covering markets in the Americas, Europe and Asia. Its products are sold to more than 160 countries and regions.

#### **5. Digital and Intelligent Upgrading to Improve Quality and Operational Efficiency**

We have always been committed to improving decision-making efficiency, strengthening execution capability and enhancing market responsiveness through digitalisation and intelligence. We have innovatively built the AUX industrial internet platform to improve the efficiency of end-to-end information transmission and implementation of decisions. By connecting multi-dimensional data across R&D, manufacturing, supply chain, warehousing, quality control and sales, we have realised digital upgrades in four major areas: industrial management software, network infrastructure, production equipment hardware and industrial information systems, effectively improving corporate management decision-making efficiency.

In the R&D field, for product design, the Company has established a complete product standards database and module database. Through secondary development of 3D software, it has achieved one-click assembly for wall-mounted units, cabinet units and outdoor units, standardised functions such as component design and K-marking for wall-mounted and cabinet units, and rapid structural design through knowledge reuse. For product development, it has built a full product life cycle management system covering the process from “demand to phase-out”. For product configuration, the Company has established an integrated modular platform linking product parts and configuration options, enabling rapid generation of Stock Keeping Units (“SKUs”) based on user configurations to meet differentiated customer needs and ensure rapid order delivery.

## Management Discussion and Analysis

In the supply chain field, the Company has built its own supplier relationship management system (SRM), connecting the data chains among procurement, R&D, manufacturing and sales to accurately forecast demand and optimise inventory. At the same time, it empowers suppliers to comprehensively improve their management models, efficiency enhancement and cost reduction, quality control and production processes.

In intelligent manufacturing, we have built a benchmark “lights-out factory” for the industry and upgraded our smart factory operating system. Through digital twin technology, we have constructed a virtual production environment to optimise product design and production processes. At the same time, we have deeply applied 5G, the IoT and edge computing technologies to realise supply chain collaborative innovation and continuously increase process automation rates. We have also deepened the functions of our industrial internet platform, improved full-chain data connectivity and integration, and established a global capacity scheduling platform to dynamically optimise capacity allocation among domestic and overseas production bases.

In sales, the “Aux” ecosystem centred on the “Aux App” enables real-time access to user profiles, inventory and marketing data, thereby achieving precision marketing, scientific decision-making and efficient operations.

### **6. Visionary, Progressive and Steady Management Team and an Open, Win-Win Corporate Culture**

Our core team members each have more than 20 years of cumulative experience in the air-conditioning industry. They possess profound industry experience and sharp market insight, with deep understanding of the entire industry chain. Under their leadership, our workforce is united and enterprising. Under the leadership of the core management team, we have achieved revolutionary innovation in production and operations, such as the innovative launch of the online retail model and the “lights-out factory” production model, which have significantly improved sales and production efficiency and also provided important driving forces for our business growth.

In addition, we adhere to the talent development philosophy that “when the right people are in place, the enterprise will be right”. We attach great importance to aligning the interests of our employees with our long-term development. Equity incentive plans are implemented for core management personnel and key personnel, effectively enhancing team cohesion and stability and ensuring that we continue to pursue our strategic objectives.

Furthermore, the cohesive corporate culture shaped by our own operating philosophy is the cornerstone of our long-term value creation. We guide our corporate operations based on the principles of “customer centricity, rationally ambitious goals, problem-solving orientation, benchmarking and product enhancement”. In our daily business operations, we adhere to the efficiency principles encapsulated in the ideas of “everything based on economic value, everything based on reasonable norms, and everything based on efficient rhythm”, striving to reduce operating costs through higher efficiency so as to benefit customers. Through more than 30 years of accumulation and development, our mature, efficient and executable corporate culture system continuously creates greater value for customers, employees, Shareholders and society, helping our employees achieve self-improvement and pursue excellence, and ensuring efficient management decision-making and effective execution.

## 5. Future Development Prospects of the Company

### 1. *Development Strategy of the Company*

The Company will take technological innovation as its core driver and firmly implement our strategies of internationalisation, overseas self-development of products, central air conditioning products, to extend our global presence. It will continue to increase R&D investment, with a focus on intelligent control, high-efficiency energy saving, in-house development of core components, and green low-carbon technologies, in order to develop a core differentiation through technological innovation and drive product premiumisation and brand enhancement. It will focus on internationalisation, further consolidate our advantage, increase our market share in underserved markets, and step into unserved markets. It will stick to the overseas self-development of products, continue to advance the establishment of overseas sales companies, and plan to establish 3 to 5 sales companies each year with local teams to gain deep insights into customer needs while also setting up after-sales service outlets and piloting e-commerce. It will strengthen its central air conditioner production business, enhance domestic products, focus on development of overseas markets, accelerate R&D for products adapted to overseas markets, and deepen its presence in key regions such as Europe, South America, the Middle East and Africa. At the same time, the product line will be extended to include air conditioner of data centre and liquid-cooled air conditioner.

### 2. *Key Operational Priorities for 2026*

In 2026, external uncertainties are expected to continue to intensify. In response, we will remain focused on the following key priorities, addressing external challenges through targeted and decisive actions to ensure stable and orderly operations and achieve steady, sustainable growth.

- (1) **Advancing internationalisation:** Overseas markets present vast opportunities. As the world's fifth-largest air conditioner supplier, our products are sold in more than 160 countries and regions. We will continue to implement differentiated and targeted strategies. In established markets, we will further consolidate our leading position and continue to increase market share. In developing markets, we will deepen our understanding of local needs, develop tailored products, and enhance brand influence and market penetration. In untapped markets, we will focus on key countries with significant market potential, such as Japan, Indonesia and Argentina, by introducing products that better meet local demand, expanding our base of high-quality customers, and strengthening our market presence to support continued growth. Our ODM business will continue to leverage its leading cost advantages and efficient delivery capabilities. Our OBM business will pursue coordinated development through combining national distributor models and overseas sales company operations, working in parallel to build a globally recognised brand.

## Management Discussion and Analysis

- (2) **Strengthening our own brands:** We will continue to expand the global presence of our core brand, "AUX", while enhancing penetration in the mass market through sub-brands such as "Hutssom" and "AUFIT". At the same time, we will introduce "ShinFlow" to enter the premium segment, thereby establishing a multi-tiered brand portfolio. Positioned as the "preferred choice for smart air conditioning", we will increase brand visibility and enhance brand recognition. In parallel, driven by the rapid development of artificial intelligence, we will accelerate the integration and application of AI technologies, cloud-based voice systems and AIoT, enabling a transition in product positioning from value-for-money to intelligence-driven value, thereby enhancing brand premium and customer value. We will also continue to develop our own brands in overseas markets by establishing three to five new overseas sales companies each year. Through a combined national distributor and sales company model, we aim to drive rapid growth in our own-brand business and further enhance global brand influence.
- (3) **Deepening the central air conditioning business:** We will remain focused on our core business areas, with residential air conditioning as our foundation while accelerating the development of our central air conditioning business. In the domestic market, we will continue to strengthen our multi-split systems offering and launch highly competitive products (such as the X9 series multi-split systems), focusing on key sectors including public infrastructure, commercial buildings, hotels and schools. At the same time, the product line will be extended to include air conditioner of data centre and liquid-cooled air conditioner. In overseas markets, we will accelerate the development of large-scale commercial air conditioning solutions, focusing on key regions such as the Middle East, North America, Southeast Asia and Europe, and further increase the contribution of central air conditioning to our overall business.
- (4) **Expanding product categories:** Building on brand licensing arrangements and leveraging our existing channel resources, we will expand into new home appliance categories through Original Equipment Manufacturer (OEM) models and other approaches, further enhancing the Group's overall profitability resilience and ability to withstand risk.

### 3. **Risks Faced and Countermeasures**

#### (1) **Exchange Rate Fluctuation Risk**

As the Company's overseas revenue accounts for nearly 50% of total revenue, and its import and export business involves foreign currency exchange in U.S. dollars, euros, Japanese yen, Thai baht and other currencies, fluctuations in the exchange rates of the relevant currencies may have a certain impact on the Company's financial position and increase its financial costs. Overseas sales are mainly conducted in the local currencies of the countries and regions in which it operates, while the consolidated financial statements are prepared in Renminbi. Accordingly, the Company is also exposed to currency exchange risk. We use hedging arrangements to mitigate the impact of foreign exchange fluctuations. However, we may not be able to fully eliminate the risk of foreign exchange losses through such arrangements.

### **(2) Risk of Raw Material Price Fluctuation and Supply Shortage**

The principal raw materials and components used in the Company's products include copper, aluminium, steel, plastics, compressors and motors. If prices of raw materials increase substantially, or if factors such as supply and demand trends, transportation costs, government regulations and tariffs, geopolitical events, currency exchange movements, price controls, economic conditions and other unforeseen circumstances result in shortages of such materials and components containing such materials, it may adversely affect our business, results of operations and financial condition.

### **(3) Overseas Operational Risk**

As the Company's overseas revenue accounts for approximately 50% of total revenue and its products are sold to more than 160 countries and regions, its overseas operations and profitability may be affected by local permits, licences or approvals, foreign exchange controls, political unrest and civil disturbances, tax laws and regulations, trade barriers and other factors in the relevant countries.

### **(4) Risk of Increased Tariffs and Retaliatory Trade Measures**

Tariffs and unilateral trade policies that may be implemented by the United States and other major economies could substantially increase the export costs of air conditioners, directly compress corporate profit margins, reduce the price competitiveness of products and lead to fewer orders from relevant countries. Frequent policy changes further heighten operating uncertainty, and the Company may be forced to adjust capacity and supply chains, resulting in significantly increased funding and operational pressure. Overall profitability and growth may therefore be materially constrained.

### **(5) Price War Risk**

Intensified competition in the air conditioner industry may trigger price wars, with continuous price reductions to capture market share significantly squeezing profit margins. Coupled with rising costs of raw materials such as copper, profits may shrink further. The Company will increase R&D investment, optimise product mix, raise the proportion of high-margin products, and improve profitability.

### DISCUSSION AND ANALYSIS ON OVERALL OPERATIONS

During the Reporting Period, the Group operated in an environment characterised by intensified market competition and continued global economic uncertainty. Notwithstanding these challenges, the Group maintained stable overall performance. Revenue for the year ended December 31, 2025 amounted to RMB30,048.6 million, remaining broadly in line with the prior year. The domestic market continued to demonstrate resilience, while revenue from the Asia market (excluding Chinese Mainland) recorded a year on year increase of 11.8%. This improvement was primarily attributable to the introduction of new models, which enhanced its ability to respond efficiently to evolving customer demand.

The Group's gross profit margin for the year ended December 31, 2025 was 18.8%, compared with 21.0% in the preceding year. The decline in gross profit margin was attributable to intensified market competition, rising prices of raw materials and high inventory levels in some regions.

In line with its long term growth strategy, the Group continued to invest in strengthening brand awareness in overseas markets and expanding its sales and marketing capabilities. As a result, selling and distribution expenses increased by RMB326.1 million, or 25.5%, compared with 2024. Such an increase was primarily due to business expansion, including higher expenses arising from newly established overseas sales companies and increased marketing spending.

Administrative expenses increased modestly by RMB61.4 million, or 6.0%, year on year, mainly due to the increase in storage and logistics costs and depreciation costs of the new bases. At the same time, research and development expenses decreased by RMB21.3 million, or 3.0%, as the Group continued to optimise its R&D personnel structure with a view to improving innovation efficiency and resource allocation.

The Group maintained a strong focus on cost awareness and disciplined expense control throughout the Reporting Period, ensuring the overall operating expense-to-revenue ratio remained stable. While intensified market competition and rising prices of raw materials had an impact on profitability during the Reporting Period, the Group continued to strengthen its operational foundation and execution capabilities. Net profit attributable to owners of the parent amounted to RMB2,235.0 million for the year ended December 31, 2025.

## FINANCIAL REVIEW

In 2025, the Group's revenue amounted to approximately RMB30,048.6 million, remaining stable as compared to RMB29,759.3 million in 2024.

Profit attributable to owners of the Company amounted to RMB2,235.0 million, representing a decrease of 23.2% from approximately RMB2,910.2 million in 2024.

## REVENUE

The table below sets forth the absolute amounts and percentages of the Company's revenue by types of goods for 2025 and 2024.

	For the year ended December 31,				
	2025		2024		Change
	RMB'000	% of Revenue	RMB'000	% of Revenue	
Household air conditioners	<b>26,235,421</b>	<b>87.3</b>	25,904,463	87.1	1.3
– Wall-mounted units	<b>22,413,044</b>	<b>74.6</b>	22,082,388	74.2	1.5
– Cabinet-style units	<b>3,568,864</b>	<b>11.9</b>	3,624,983	12.2	(1.5)
– Mobile units	<b>253,513</b>	<b>0.8</b>	197,093	0.7	28.6
Central air conditioners	<b>3,284,564</b>	<b>10.9</b>	3,223,500	10.8	1.9
Others	<b>528,595</b>	<b>1.8</b>	631,356	2.1	(16.3)
Total	<b>30,048,580</b>	<b>100.0</b>	29,759,319	100.0	1.0

In 2025, the Company achieved revenue from sale of air conditioners of RMB30,048.6 million, remaining stable as compared to 2024 while the market became noticeably more competitive.

The revenue from sales of household air conditioners remained robust in the competitive market, increased by RMB331.0 million from RMB25,904.5 million in 2024 to RMB26,235.4 million in 2025, primarily attributable to (i) the expansion of its distribution network; (ii) expansion of key customers in the Middle East and Southeast Asia; and (iii) introduction of several new products with enhanced intelligence and energy efficiency.

The revenue from sales of central air conditioners increased by RMB61.1 million from RMB3,223.5 million in 2024 to RMB3,284.6 million in 2025, primarily attributable to (i) market expansion in Southeast Asia, Middle East and South America; and (ii) launch of several new models that are tailored for certain overseas market.

## Management Discussion and Analysis

The table below sets forth the absolute amounts and percentages of the Company's revenue by brand for 2025 and 2024.

	For the year ended December 31,				
	2025		2024		Change
	RMB'000	% of Revenue	RMB'000	% of Revenue	%
AUX	15,913,679	53.0	15,522,916	52.2	2.5
Hutssom	829,278	2.7	1,358,375	4.6	(39.0)
AUFIT	996,290	3.3	–	–	–
ODM	11,780,738	39.2	12,246,672	41.1	(3.8)
Other business	528,595	1.8	631,356	2.1	(16.3)
<b>Total</b>	<b>30,048,580</b>	<b>100.0</b>	<b>29,759,319</b>	<b>100.0</b>	<b>1.0</b>

From a brand perspective, our revenue was mainly driven by product sales of AUX products, recorded revenue of RMB15,913.7 million, representing a year-on-year growth of 2.5%. We began generating revenue from the sales of AUFIT products and recorded revenue of RMB996.3 million in 2025.

The following table provides a breakdown of our revenue by geographical location, both in absolute amounts and as a percentage of total revenue for 2025 and 2024.

	For the year ended December 31,				
	2025		2024		Change
	RMB'000	% of Revenue	RMB'000	% of Revenue	%
Chinese Mainland	15,307,527	51.0	15,078,580	50.7	1.5
Asia (except Chinese Mainland)	8,208,247	27.3	7,339,872	24.7	11.8
Europe	2,835,481	9.5	3,024,817	10.2	(6.3)
North America	1,452,264	4.8	2,095,134	7.0	(30.7)
South America	1,509,047	5.0	1,507,028	5.0	0.1
Other countries/regions	736,014	2.4	713,888	2.4	3.1
<b>Total</b>	<b>30,048,580</b>	<b>100.0</b>	<b>29,759,319</b>	<b>100.0</b>	<b>1.0</b>

From a regional contribution perspective, revenue in 2025 increased by RMB289.3 million compared to 2024 was mainly due to the net impact of increase in revenue of RMB868.4 million from Asia (except Chinese Mainland) and decrease in revenue of RMB642.9 million from North America.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the breakdown of our gross profit and gross profit margin by types of goods for 2025, and 2024.

	For the year ended December 31, 2025		2024	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Household air conditioners	4,203,613	16.0	4,979,830	19.2
Central air conditioners	1,019,569	31.0	979,267	30.4
Others	436,475	82.6	281,228	44.5
Total	5,659,657	18.8	6,240,325	21.0

In 2025, the Company's overall gross profit margin decreased from 21.0% in 2024 to 18.8% in 2025. The decrease was mainly caused by intensified market competition, rising prices of raw materials and high inventory levels in some regions. The gross profit margin for central air conditioners is generally higher than that of household air conditioners.

## SELLING AND DISTRIBUTION EXPENSES

The table below sets forth the Company's selling and distribution expenses and percentage of revenue for 2025 and 2024:

	For the year ended December 31, 2025		2024	
	RMB'000	% of Revenue	RMB'000	% of Revenue
Selling and distribution expenses	1,602,762	5.3	1,276,678	4.3

In 2025, the Company's selling and distribution expenses amounted to RMB1,602.8 million, representing a year-on-year increase of 25.5%. This increase was primarily due to business expansion, including higher expenses arising from newly established overseas sales companies and increased marketing spending. Selling and distribution expenses as a percentage of our revenue were approximately 5.3% and 4.3% in 2025 and 2024 respectively.

## ADMINISTRATIVE EXPENSES

The table below sets forth the Company's administrative expenses and percentage of revenue for 2025 and 2024:

	For the year ended December 31, 2025		2024	
	RMB'000	% of Revenue	RMB'000	% of Revenue
Administrative expenses	1,086,780	3.6	1,025,375	3.4

In 2025, the Company's administrative expenses amounted to RMB1,086.8 million, representing a year-on-year increase of 6.0%. This increase was primarily due to the increase in storage and logistics costs and depreciation costs of the new bases. Administrative expenses remained relatively stable when measured as a percentage of revenue, representing approximately 3.6% and 3.4% in 2025 and 2024 respectively.

## RESEARCH AND DEVELOPMENT EXPENSES

The table below sets forth the Company's research and development expenses and percentage of revenue for 2025 and 2024:

	For the year ended December 31, 2025		2024	
	RMB'000	% of Revenue	RMB'000	% of Revenue
Research and development expenses	688,699	2.3	710,035	2.4

In 2025, the Company's research and development expenses amounted to RMB688.7 million, representing a year-on-year decrease of 3.0%. This decrease was primarily due to optimization of the R&D personnel structure to enhance innovation efficiency and resource allocation.

## IMPAIRMENT LOSS ON FINANCIAL ASSETS, NET

The net impairment loss on financial assets primarily consists of impairment loss for movement in loss allowance for trade receivables at amortized cost based on the expected credit loss model. In 2025, the Company's net impairment loss on financial assets amounted to RMB17.9 million, representing a year-on-year decrease of 58.6%. This decrease was primarily due to improved collection performance as well as an enhanced customer mix with stronger credit quality.

## OTHER EXPENSES

Other expenses primarily included (i) foreign exchange differences, net; (ii) loss on derecognition of receivables at fair value through other comprehensive income; (iii) realized loss on derivative financial instruments; and (iv) others. In 2025, the Company's other expenses amounted to RMB114.0 million, representing a year-on-year decrease of 45.0%. This decrease was primarily due to the absence of the fair value loss on derivative instruments of RMB165.1 million that was recognised in the prior year.

## FINANCE COSTS

Finance costs primarily represent interest incurred on bank borrowings and interest on lease liabilities. In 2025, the Company's finance costs amounted to RMB57.1 million, representing a year-on-year increase of 26.5%. This increase was primarily due to the increase of forfeiting and bank borrowings.

## PROFIT FOR THE YEAR

The Company's profit for the year decreased from RMB2,910.2 million in 2024 to RMB2,235.0 million in 2025, representing a year-on-year decrease of 23.2%. The profit margin for the year changed from 9.8% in 2024 to 7.4% in 2025, as the Company's gross profit margin decreased by 2.2% compared to last year due to intensified market competition, rising prices of raw materials and high inventory levels in some regions.

## FINANCIAL POSITION

	As at December 31,	
	2025	2024
	RMB'000	RMB'000
Non-current assets	9,447,249	8,387,711
Current assets	21,972,037	15,783,261
Current liabilities	19,619,923	18,252,822
Non-current liabilities	1,840,976	2,082,444
Net assets	9,958,387	3,835,706

The Company's non-current assets increased from RMB8,387.7 million as of December 31, 2024 to RMB9,447.2 million as of December 31, 2025, primarily due to the increase in property, plant and equipment of RMB848.6 million and increase in right-of-use assets of RMB357.4 million.

The Company's current assets increased from RMB15,783.3 million as of December 31, 2024 to RMB21,972.0 million as of December 31, 2025, primarily due to the increase in financial assets at fair value through profit or loss of RMB1,400.0 million and cash and bank balances of RMB3,971.4 million respectively.

The Company's current liabilities increased from RMB18,252.8 million as of December 31, 2024 to RMB19,619.9 million as of December 31, 2025, primarily due to the increase in interest-bearing bank borrowings of RMB202.2 million and increase in contract liabilities of RMB1,331.4 million, respectively.

The Company's non-current liabilities decreased from RMB2,082.4 million as of December 31, 2024 to RMB1,841.0 million as of December 31, 2025 mainly due to the decrease in long-term interest-bearing bank borrowings of RMB292.6 million.

The Company's net assets increased from RMB3,835.7 million as of December 31, 2024 to RMB9,958.4 million as of December 31, 2025 mainly due to the rise in cash and bank balances. The higher bank balance was mainly attributable to the net proceeds received from the Company's initial public offering ("IPO").

## LIQUIDITY AND FINANCIAL RESOURCES

The Group pays great attention to cash flow management and has been able to maintain a healthy financial and liquidity position. The Group has followed a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved. As at December 31, 2025, the Group had a current ratio of 1.12 (December 31, 2024: 0.86).

	<b>As at December 31,</b>	
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Cash and bank balances	<b>6,879,199</b>	2,907,756
Less:		
Interest-bearing bank borrowings	<b>(1,462,846)</b>	(1,553,334)
Net balance of cash and cash equivalents	<b>5,416,353</b>	1,354,422

As at December 31, 2025, approximately 100% of the interest-bearing bank borrowings balance was denominated in RMB. The variable rate and fixed rate interest-bearing borrowings were RMB602.8 million and RMB860.0 million respectively.

As at December 31, 2025, the Group's net balance of cash and cash equivalents amounted to RMB5,416.4 million (December 31, 2024: RMB1,354.4 million), representing an increase of 299.9% as compared to that as of the end of 2024.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The Group will continue to maintain stable liquidity in its operations in 2026 to ensure meeting its working capital requirements in the coming year, as well as maintaining the financial flexibility for future strategic investment opportunities.

## TRADE AND BILLS RECEIVABLES

The majority of our trade and bills receivables were in connection with our export revenue. Our trade and bills receivables remained stable at RMB2,997.0 million as of December 31, 2025 as compared to RMB3,003.4 million as of December 31, 2024.

## TRADE AND BILLS PAYABLES

Trade and bills payables mainly represent payments for purchasing materials. Our trade and bills payables decreased from RMB10,395.1 million as of December 31, 2024 to RMB9,633.0 million as of December 31, 2025, primarily due to the improvement in timing of supplier settlements and cash management.

## GEARING RATIO

As at December 31, 2025, the Group's gearing ratio (defined as total liabilities divided by total assets of the Group) was 68.3% (December 31, 2024: 84.1%), representing a decrease of 15.8 percentage points mainly due to the increase in cash and bank balances resulted from the net IPO proceeds received during the Reporting Period.

## CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to Shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it 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 Reporting Period.

## CAPITAL EXPENDITURE

The table below sets forth the absolute amounts of the Company's capital expenditure for 2025 and 2024:

	For the year ended	
	December 31,	
	2025	2024
	RMB'000	RMB'000
Capital expenditure	1,350,308	1,126,694

The Company's capital expenditure consists of construction in progress, machinery and equipment, office equipment and fixtures, buildings and motor vehicles. The Company's capital expenditure increased from RMB1,126.7 million in 2024 to RMB1,350.3 million in 2025, mainly due to construction of manufacturing facilities in process.

## CAPITAL COMMITMENTS

The Group's capital commitments contracted but not yet provided for, amounted to RMB2,124.6 million as of December 31, 2025 (December 31, 2024: RMB1,096.9 million), primarily associated with property, plant and equipment related to the construction of manufacturing facilities.

## CHARGE OF ASSETS

As of December 31, 2025, the net value of pledged assets for interest-bearing bank borrowings and bank facilities of the Company is RMB716.7 million. These pledged assets primarily comprise certain buildings and land use rights.

As of December 31, 2025, the value of pledged deposits to secure draw bills payable of the Company is RMB2,627.7 million.

### FOREIGN EXCHANGE RISK AND HEDGING

A majority of our revenues and cost of sales is denominated in RMB. However, as we operate part of our business in foreign jurisdictions, we are subject to risks associated with foreign currency exchange fluctuations. In response to foreign exchange risks, we have established effective measures to eliminate potential risks. We use derivative financial instruments, such as forward currency contracts, future contracts for the purchase of copper and foreign currency swaps, to hedge our foreign currency risk and commodity price risk, respectively.

### CONTINGENT LIABILITIES

As of December 31, 2025, save as the information disclosed in note 37 to the consolidated financial information in this annual report, the Group has no other significant contingent liabilities that are likely to have a material and adverse effect on our business, financial condition or results of operations.

### EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2025, the Group employed 15,631 employees (December 31, 2024: 19,794 employees). The total remuneration cost incurred by the Group for the year ended December 31, 2025 was RMB2,358.8 million, as compared to RMB2,360.9 million for the year ended December 31, 2024.

The Group understands that employees are valuable assets and ensures that the remuneration packages for its employees remain competitive. The Group always strives to provide employees with comprehensive social benefits, a safe work environment and a wide range of career development opportunities. Furthermore, the Group is committed to strictly complying with applicable laws, regulations and standards in different countries and regions related to workplace safety, providing a safe and healthy workplace for the employees and implementing an effective management system to help ensure employee safety and well-being. The Group is also committed to establishing a competitive and fair remuneration. In order to effectively motivate the staff, the Group continually refines remuneration and incentive policies. The remuneration package for our employees primarily comprises a base salary and performance-based incentives. We maintain a structured remuneration management framework to ensure fairness, consistency, and market competitiveness. Salary levels are determined with reference to the value of the position, the results of performance evaluations and prevailing market conditions. The Group conducts regular performance assessments to provide systematic feedback on employee performance and to support remuneration decisions.

The Group reviews its remuneration policies on an ongoing basis and makes adjustments having regard to factors such as regional market differences, talent supply conditions, staff turnover, industry developments and the financial position of the Group.

The Group makes contributions to mandatory social security funds or the mandatory provident fund scheme for employees to provide for retirement, medical, work-related injury, maternity, and unemployment benefits.

The Group places great emphasis on talent cultivation and promotion. To accelerate employee growth, the Group has established a comprehensive training system around the different stages of employees' needs, including new employee orientation, job skill training, and leadership development training. The Group continuously iterates our training system by benchmarking against excellent external experiences as well. At the same time, adhering to the principles of fairness, transparency, and integrity in hiring, the Group formulates career development plans for employees, provides dual-track promotions, including professional track and management track, and offers opportunities for internal job rotation.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As of the date of this annual report, the Group had no specific future plan for material investments and acquisition of capital assets. The Group will continue to identify new investment opportunities in companies with principal business related to the Group's core business with a view to creating synergies with the Group's existing core business and improving the Group's service and products to its customers.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENTS HELD**

The Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures or significant investments held during the Reporting Period.

## **PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY**

The Shares were first listed on the Main Board of the Stock Exchange on September 2, 2025.

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including any sale of treasury shares (as defined under the Listing Rules) since the Listing Date and up to December 31, 2025.

As at the date of this annual report, the Company did not hold any treasury shares (as defined under the Listing Rules).

## **USE OF NET PROCEEDS**

The Shares were listed on the Main Board of the Stock Exchange on September 2, 2025 with a total of 238,235,200 Shares issued at a price of HK\$17.42 per Share. The net proceeds received by the Company from the Global Offering were approximately HK\$3,993.5 million after deducting underwriting fees and commissions and relevant expenses payable by us in connection with the Global Offering, which will be utilized for the purposes as set out in the Prospectus. Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for details of the intended use of proceeds. As of the date of this annual report, there was no change in the intended use of net proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

As of December 31, 2025, approximately HK\$1,380.5 million of the net proceeds had been utilized by the Group in accordance with the intended purposes stated in the Prospectus. The balance of the proceeds from the Global Offering will continue to be utilized in accordance with the purposes and proportions disclosed in the Prospectus.

## Management Discussion and Analysis

Details of the use of proceeds and the expected timeline for utilization of the unutilized net proceeds are set out below:

			<b>Net amount utilized during the Reporting Period and as of December 31, 2025</b>	<b>Remaining balance as of December 31, 2025</b>	<b>Expected timeline for utilization of unutilized net proceeds</b>
	<b>Planned net proceeds utilisation</b>				
(i)	Worldwide research and development	Approximately 20% (HK\$798.7 million)	HK\$214.3 million	HK\$584.4 million	Within next four years
(ii)	Upgrading our intelligent manufacturing system and supply chain management	Approximately 50% (HK\$1,996.8 million)	HK\$608.7 million	HK\$1,388.0 million	Within next four years
(iii)	Enhancing our sales and distribution channels	Approximately 20% (HK\$798.7 million)	HK\$158.1 million	HK\$640.6 million	Within next four years
(iv)	Working capital and general corporate purposes	Approximately 10% (HK\$399.4 million)	HK\$399.4 million	–	–
<b>Total</b>			<b>HK\$1,380.5 million</b>	<b>HK\$2,613.0 million</b>	

Note:

(1) The figures may not add up to total due to rounding.

## ISSUANCE OF SHARES

On September 2, 2025, the Company issued 238,235,200 Shares at the price of HK\$17.42 per Share, which are listed on the Main Board of the Stock Exchange.

Save as disclosed above, no other Shares or securities of the Company were issued during the Reporting Period.

## FINAL DIVIDEND

The Board has recommended a cash dividend distribution for the year ended December 31, 2025, with a distribution of RMB1.06 per Share, amounting to approximately RMB1,683,529,312. The proposed dividend distribution is subject to approval at the Company's forthcoming AGM. The recommended dividends will be paid to the Shareholders whose names appear on the register of members of the Company on Tuesday, August 18, 2026. Subject to the Shareholders' approval at the AGM, the final dividend is expected to be paid to the Shareholders on or before Monday, August 31, 2026.

## SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Apart from the aforementioned dividend distribution, there were no other material subsequent events that may affect the Group since the end of the Reporting Period and up to the date of this annual report.

# Biographical Details of Directors and Senior Management

As at the date of this annual report, brief biographies of the Directors and senior management of the Company are as follows:

## EXECUTIVE DIRECTORS

**Mr. ZHENG Jianjiang (鄭堅江)**, aged 65, is our founder, chairman of the Board, an executive Director and one of our controlling Shareholders. Mr. Zheng is the elder brother of Mr. ZHENG Jiang and the brother-in-law of Mr. HE Xiwan. Mr. Zheng has been serving as the chairman of the Board and a Director since October 2024 and was re-designated as an executive Director in January 2025. Mr. Zheng is primarily responsible for overseeing the overall management and business operation, board affairs, formulating strategies and operation plans and making major business decisions of our Group. Mr. Zheng currently holds directorships and managerial positions in various subsidiaries of our Group.

Mr. Zheng is a renowned entrepreneur and a widely recognized leader in the industry. He founded our Group in 1994 and has led our development and growth since then, assuming pivotal roles as directors and senior management across different subsidiaries of our Group and their predecessor companies, including a director and the chairman of the board of Ningbo AUX Electric Co., Ltd. (寧波奧克斯電氣有限公司) (“**Ningbo AUX Electric**”).

Mr. Zheng started his business in the 1980s. He founded Ningbo Sanxing Instrument Factory (寧波三星儀錶廠), the predecessor of Ningbo Sanxing Group Co., Ltd. (寧波三星集團股份有限公司), in August 1991. He then began to expand his business across various industries, including home appliances, power equipment, healthcare, new technologies, and beyond. Mr. Zheng has served as a director and the president of Ningbo Sanxing Group Co., Ltd. (寧波三星集團股份有限公司) since January 1996, and has been the chairman of the board of directors of AUX Group Co., Ltd. (奧克斯集團有限公司) (“**AUX Group**”) since May 2003. Mr. Zheng has been serving as a director of Ningbo Sanxing Medical Electric Co., Ltd. (寧波三星醫療電氣股份有限公司) (“**Sanxing Medical**”) since October 2007 and served as the chairman of its board of directors from October 2007 to June 2020. Mr. Zheng also holds directorships in certain subsidiaries of Sanxing Medical. Mr. Zheng also served as an executive director of AUX International Holdings Limited (奧克斯國際控股有限公司) (“**AUX International**”), a company listed on the Stock Exchange (stock code: 2080), from January 2024 to November 2024, and has been serving as its non-executive director since December 2024.

Mr. Zheng obtained an adult higher education professional certificate (成人高等教育專業證書) in economic (administrative) management from the Adult Higher Education Program at Ningbo Normal College (寧波師範學院) (currently known as Ningbo University Continuing Education College (寧波大學繼續教育學院)) in China in June 1997, and graduated from the CEO Class of China Europe International Business School (中歐國際工商學院) in China in March 2005.

**Mr. XIN Ning (忻寧)**, aged 50, is an executive Director and the president of our Company. Mr. Xin has been serving as our president and a Director since October 2024 and was re-designated as an executive Director in January 2025. He is primarily responsible for overseeing the daily business operations and the execution of strategies and operation plans of our Group. Mr. Xin currently holds directorships and managerial positions in various subsidiaries of our Group.

## Biographical Details of Directors and Senior Management

Mr. Xin possesses extensive experience in the air conditioning industry. He initially joined Ningbo Aosheng Trading Co., Ltd. (寧波奧勝貿易有限公司) (“**Ningbo Aosheng**”) in February 2011, where he held the roles of the audit department manager and the deputy finance director until September 2017. Subsequently, Mr. Xin served at Sanxing Medical, progressing through positions as the president’s assistant from September 2017 to October 2017, the president from October 2017 to November 2018, and an executive director from December 2017 to June 2020. Mr. Xin successively served as the president’s assistant, the finance director, the vice president, and the board secretary of Ningbo AUX Electrics from January 2019 to October 2022. In October and November of 2022, Mr. Xin was appointed as the president and a director of Ningbo AUX Electrics, respectively.

Mr. Xin obtained an associate degree in international finance from Ningbo Radio and Television University (寧波廣播電視大學) (currently known as the Open University of Ningbo (寧波開放大學)) in China in July 1997. Mr. Xin graduated with a major in administrative management from China Central Radio and Television University (中央廣播電視大學) (currently known as the Open University of China (國家開放大學)) in China in July 2008. In September 2009, Mr. Xin graduated from the advanced seminar for entrepreneurs of Peking University (北京大學企業家高級研修班).

## NON-EXECUTIVE DIRECTORS

**Mr. ZHENG Jiang (鄭江)**, aged 60, is a non-executive Director. Mr. Zheng is the younger brother of Mr. ZHENG Jianjiang. Mr. Zheng has been serving as a Director since October 2024 and was re-designated as a non-executive Director in January 2025. Mr. Zheng served as a director of Ningbo AUX Electric from June 2003 to June 2013, and has been serving again since July 2015. He is primarily responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Mr. Zheng possesses nearly 30 years of experience in corporate management. He has been an executive director and the chairman of the board of AUX International since May 2015 and July 2020, respectively. He is currently a director and the deputy chairman of AUX Group. He also holds directorships and managerial positions in certain subsidiaries of AUX Group. He had been a director and the deputy chairman of Sanxing Medical since March 2008 until May 2014 when he vacated such offices by rotation. Additionally, Mr. Zheng has held or currently holds directorships in various subsidiaries within our Group and their predecessor entities.

**Mr. HE Xiwan (何錫萬)**, aged 69, is a non-executive Director. Mr. He is the brother-in-law of Mr. ZHENG Jianjiang. Mr. He has been serving as a Director since October 2024 and was re-designated as a non-executive Director in January 2025. From June 2003 to September 2014, Mr. He served as the chairman of the board and president of Ningbo Aosheng. Mr. He has also been serving as a director of Ningbo AUX Electric since June 2013. He is primarily responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Mr. He possesses nearly 30 years of experience in corporate management. Mr. He has been serving as a director, chairman of the board of directors and general manager of Ningbo Sanxing Group Co., Ltd. (寧波三星集團股份有限公司) since January 1996. Since June 2001, Mr. He has held various roles at AUX Group, including director, chairman of the board of directors and president, with his current position as a director. He also holds directorships and managerial positions in certain subsidiaries of AUX Group. Additionally, Mr. He has held or currently holds directorships in various subsidiaries within our Group and their predecessor entities.

Mr. He obtained an associate degree in teaching from Fenghua Normal School (奉化師範學校) in China in June 1985.

## Biographical Details of Directors and Senior Management

**Ms. LI Jian (李健)**, aged 71, is a non-executive Director. Ms. Li has been serving as a Director since October 2024 and was re-designated as a non-executive Director in January 2025. Ms. Li has also been serving as a director of Ningbo AUX Electric since July 2015. She is primarily responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

From 1982 to March 2002, Ms. Li served as the president assistant of Ningbo Huatong Co., Ltd. (寧波市華通股份有限公司) (currently known as Ningbo Fubang Jingye Group Co., Ltd. (寧波富邦精業集團股份有限公司)), a company specializing in the production and trade of industrial aluminum profiles and aluminum cast rods listed on the Shanghai Stock Exchange (stock code: 600768). From April 2002 to December 2007, Ms. Li served as the vice president of Ningbo Delson Green World Co., Ltd. (寧波啟新綠色世界有限公司). Since January 2008, Ms. Li has been serving as the vice president of AUX Group.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. XIANG Wei (項偉)**, aged 58, has been serving as a Director since October 2024 and was re-designated as an independent non-executive Director in January 2025. Mr. Xiang has also been serving as an independent director of Ningbo AUX Electric since September 2018. He is mainly responsible for providing independent advice and judgment to our Board.

Mr. Xiang's extensive financial management, auditing, and accounting experience spans over 30 years. Prior to serving as a vice manager of Ningbo Shiming Certified Public Accountants Co., Ltd. (寧波世明會計師事務所有限公司) (currently known as Ningbo Shiming Enterprises Consulting Co., Ltd. (寧波世明企業諮詢有限公司)) from January 2003 to December 2005, Mr. Xiang worked at Ningbo Siming Certified Public Accountants (寧波四明會計師事務所) since December 1996. From March 2011 to March 2014, Mr. Xiang served as an independent director of Sanxing Medical. From September 2020 to April 2024, Mr. Xiang served as an independent director of Ningbo Zhongchun High Technology Co., Ltd. (寧波中淳高科股份有限公司). From July 2021 to September 2024, Mr. Xiang served as an independent director of Splash Pool & Spa, Inc. (浙江斯普智能科技股份有限公司).

In addition, Mr. Xiang currently holds directorships and managerial positions at the following companies:

Name of company	Period of service	Positions
Ningbo Hongtai Certified Public Accountants Co., Ltd. (寧波鴻泰會計師事務所有限公司)	Since October 2004	Manager of audit department, deputy director of accountants, and supervisor
Ningbo Economic and Technological Development Zone Jiabei Trading Co., Ltd. (寧波經濟技術開發區嘉貝貿易有限公司)	Since August 2009	Chief financial officer
Ningbo Zhejin Jiabei Steel Co., Ltd. (寧波浙金嘉貝鋼材有限公司)	Since April 2011	Supervisor

## Biographical Details of Directors and Senior Management

Name of company	Period of service	Positions
Ningbo Yinzhou Xinhongtai Financial Consulting Co., Ltd. (寧波鄞州新鴻泰財務諮詢有限公司)	Since June 2015	Supervisor
Zhongsheng HuaZheng (Ningbo) Asset Appraisal Co., Ltd. (中盛華正(寧波)資產評估有限公司)	Since May 2019	Certified public valuer and project manager
Zhejiang Jingcheng Jiayue Supply Chain Management Co., Ltd. (浙江景誠嘉躍供應鏈管理有限公司)	Since December 2020	Director

Mr. Xiang obtained a technical secondary school diploma in business management from Ningbo Mechanical Industry School (寧波機械工業學校) (later merged into Zhejiang Wanli University (浙江萬里學院)) in China in February 1987. Mr. Xiang obtained an associate degree in industrial management engineering from Zhejiang Institute of Technology (浙江工學院) (currently known as Zhejiang University of Technology (浙江工業大學)) in China in April 1990.

Mr. Xiang is a holder of the certificate of Certified Public Accountant (中國註冊會計師證書) granted by the Ministry of Finance of the PRC (中華人民共和國財政部) and the certificate of Certified Public Valuer (註冊資產評估師證書) granted by the China Assets Appraisal Association (中國資產評估協會).

**Dr. JING Xian (荆嫻)**, aged 63, has been serving as a Director since October 2024 and was re-designated as an independent non-executive Director in January 2025. Dr. Jing has also been serving as an independent director of Ningbo AUX Electric since September 2018. She is mainly responsible for providing independent advice and judgment to our Board.

From August 1985 to March 1989, Dr. Jing served as a staff member (科員) of Shenyang Finance Bureau (瀋陽市財政局). From April 1989 to September 1993, Dr. Jing served as a deputy principal staff member (副主任科員) of the Foreign Economic and Trade Commission of Shenyang Municipality (瀋陽市對外經濟貿易委員會). From December 1994 to August 2002, Dr. Jing successively served as the section chief (正科級幹部) and assistant researcher fellow (助理研究員) of the Bureau of Foreign Trade and Economic Cooperation of Shenyang Municipality (瀋陽市對外貿易經濟合作局). From January 2003 to January 2023, Dr. Jing successively served as a lecture, a deputy professor and a professor at the business school of NingboTech University (浙江大學寧波理工學院商學院).

Dr. Jing has served or is serving as independent directors of several public companies, where she provided valued independent advice, including: (i) Ningbo Gaofa Automobile Control System Co., Ltd. (寧波高發汽車控制系統股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603788), from April 2016 to May 2020; (ii) Ningbo Xianfeng New Materials Co., Ltd. (寧波先鋒新材料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300163), from February 2017 to March 2023; and (iii) Junhe Pumps Holding Co., Ltd. (君禾泵業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603617), since November 2023. Since February 2023, Dr. Jing has been serving as a supervisor of Zhejiang Originalstars Film Industry Development Co., Ltd. (浙江一合星航影業發展有限公司).

## Biographical Details of Directors and Senior Management

Dr. Jing obtained a bachelor's degree in economics from Dongbei University of Finance and Economics (東北財經大學) in China in July 1985. She obtained a master's degree in management from Northeastern University (東北大學) in China in September 1999 and a master's degree in business administration from Roosevelt University in the United States in November 2002. Dr. Jing obtained a doctor's degree in management science and engineering from Donghua University (東華大學) in China in December 2011.

Dr. Jing is a senior accountant (高級會計師) and a non-executive member of the Society of Certified Accountants of the PRC (中國註冊會計師協會非執行會員).

**Mr. TAO Shengwen (陶勝文)**, aged 59, has been serving as a Director since October 2024 and was re-designated as an independent non-executive Director in January 2025. Mr. Tao has also been serving as an independent director of Ningbo AUX Electric since December 2023. He is mainly responsible for providing independent advice and judgment to our Board.

Mr. Tao has dedicated over 20 years to legal services. His professional career spans three law firms, including: (i) Dos Law Firm (浙江導司律師事務所), where Mr. Tao served as an attorney from October 2004 to December 2006; (ii) Zhejiang Baiming Law Firm (浙江百銘律師事務所), where Mr. Tao served as an attorney from January 2007 to May 2014; and (iii) Harnest & Garner Law Firm (浙江和義觀達律師事務所), where Mr. Tao has been serving as a senior partner since June 2014.

From June 2017 to May 2022, Mr. Tao served as an independent director of SKS Hydraulic Technology Co., Ltd. (賽克思液壓科技股份有限公司). Since October 2020, Mr. Tao has been serving as an independent director of Ningbo Shenglong Automotive Powertrain System Co., Ltd. (寧波聖龍汽車動力系統股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603178).

Mr. Tao obtained an associate degree in law from Hangzhou University (杭州大學) in China in December 1994. Mr. Tao obtained a graduation certificate for undergraduate courses in economic management from The Correspondence Institute of the Party School of the Central Committee of the Communist Party of China (中共中央黨校函授學院) in China in May 1995.

## SENIOR MANAGEMENT

**Mr. XIN Ning (忻寧)**, aged 50, is our president. For his biography, see “– Executive Directors” in this section.

**Mr. ZHUO Senqing (卓森慶)**, aged 45, is our general manager of R&D. He is mainly responsible for the technology strategy and the management of the R&D of our Group.

Prior to joining our Group, Mr. Zhuo worked at Gree Electric Appliances, Inc. of Zhuhai (珠海格力電器股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000651), from August 2003 to June 2014.

From March 2015 to December 2016, Mr. Zhuo served as an assistant of general manager at the R&D center of Ningbo Aosheng. Since December 2016, Mr. Zhuo has held several progressive roles in our Group including an assistant of general manager, the deputy general manager and the general manager at the R&D center of AUX Air Conditioner Co., Ltd. (奧克斯空調股份有限公司) (“**AUX Air Conditioner**”) and Ningbo AUX Electric.

## Biographical Details of Directors and Senior Management

Mr. Zhuo obtained a bachelor's degree in measurement and control technology and instrument from Hunan University (湖南大學) in China in June 2003. Mr. Zhuo obtained a master's degree in technical engineering field engineering specialization (技術工程領域工程專業) from Huazhong University of Science and Technology (華中科技大學) in China in December 2013.

**Mr. ZHANG Bo (張波)**, aged 36, is our finance director and Board secretary. He is mainly responsible for the overall financial management of our Group.

Through his roles in financial management and accounting across various companies within and outside our Group, Mr. Zhang possesses over 13 years of experience in accounting and financial management. Since July 2012, Mr. Zhang has held or is holding various financial management positions within our Group, including an audit supervisor and of Ningbo AUX Import and Export Co., Ltd. (寧波奧克斯進出口有限公司) ("**AUX Import & Export**"), a deputy financial director of AUX Import & Export, the deputy financial manager of AUX Air Conditioner, and the head of finance and secretary of the board of directors of Ningbo AUX Electric.

Mr. Zhang also served as a deputy financial director of AUX Group from September 2020 to September 2021.

Mr. Zhang obtained a bachelor's degree in financial management from Nanjing Normal University (南京師範大學) in China in July 2012. Mr. Zhang obtained qualification of intermediate accountant (中級會計師證) from Department of Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障廳) in May 2011.

Save as disclosed above, none of our Directors and senior management is related to other Directors, senior management or substantial Shareholders of our Company.

## JOINT COMPANY SECRETARIES

**Mr. ZHANG Bo (張波)**, aged 36, is our finance director and Board secretary and was appointed as one of the joint company secretaries of our Company with effect from the Listing Date. He is mainly responsible for the overall financial management of our Group. For his biography, see "– Senior Management" in this section.

**Ms. LAU Yee Wa (劉綺華)**, was appointed as one of the joint company secretaries of our Company with effect from January 13, 2025.

Ms. Lau is a director of corporate services of Tricor Services Limited, a member of Vistra Group and a global professional services provider specialising in integrated business, corporate and investor services. Ms. Lau has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lau is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Lau obtained a bachelor's degree in business administrative management from the University of South Australia.

# Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2025.

## CORPORATE GOVERNANCE CULTURE AND VALUE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to:

- bring the satisfactory and sustainable returns to Shareholders;
- safeguard the interests of those who deal with the Company;
- understand and manage appropriately the overall business risk;
- deliver the high-quality products and services to the satisfaction of customers; and
- maintain the high standards of ethics.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures, to enhance transparency of the work of the Board, and to strengthen accountability to all the Shareholders.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules as its corporate governance code of practices. The Board is of opinion that the Company has complied with all code provisions set out under the Corporate Governance Code from the Listing Date to December 31, 2025.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set forth in Appendix C3 to the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiries with all Directors and all Directors have confirmed that they complied with the Model Code from the Listing Date to December 31, 2025.

The Company's employees, who are likely to be in possession of inside information of the Group, have also been subject to the Model Code for the securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Group from the Listing Date to December 31, 2025.

### THE BOARD

The Board provides overall leadership, strategic direction and effective oversight of the Group's affairs. It assumes collective responsibility for guiding the Company's development, supervising its operations and ensuring that decisions are made with independent judgment and in the best interests of the Company. In addition to setting the Group's strategic priorities and monitoring its financial performance, the Board has delegated appropriate authority to the management team to handle the Group's day-to-day operations under its supervision.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

#### Board Composition

As of December 31, 2025, the Board comprised two executive Directors, three non-executive Directors and three independent non-executive Directors.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on December 19, 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

For the year ended December 31, 2025 and up to the date of this annual report, the Board comprised the following Directors:

##### **Executive Directors:**

Mr. ZHENG Jianjiang (*Chairman*)

Mr. XIN Ning (*President*)

##### **Non-executive Directors:**

Mr. ZHENG Jiang

Mr. HE Xiwan

Ms. LI Jian

##### **Independent non-executive Directors:**

Mr. XIANG Wei

Dr. JING Xian

Mr. TAO Shengwen

The brief biographical details of the current Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 31 to 36.

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report, the Directors have no other financial, business, family or other material/relevant relationships with one another.

## Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

### Independent Non-executive Directors

Throughout the year ended December 31, 2025, at least one of the independent non-executive Directors possessed the appropriate professional accounting qualifications and financial management expertise, which complied with the requirements of the Listing Rules. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules. During the period from the Listing Date to December 31, 2025, the number of independent non-executive Directors represents more than one-third of the Board. As such, there existed a strong independent element in the Board, which effectively exercised independent judgement.

The Company has received from each independent non-executive Director, a written confirmation of his or her independence to the Company pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the relevant guidelines set out in Rule 3.13 of the Listing Rules.

### Chairman and Chief Executive Officer

For the year ended December 31, 2025, the positions of the chairman and the president (equivalent to chief executive officer) were held separately. The role of chairman was held by Mr. ZHENG Jianjiang and the role of president was held by Mr. XIN Ning. The chairman is responsible for the leadership and governance of the Board, while the president is responsible for the day-to-day management of the Group's business.

The division of responsibilities between the chairman and the chief executive officer is defined and established in writing.

### Board Independence Evaluation

The Company has established a Board independence evaluation mechanism (the "**Board Independence Evaluation Mechanism**") during the Reporting Period which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board independence evaluation report (the "**Board Independence Evaluation Report**") will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

From the Listing Date to the date of this annual report, all Directors has completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

From the Listing Date to the date of this annual report, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results thereof were satisfactory.

### Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are governed by the Articles of Association. The appointment of each of the Directors is subject to his re-election at an annual general meeting upon retirement. The Articles of Association provides that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation at least once every three years. A retiring Director shall be eligible for re-election.

### Particulars of Directors’ Service Contracts

The service contracts of each of the current executive and non-executive Directors have an initial term of three years with effect from September 2, 2025. These contracts shall be renewed and extended automatically for successive terms of one year upon expiry of the then-current term until terminated by him or her by giving not less than three months’ written notice expiring at the end of the initial term of his or her appointment or any time thereafter to the Company, or by the Company by giving not less than three months’ written notice expiring at the first anniversary of the initial term of his or her appointment or any time thereafter to him or her.

### Continuous Professional Development of Directors

All Directors are encouraged to participate in continuous professional development courses and seminars to develop and refresh their knowledge and skills. The Company has arranged training for Directors in the form of seminars and provision of training materials. All Directors have provided their training records to the Company.

All the Directors received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director’s responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the year ended December 31, 2025, all Directors participated in training sessions covering a wide range of relevant topics including Directors’ duties and responsibilities, corporate governance, the Listing Rules compliance and regulatory updates. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

According to records provided by the Directors, a summary of training received by the Directors for the year ended December 31, 2025 is as follows:

	<b>Type of continuous professional development training</b>
<b>Executive Directors</b>	
Mr. ZHENG Jianjiang	A and B
Mr. XIN Ning	A and B
<b>Non-executive Directors</b>	
Mr. ZHENG Jiang	A and B
Mr. HE Xiwan	A and B
Ms. LI Jian	A and B
<b>Independent non-executive Directors</b>	
Mr. XIANG Wei	A and B
Dr. JING Xian	A and B
Mr. TAO Shengwen	A and B

## Corporate Governance Report

- A. Training sessions, including but not limited to briefings, seminars, conferences, and workshops.
- B. Perusing materials provided by the Company or external parties, such as materials relating to the Company's business updates, Directors' duties and responsibilities, corporate governance and other applicable regulatory requirements.

## BOARD MEETINGS

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communication.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director shall abstain from voting on the relevant resolutions and he/she shall not be counted as a quorum in the Board meeting discussing the matter concerned.

Code provision C.5.1 of the Corporate Governance Code provides that Board meetings should be held at least four times a year at approximately quarterly intervals. During the period from the Listing Date to December 31, 2025, the Company held four Board meetings.

Set out below are details of the attendance record of each of the Directors at the Board and committee meetings of the Company held during the period from the Listing Date to December 31, 2025:

	Number of Board/Committee Meetings Attended/Held			
	Regular Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
<b>Executive Directors</b>				
Mr. ZHENG Jianjiang	4/4	–	–	–
Mr. XIN Ning	4/4	–	–	–
<b>Non-executive Directors</b>				
Mr. ZHENG Jiang	4/4	–	–	–
Mr. HE Xiwan	4/4	–	–	–
Ms. LI Jian	4/4	1/1	–	–
<b>Independent non-executive Directors</b>				
Mr. XIANG Wei	4/4	1/1	–	–
Dr. JING Xian	4/4	1/1	–	–
Mr. TAO Shengwen	4/4	–	–	–

As the Company's Shares were only listed on the Stock Exchange on September 2, 2025, for the period from the Listing Date to December 31, 2025, no meeting was held by the chairman with the independent non-executive Directors without the presence of other Directors. The Company expects the chairman to at least annually hold meetings with the independent non-executive Directors without the presence of other Directors in accordance with code provision C.2.7 of the Corporate Governance Code going forward.

## GENERAL MEETING

No general meeting has been held by the Company during the period from the Listing Date to December 31, 2025.

The AGM for the year ended December 31, 2025 is schedule to be held on Friday, June 5, 2026.

## BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee. All Board committees perform their distinct roles in accordance with their respective terms of reference which are available to Shareholders on the websites of the Company and the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the Corporate Governance Code which included developing and regularly reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the provisions in the Corporate Governance Code and disclosures in this annual report.

### Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. For the year ended December 31, 2025, the Audit Committee comprised one non-executive Director and two independent non-executive Directors, namely Mr. XIANG Wei (chairperson), Ms. LI Jian and Dr. JING Xian. Mr. XIANG Wei holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary responsibilities of the Audit Committee are to (i) review and supervise our financial reporting process and internal control system, risk management and internal audit of our Group; (ii) provide advice and comments to our Board in respect of financial risk, risk management and internal control matters; (iii) perform other duties and responsibilities as may be assigned by the Board; and (iv) monitor integrity of financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgements contained in them.

As the Company's Shares were listed on the Stock Exchange on September 2, 2025, for the period from the Listing Date to December 31, 2025, the Audit Committee held one meeting.

A summary of work performed by the Audit Committee during the year ended December 31, 2025 is set out as follows:

- Reviewed with the senior management and finance-in-charge and/or the external auditors of the accounting principles and practices adopted by the Group, the accuracy and fairness of the interim financial report for the six months ended June 30, 2025 respectively;
- Reviewed with management and finance-in-charge the effectiveness of the internal control system of the Group;
- Conducted annual review of the disclosed continuing connected transactions of the Group for the year ended December 31, 2025;

## Corporate Governance Report

- Approved the internal audit plan for the year ended December 31, 2025 and internal audit report for the six months ended June 30, 2025;
- Met the external auditors once without the presence of the executive Directors;
- Reviewed the external auditors' independence, approved the engagement of external auditors;
- Reviewed the financial reporting and compliance procedures and the report from the management on the Company's internal control systems and processes;
- Oversaw the Group's anti-corruption policy, and whistleblowing mechanism; and
- Noted the requirements on the Environmental, Social and Governance Reporting Guide under the Listing Rules and highlighted the amendments under the Corporate Governance Code and corporate governance report of the Listing Rules.

## Nomination Committee

We have established a Nomination Committee in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee include, but are not limited to, (i) reviewing the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (ii) identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorship, and ensuring the diversity of our Board members; (iii) performing review on the contributions made by our Directors (including our independent non-executive Directors) and the sufficiency of time devoted to perform their duties; (iv) assessing the independence of our independent non-executive Directors; and (v) making recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors.

The Nomination Committee comprises one non-executive Director and two independent non-executive Directors, namely, Ms. LI Jian, Dr. JING Xian and Mr. TAO Shengwen. Dr. JING Xian is the chairperson of the Nomination Committee.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The Nomination Committee would review the implementation of the Board diversity policy in achieving the objectives set for the benefits of the Company.

As the Company's Shares were listed on the Stock Exchange on September 2, 2025, no meetings of the Nomination Committee were held during the year ended December 31, 2025.

## Remuneration Committee

We have established a Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; (iii) making recommendation to the Board on the remuneration of non-executive Directors; (iv) reviewing and approving management's remuneration proposal with reference to the Board's goals and objectives; and (v) reviewing and approving matters relating to share schemes of our Company under Chapter 17 of the Listing Rules.

The Remuneration Committee comprises one non-executive Director and two independent non-executive Directors, namely, Ms. LI Jian, Mr. XIANG Wei and Mr. TAO Shengwen. Mr. XIANG Wei is the chairperson of the Remuneration Committee.

As the Company's Shares were listed on the Stock Exchange on September 2, 2025, no meetings of the Remuneration Committee were held during the year ended December 31, 2025.

Pursuant to code provision E.1.5 of the Corporate Governance Code, details of the annual remuneration of the senior management by band from the Listing Date to December 31, 2025 are as follows:

Remuneration (RMB)	Number of individuals
Nil to 1,000,000	–
1,000,001 to 1,500,000	1
3,000,001 to 3,500,000	1
5,500,001 to 6,000,000	1

Details of the remuneration of each Director, the chief executive and the five highest paid individuals are set out in note 9 and note 10 to the consolidated financial statements.

Our Directors and senior management receive remuneration, including basic annual payments and performance-related annual payments, including fees, salaries, allowances and benefits in kind, performance related bonuses, equity-settled share-based payment expenses, pension scheme contributions and social welfare. Our Board will review and determine the remuneration and compensation package of our Directors and senior management, and will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

## BOARD DIVERSITY POLICY

Our Board has adopted a Board diversity policy (the “**Board Diversity Policy**”) which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board features a balanced mix of knowledge, skills, and experience. Our Directors possess diverse educational backgrounds and professional expertise in various fields, including corporate management, financial management, legal affairs, and R&D of home appliances, among others. We have three independent non-executive Directors who have different industry backgrounds. Furthermore, our Directors are of a wide range of age, from 50 to 71 years old. Taking into account our business model and specific needs as well as the presence of two female Directors out of a total of eight Board members, we consider that the composition of our Board satisfies our Board Diversity Policy.

# Corporate Governance Report

The current Board composition is analyzed as follows based on the measurable objectives:

Gender	Age group
Male: 6 Directors	41-50: 1 Director
Female: 2 Directors	51-60: 3 Directors
	61-70: 3 Directors
	71-80: 1 Director

Position
Executive Directors: 2 Directors
Non-executive Directors: 3 Directors
Independent Non-executive Directors: 3 Directors

Educational background
Business administration: 3 Directors
Accounting and finance: 2 Directors
Law: 1 Director
Others: 2 Directors

Business experience
Experience relevant to the Company’s business: 5 Directors
Accounting and finance: 2 Directors
Law: 1 Director

We recognize the particular importance of gender diversity on our Board. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our Board Diversity Policy provides that our Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim of increasing the proportion of female members over time. In particular, taking into account the business needs of our Group and changing circumstances that may affect our business plans, we will actively identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be periodically reviewed by our Nomination Committee in order to develop a pipeline of potential successors to our Board and promote gender diversity. We will also ensure that there is gender diversity when recruiting staff at the mid- to senior- levels so that we have a pipeline of female senior management and potential successors to our Board going forward. We plan to offer well-rounded trainings to female employees whom we consider have the requisite experience, skills and knowledge of our operation and business, on topics including but not limited to business operation, management, accounting and finance, and legal compliance. We are of the view that such strategies will provide our Board with ample opportunities to identify capable female employees to be nominated as Directors in the future, fulfilling our aim to develop a pipeline of female candidates to achieve greater gender diversity in our Board in the long run. We believe that such a merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders’ expectations and international and local recommended best practices.

The Nomination Committee is responsible for ensuring the diversity of our Board members. The Nomination Committee will review the Board Diversity Policy and its implementation annually to monitor its continued effectiveness and we will disclose the implementation of our Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives, in our corporate governance report on an annual basis.

## GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and the senior management as of December 31, 2025:

	Female	Male
<b>Board</b>	25.0% (2)	75.0% (6)
<b>Senior management</b>	0% (0)	100.0% (3)
<b>Overall workforce</b>	31.6% (4,935)	68.4% (10,696)

As of December 31, 2025, the gender ratio in the workforce (including senior management) was approximately 68.4% males to 31.6% females. The Board considers that the current gender ratio reflects a gender balance in our employee structure. During the Reporting Period, there were no unfavorable factors or circumstances that made it more challenging or impractical to achieve gender diversity in the workforce, including the Board, senior management and other employees. Going forward, the Company will continue to monitor and evaluate the diversity policy and adopt measurable objectives from time to time to ensure continued effectiveness and the Company's diversity policy and the gender balance in our employee structure.

## DIRECTOR NOMINATION POLICY

### Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Nomination Committee and the Board may nominate candidates for directorship. In assessing the suitability and the potential contribution to the Board of a proposed candidate, the Nomination Committee may make reference to certain selection criteria, such as reputation for integrity, professional qualifications and skills, independence, accomplishment and experience in the manufacturing segments, commitment and relevant contribution, diversity in all aspects.

Pursuant to the Articles of Association, the terms of reference for the Nomination Committee, and the procedures for Shareholders to propose a person for election as a Director, the Company has adopted a Director nomination policy (the "**Director Nomination Policy**") which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

### Nomination Procedures

The Nomination Committee shall report its findings and make recommendation to the Board on the appointment of appropriate candidate for directorship for decision and succession planning. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

### CORPORATE GOVERNANCE FUNCTION

The Board is responsible for determining the corporate governance policy of the Company performing the functions set out in code provision A.2.1 of Part 2 of the Corporate Governance Code. Such duties have been delegated to the Audit Committee.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance with the Corporate Governance Code, the Company's code of conduct applicable to its employees and Directors, and disclosure in its Corporate Governance Report during the Reporting Period.

### EXTERNAL AUDITOR'S REMUNERATION

For the year ended December 31, 2025, the remunerations paid or payable to the external auditor in respect of its audit and related services provided to the Group were approximately RMB5.7 million. The non-audit services mainly comprise of the tax advisory services for the Group's certain subsidiaries with the remuneration of approximately RMB0.4 million.

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2025. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 75 to 79.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognizes that effective risk management is integral to sustaining business continuity, safeguarding assets, and ensuring long-term value creation for our stakeholders. At the core of our risk management strategy is a strong governance structure. The Board oversees the entire risk management process, ensuring that risk policies are effectively integrated into our corporate strategy and operational practices. Senior executives and subject matter experts are responsible for the continuous evaluation of emerging risks and the implementation of appropriate mitigation measures. They regularly review risk assessments, monitor key risk indicators, and ensure that risk management practices align with industry best standards and regulatory requirements.

The Board acknowledges its responsibility for the risk management and internal control systems and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our internal control system is designed to provide reliable financial reporting, promote operational efficiency, and ensure compliance with applicable laws and regulations. We have instituted a series of internal controls, including segregation of duties, authorization protocols, and regular reconciliations, to prevent and detect errors or irregularities.

The Company has constituted both an Audit Committee and an internal audit department to undertake independent analyses and evaluations regarding the effectiveness of its risk management and internal control systems. These evaluations encompass all significant areas of control, including financial, operational, and compliance domains, with the objective of ensuring that the Group’s accounting, internal audit, and financial reporting functions are supported by adequate resources, appropriately qualified personnel, relevant training programs, and sufficient budgetary allocations. The Audit Committee is further entrusted with the responsibility of reporting any material issues identified to the Board.

During the Reporting Period, the Group engaged an external independent professional to support the identification and evaluation of its key risks through a structured process involving workshops and interviews. The external independent professional also conducted an independent review of the Group’s internal controls and assessed the overall effectiveness of its risk management and internal control systems. The findings and conclusions from this independent assessment were presented to both the Audit Committee and the Board.

Furthermore, the Board adopted enhancements to the Group’s internal control and risk management practices based on the recommendations of the external independent professional and the feedback from the Audit Committee, with the aim of strengthening the Group’s risk mitigation framework.

Based on the finding and recommendations of the external independent professional as well as the comments of the Audit Committee, the Board considered the internal control and risk management system are effective and adequate.

**Our Enterprise Risk Management Framework**

The Board has the overall responsibility to ensure that sound and effective internal controls are maintained, the management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. Our risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, enabling the Board and the management to effectively manage the Group’s risks. The Board receives regular reports from the Audit Committee, which oversees risk management and internal audit functions.

**Principal Risks**

During the year ended December 31, 2025, the following principal risks of the Group were identified and classified into strategic, operational, financial, and compliance risks.

Risk Areas	Principal Risks
Strategic Risks	Failure to address environmental, social and governance (ESG)-related risks
Operational Risks	No significant risks identified
Financial Risks	No significant risks identified
Compliance Risks	No significant risks identified

## Corporate Governance Report

### ***Our Risk Control Mechanism***

The Group adopts a “three-layer” corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance team and independent internal audit outsourced to and conducted by an external independent professional. The Group maintains a risk register to track all identified major risks. The risk register provides the Board, the Audit Committee, and the management with a profile of its major risks and records management’s action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by the management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk related parties have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

Our risk management activities are performed by the management on an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. The management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group’s system of internal controls and risk management annually and further enhance the Group’s internal control and risk management systems as appropriate.

Details of the ESG-related risks of the Group are set out in the 2025 Environmental, Social and Governance Report of the Group. The 2025 Environmental, Social and Governance Report of the Group will be published at the same time as the publication of this annual report on the websites of the Company and the Stock Exchange.

For the year ended December 31, 2025, both the Audit Committee and the Board were not aware of any material internal control defects and were satisfied that the risk management and internal control systems of the Group have been effective and adequate.

The Company has in place the whistleblowing mechanism and system for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the anti-corruption policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

During the year ended December 31, 2025, the Company held one anti-corruption training and briefing to all employees.

## Handling and Dissemination of Inside Information

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the Securities and Futures Ordinance. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

## JOINT COMPANY SECRETARIES

The joint company secretaries of the Group are Mr. ZHANG Bo and Ms. LAU Yee Wa. Ms. Lau has been appointed to assist Mr. Zhang. Ms. Lau, who is a director of Tricor Services Limited, a member of Vistra Group, an external service provider. Ms. Lau's major contact person in the Company is Mr. Zhang.

From the Listing Date to the year ended December 31, 2025, each of Mr. Zhang and Ms. Lau has taken not less than 15 hours of relevant professional training pursuant to the requirements of Rule 3.29 of the Listing Rules.

## DIVIDEND POLICY AND DIVIDEND PAYMENT PLAN

The Company is committed to delivering sustainable returns to its Shareholders while maintaining a prudent financial position that supports the Group's long term development. In assessing the recommendation or declaration of dividends, the Board considers a range of factors, including the Group's financial performance, cash flow position, capital requirements, business prospects, investment needs and any other factors deemed relevant at the time, such as the prevailing market conditions and global economic situation. Dividends may be declared in cash or Shares, subject to the Articles of Association and applicable laws and regulations. The Board retains full discretion over the declaration and distribution of dividends and will review the dividend policy periodically to ensure its continued appropriateness. Any proposed distribution of dividends is subject to the discretion of the Board and the approval at the Shareholder's general meeting.

In addition, the Board has approved a dividend payment plan (the "**Dividend Payment Plan**") covering the three financial years ending December 31, 2025, 2026 and 2027. Under this plan, and subject to prevailing market conditions and the approval at the Shareholder's general meeting or by the Board at the relevant time, the Company intends to maintain annual dividend declarations and payments during the three year period. Pursuant to the Dividend Payment Plan, the dividend for each of the relevant financial years will be no less than 75% of the net profit attributable to the owners of the Company for that financial year, with a view to retaining sufficient funds and capital for operational uses and future investment opportunities and ensuring that all possible acquisitions could be properly financed.

## INVESTMENT POLICY

### 1. Investment Policy and Objectives

The Company's investment policy aims to preserve and grow its assets while exploring strategic opportunities that align with its corporate strategy and principal business operations. The purpose of these investments is to generate long-term value, maintain sufficient liquidity for operational needs, and foster potential synergies with other enterprises to support future growth.

## Corporate Governance Report

The scope of the Company's investments includes, but is not limited to, the following primary asset classes:

- **Listed Equities:** The Company may invest in equity securities listed on recognized stock exchanges. Such investments are selected based on prudent financial analysis, taking into account factors including the issuer's financial position, industry outlook, valuation level and market liquidity. Listed equity investments are generally made for capital appreciation and return enhancement purposes, and are subject to the Company's overall risk management framework and concentration limits. The Company does not engage in short-term speculative trading activities.
- **Unlisted Equities:** The Company may, on a selective basis, invest in equity interests of private companies. Such investments are typically assessed from a long-term value perspective and are subject to comprehensive due diligence, including evaluation of the target's business model, financial condition, management background and potential exit mechanisms. Any unlisted equity investment must align with the Company's risk tolerance and strategic considerations and is subject to internal approval procedures.
- **Bonds:** The Company may invest in fixed-income securities, including government and corporate bonds. All bond investments must carry at least one credit rating of "A" or above from Moody's, Standard & Poor's or Fitch at the commencement of the fixed interest term. In evaluating bond investments, the Company considers credit quality, maturity profile, interest rate exposure and market liquidity. The effective maturity of any issue or security held in the portfolio will not exceed the maximum limit prescribed under the Company's investment policy.
- **Low-risk Wealth Management Products:** The Company may invest in low-risk wealth management products, including but not limited to bank structured deposits, fixed-income products and money market funds. Such investments are primarily undertaken to enhance capital efficiency and manage short-term liquidity requirements. The Company selects products with relatively low risk levels, transparent underlying assets and sufficient liquidity, and ensures that such investments comply with the Company's established risk limits and concentration thresholds.

While the above categories represent the primary focus of the Company's investment activities, the Company retains the flexibility to explore a broad range of investment opportunities as permitted under its internal policies and risk management framework. Each of which will undergo independent due diligence and is subject to approval by the Investment Committee.

All related investment as abovementioned will be disclosed in accordance with the Listing Rules.

The investment strategy is closely aligned with the Company's corporate strategy, focusing on assets that complement its principal businesses and strategic priorities. The Company's approach combines long-term investments, which target sustainable growth and strategic collaboration, with short-term investments, which aim to maintain liquidity and capture immediate market opportunities.

## 2. Risk Management and Control Measures

The Company has established a robust risk management framework to safeguard its investments and ensure a balance between risk and return.

### ***Defined Risk Limits and Metrics:***

The Company assesses risks such as liquidity, valuation, regulatory, and foreign exchange risks. It utilizes measurable metrics such as portfolio concentration, credit ratings, and market exposure to evaluate and mitigate these risks. Diversification across asset classes, sectors, and geographies is employed to reduce overall portfolio risk.

- **Liquidity Buffer:** The Company structures the maturity profile of its investment portfolio with reference to its anticipated working capital requirements and cash flow forecasts. An appropriate proportion of highly liquid assets is maintained to ensure that the Company is able to meet its operational and financial obligations as they fall due. The Company continuously monitors its liquidity position and may adjust its portfolio allocation in response to changes in funding needs.
- **Credit Risk:** Credit risk is managed through minimum credit rating requirements and diversification measures. All bond investments must meet the prescribed minimum credit rating criteria. The Company also monitors the ongoing credit quality of issuers and counterparties. In the event of material adverse changes in credit conditions, the Company will assess and take appropriate actions, which may include reducing or disposing of the relevant exposure.
- **Counterparty Risk:** Before entering into any investment transaction, the Company conducts due diligence on counterparties, including assessment of their regulatory status, credit standing, financial stability and market reputation. Transactions are conducted only with financial institutions that meet the Company's internal risk standards. The Company also manages counterparty exposure through diversification to avoid over-reliance on any single institution, and the finance department reviews counterparty exposure levels on a periodic basis.
- **Other Risks:** The Company also considers other relevant risks, including interest rate risk, foreign exchange risk, valuation risk and regulatory risk. Through portfolio diversification, maturity control and ongoing market monitoring, the Company seeks to mitigate the potential impact of such risks on its overall financial position. Where necessary, adjustments to the portfolio will be made to maintain alignment with the Company's risk appetite and investment objectives.

Investments are reviewed on a regular basis based on key performance indicators, such as return on investment (ROI), risk-adjusted returns, and contribution to corporate strategy. The Finance Department evaluates the financial status and operational performance of all investment portfolios, providing periodic updates to the Investment Committee.

The Company continuously monitors its investments by tracking market developments, regulatory changes, and macroeconomic conditions. Regular reviews are conducted to ensure the portfolio remains aligned with the Company's objectives and risk tolerance.

### 3. Approval and Oversight Mechanisms

The Company's investment policy and activities are governed by the Investment Committee, which reports directly to the Board and ensures that all decisions align with the Company's corporate objectives.

- ***Roles and Authority of the Investment Committee:***

The Board has delegated to the Investment Committee the responsibility for reviewing and approving significant investment decisions, monitoring portfolio performance, and making necessary adjustments to the investment strategy within its delegated authority and to submit recommendation and professional advice to the Board for projects that exceeds its approval limits. It evaluates proposals based on factors such as growth potential, synergy opportunities, risk-adjusted returns, and alignment with the Company's strategy.

- ***Approval Process:***

All investment proposals, other than purchase of low-risk wealth management products not exceeding 5% of the most recent audited/reviewed total assets of the Company, will be subject to review and approval by the Investment Committee. Investment proposals are submitted by management and must include detailed analysis, rationale, and supporting data. The Investment Committee may seek advice from external experts and advisors as needed. Proposals are thoroughly reviewed to ensure compliance with the Company's risk management framework and alignment with its objectives. Unanimous approval is required for the Investment Committee's decision making. The approval of investments by the Board and Shareholders will adhere to the requirements of Chapter 14 and Chapter 14A of the Listing Rules.

- ***Monitoring and Reporting:***

The Investment Committee conducts annual reviews of the investment portfolio and reports findings to the Board. The Investment Committee discusses the investment opportunities from time to time and reports to the Board on a regular basis to ensure transparency and accountability. Independent audits may be conducted to assess compliance with investment policies and risk management measures.

By maintaining a clear approval and oversight mechanism, the Company ensures its investment decisions are well-governed, strategically aligned, and consistent with regulatory and corporate governance requirements. The investment policy is subject to annual review of the Board.

## SHAREHOLDER'S COMMUNICATION POLICY

The Board recognises the importance of good communication with all Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations.

The Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for Shareholders to communicate directly with the Board; (b) printed corporate documents mailing to Shareholders; (c) announcement(s) disseminating the latest activities of the Group on the websites of the Company and the Stock Exchange; and (d) the Company's website providing an electronic means of communication.

The Board has reviewed the implementation and effectiveness of the Shareholders' communication policy during the period from the Listing Date and up to the year ended December 31, 2025. Having considered the multiple channels of communication, the Board is satisfied that the Shareholders' communication policy has been properly implemented during this year and is effective.

## SHAREHOLDER'S RIGHTS

The general meetings of the Company provide an opportunity for communications between the Shareholders and the Board. Annual general meeting of the Company shall be held each year and at the place as may be determined by the Board.

### Shareholders to Convene an Extraordinary General Meeting

Pursuant to Article 17.3 to 17.7 of the Articles of Association, the Directors shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per Share basis, of the issued Shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

### Putting Enquiries by Shareholders to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Commercial Unit No. 3 on 15th Floor, Emperor Group Centre, 288 Hennessy Road, Hong Kong  
(For the attention of the joint company secretaries)

Fax: 852-3590 3065

Email: stock@aux-home.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at 852-3106 2910 for any assistance.

### Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meeting

There are no provisions under the Articles of Association regarding procedures for Shareholders to put forward proposals at a general meeting. Shareholders who wish to submit a proposal may request the Company to convene a general meeting in accordance with the procedure set out in the preceding paragraph, to consider the matters specified in the request.

## AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Company has not made any amendments to its Articles of Association from the Listing Date to the date of this annual report. The latest version of the Articles of Association is posted on the websites of the Company and the Stock Exchange.

# Report of the Directors

The Directors submit herewith their annual report together with the audited financial statements for the year ended December 31, 2025.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is the manufacturing and sales of household air-conditioners and central air-conditioners in Chinese Mainland and other countries/jurisdictions. There was no significant changes in the nature of the Group's principal activities during the Reporting Period. The principal activities of the Company also include investment holding.

## DIVIDENDS

The Board has recommended a cash dividend distribution for the year ended December 31, 2025, with a distribution of RMB1.06 per Share, amounting to approximately RMB1,683,529,312. The proposed dividend distribution is subject to approval at the Company's forthcoming AGM. The recommended dividends will be paid to the Shareholders whose names appear on the register of members of the Company on Tuesday, August 18, 2026. Subject to the Shareholders' approval at the AGM, the final dividend is expected to be paid to the Shareholders on or before Monday, August 31, 2026. For details on the Company's profit distribution and dividend policy, please refer to "Dividend Policy and Dividend Payment Plan" under "Corporate Governance Report" in this annual report. The Board is not aware of any Shareholders having waived or agreed to waive any dividend.

## BUSINESS REVIEW

A review of the Group's business during the financial year, which includes a fair review of the Group's business, a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's financial key performance, particulars of important events affecting the Group during the financial year and after the end of the financial year, and an indication of likely future developments in the Group's business, can be found in the "Letter to Shareholders", "Management Discussion and Analysis" and "Financial Summary" in this annual report. The contents of the abovementioned sections form parts of the business review as contained in this report of the Directors.

## Compliance with Laws and Regulations

To the best of the knowledge of the Board and the management, the Group complied with the relevant laws and regulations which may have a material impact on the business and operation of the Company and its subsidiaries in all material respects during the year ended December 31, 2025.

## Key Relationships with Employees, Customers and Suppliers

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasises the personal development of its employees. The Group maintains a good relationship with its customers and suppliers. The Group aims to continually provide quality services and consumption experiences to its customers and establish cooperation strategy with its suppliers.

### Environmental Policies

The Group is committed to building an environmentally friendly corporate culture that prioritizes the conservation of natural resources. The Group strives to minimise its impact on the environment by reducing its energy and water resource consumption, implementing waste management procedures, and setting up various metrics to monitor its greenhouse gas emissions. For further details, please refer to the 2025 Environmental, Social and Governance Report of the Group.

### FINANCIAL STATEMENTS

The results of the Group for the year ended December 31, 2025 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 80 to 88.

### PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control:

- Our growth and profitability depend on economic conditions and the level of consumer spending in our key markets;
- We operate in a highly competitive environment, and failure to compete successfully would adversely affect our market position, business and financial results;
- Our business may be adversely affected if we fail to innovate or if we fail to introduce new products on a timely basis, and our investments in R&D may not yield the expected results;
- If we fail to develop, maintain and enhance recognition of our brands, or if we incur excessive expenses in this effort, our business and results of operations may be adversely affected;
- We have built a robust sales network, both directly and through distributors. Our failure to maintain and expand our sales network directly or through distributors could negatively impact our business, financial condition and results of operations;
- We may not be able to effectively manage any overlap or potential competition among our different sales channels;
- If we fail to grow or retain our customer base, or if customer satisfaction declines, our business and operating results may be adversely affected;
- Our products may experience quality problems from time to time that can result in harm to our reputation. Product-related liability, product recall costs, and significant return or exchange could also adversely affect our business and financial performance; and
- We conduct operations worldwide and are exposed to legal, regulatory, political, economic, commercial and other risks in each country in which we operate.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

The Company considers that risk management is essential to the efficient and effective operation of the Group. The Company's management assists the Board in assessing significant internal and external risks arising from the Group's business, including operational risks, financial risks, regulatory risks, etc., and actively establishes appropriate risk management and internal control mechanisms and incorporates them into daily operational management.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year ended December 31, 2025 are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

As at December 31, 2025, the reserves of the Company available for distribution to Shareholders, calculated in accordance with the Companies Act (2022 Revision) of the Cayman Islands, amounted to approximately RMB4,317,497,000 (2024: RMB2,217,206,000).

### FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the last four financial years is set out on page 185 of this annual report.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment during the year ended December 31, 2025 are set out in note 14 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2025 are set out in note 33 to the consolidated financial statements.

### DEBENTURE ISSUED

The Group did not issue any debenture for the year ended December 31, 2025.

### CONVERTIBLE BONDS

As of the date of this annual report, the Company has not issued any convertible bonds.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

### TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2025, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's largest supplier and five largest suppliers in aggregate accounted for 14.43% and 34.28% of the total purchases for the year ended December 31, 2025, respectively.

To the best knowledge of the Directors, none of the Directors or any of their close associates or any Shareholders of the Company which owns more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers or suppliers.

### DIRECTORS

The Directors from the Listing Date to December 31, 2025 and up to the date of this annual report were:

#### Executive Directors:

Mr. ZHENG Jianjiang (*Chairman*)

Mr. XIN Ning (*President*)

#### Non-executive Directors:

Mr. ZHENG Jiang

Mr. HE Xiwan

Ms. LI Jian

#### Independent non-executive Directors:

Mr. XIANG Wei

Dr. JING Xian

Mr. TAO Shengwen

Pursuant to Article 26.1 of the Articles of Association, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a vacancy or as addition to the Board. Pursuant to Article 26.3 of the Articles of Association, any Director appointed by the Board to fill a vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. ZHENG Jianjiang, Mr. XIN Ning, Mr. ZHENG Jiang, Mr. HE Xiwan, Ms. LI Jian, Mr. XIANG Wei and Dr. JING Xian shall retire at the forthcoming AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM. Mr. TAO Shengwen shall retire from office as independent non-executive Director at the AGM. Although Mr. TAO Shengwen is eligible for re-election, Mr. TAO Shengwen will not offer himself for re-election.

Biographical details of the Directors and the senior management of the Group are set out on pages 31 to 36 of this annual report.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## CHANGES IN DIRECTORS' INFORMATION

From the Listing Date to the date of this annual report, there was no change in the Board and the information of Directors which was required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules.

## CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

## INTEREST AND SHORT POSITION OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES

As at December 31, 2025, the interests and/or short positions (as applicable) of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which shall 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 have been taken or deemed to have been taken under such provisions of the SFO) or which is required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which is required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were set out as follows:

### (i) Interest in our Company

Name	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of interest in our Company <sup>(1)</sup>
Mr. ZHENG Jianjiang <sup>(2)</sup>	Interests in controlled corporation <sup>(2)</sup>	1,300,921,250 (L)	81.91%

## Report of the Directors

Notes:

- (1) The letter "L" denotes for long position in the Shares. The calculation is based on the total number of 1,588,235,200 Shares in issue as at December 31, 2025.
- (2) AUX Holdings directly holds 1,300,921,250 Shares as beneficial owner. As AUX Holdings is wholly owned by China Prosper, which is in turn owned as to 85.00% by Ze Hui. Ze Hui is wholly-owned by Mr. ZHENG Jianjiang. Therefore, Mr. ZHENG Jianjiang is deemed to be interested in the Shares held by AUX Holdings by virtue of the SFO.

### (ii) Interest in associated corporations of our Company

Name	Name of associated corporation	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding interest <sup>(1)</sup>
Mr. ZHENG Jianjiang	Ze Hui	Beneficial owner	1	100.00%
	China Prosper	Interests in controlled corporation <sup>(1)</sup>	8,500	85.00%
	AUX Holdings	Interests in controlled corporation <sup>(2)</sup>	2,000,000	100.00%
Mr. ZHENG Jiang	China Prosper	Interests in controlled corporation <sup>(1)</sup>	1,000	10.00%
Mr. HE Xiwan	China Prosper	Interests in controlled corporation <sup>(1)</sup>	500	5.00%

Notes:

- (1) China Prosper was owned as to: (i) 85.00% by Ze Hui, a BVI company wholly owned by Mr. ZHENG Jianjiang, (ii) 10.00% by Ze Hong, a BVI company wholly owned by Mr. ZHENG Jiang and (iii) 5.00% by Ze Long, a BVI company wholly owned by Mr. HE Xiwan.
- (2) AUX Holdings was wholly owned by China Prosper.

Save as disclosed above, as at December 31, 2025, none of the Directors or chief executive of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which will be 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 which will be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at December 31, 2025, so far as the Directors are aware, other than the Directors and chief executive of the Company, the following person/entities had or were taken or deemed to have interests and/or short positions (as applicable) in the Shares, underlying Shares or debentures of the Company that fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of interest in our Company <sup>(1)</sup>
AUX Holdings <sup>(2)</sup>	Beneficial owner	1,300,921,250 (L)	81.91%
China Prosper <sup>(2)</sup>	Interest in controlled corporation	1,300,921,250 (L)	81.91%
Ze Hui <sup>(2)</sup>	Interest in controlled corporation	1,300,921,250 (L)	81.91%
Mr. ZHENG Jianjiang <sup>(2)</sup>	Interest in controlled corporation	1,300,921,250 (L)	81.91%

Notes:

- (1) The letter "L" denotes for long position in the Shares. The calculation is based on the total number of 1,588,235,200 Shares in issue as at December 31, 2025.
- (2) AUX Holdings is as an exempted company with limited liability incorporated in the Cayman Islands wholly owned by China Prosper. China Prosper is a business company with limited liability incorporated in the BVI held as to 85% by Ze Hui, a business company with limited liability incorporated in the BVI wholly owned by Mr. ZHENG Jianjiang. Therefore, each of Mr. ZHENG Jianjiang, China Prosper and Ze Hui is deemed to be interested in the Shares held by AUX Holdings.

Save as disclosed above, as at December 31, 2025, the Directors were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares, underlying Shares or debentures of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in the section headed "Continuing Connected Transactions" of this report of the Directors, no transaction, arrangement or contract of significance in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of the year ended December 31, 2025 or at any time during the Reporting Period.

## MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

### CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in the section headed "Continuing Connected Transactions" of this report of the Directors, during the Reporting Period, there was no contract of significance (i) between the Company or its subsidiaries and the controlling Shareholder or any of its subsidiaries; or (ii) for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period, the Company, its holding company or any of its subsidiaries was a party to any arrangements which would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its subsidiaries. Save as disclosed in this annual report, none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the shares or debentures of the Company or its subsidiaries or had exercised any such right.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended December 31, 2025, the Board is not aware of any business or interests of the then Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

### EMOLUMENT POLICY

The Directors and senior management receive remuneration, including basic annual payments and performance-related annual payments, including fees, salaries, allowances and benefits in kind, performance related bonuses, equity-settled share-based payment expenses, pension scheme contributions and social welfare.

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications, competence and job nature. The Board will review and determine the remuneration and compensation package of the Directors and senior management, and will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

Details of the remuneration of each Director, the chief executive and the five highest paid individuals are set out in note 9 and note 10 to the consolidated financial statements.

During the Reporting Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group, (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group, and (iii) none of our Directors waived any emoluments.

## RETIREMENT SCHEMES

The Group makes contribution to mandatory social security funds or the mandatory provident fund scheme for employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits. The Group operates a defined contribution mandatory provident fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

During the Reporting Period, the Group did not use forfeited contributions to reduce the current level of contributions. Details of the pension scheme of the Group are set out in note 2.4 to the consolidated financial statements.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the minimum prescribed percentage of public float under the Listing Rules since the Listing Date and up to the date of this annual report.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

## EQUITY-LINKED AGREEMENT

No equity-linked agreements were entered into by the Group or existed during the year ended December 31, 2025.

## PERMITTED INDEMNITY PROVISION

Under the Articles of Association, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the year ended December 31, 2025 and as at the date of this annual report, pursuant to which the Company shall indemnify the Directors against all actions, costs, charges, losses, damages and expenses which any of them may incur by reason of any act done in execution of their duty in their respective offices, except such as they shall incur through their own fraud or dishonesty. The Company has maintained insurance cover for Directors’ and officers’ liabilities in respect of legal actions against the Directors arising out of corporate activities.

# CONTINUING CONNECTED TRANSACTIONS

## The Connected Relationships

The relevant parties to the below continuing connected transactions with the Group and a description of their connected relationships with the Group as of the date of this annual report are as follows:

Connected Person	Connected Relationship
Jiangxi Longzhicheng Industry Co., Ltd. (江西省龍之丞實業有限公司) (“ <b>Longzhicheng</b> ”)	As of the date of this annual report, Longzhicheng was owned as to 60% by Mr. LU Anjun (陸安君), a nephew of Mr. HE Xiwan, and 40% by Ms. ZHANG Yafen (張亞芬), the spouse of Mr. LU Anjun, respectively, and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Anhui Jiahuikai Intelligent Technology Co., Ltd. (安徽嘉匯凱智能科技股份有限公司) (“ <b>Jiahuikai</b> ”)	As of the date of this annual report, Jiahuikai was owned as to 90% by Mr. CHEN Guanghui (陳光輝), a cousin of Mr. ZHENG Jianjiang and Mr. ZHENG Jiang and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Ningbo Wenbang Electronics Co., Ltd. (寧波文邦電子有限公司) (“ <b>Wenbang</b> ”)	As of the date of this annual report, Wenbang was owned as to 40% by Mr. CHEN Yinjun (陳寅君), a cousin of Mr. ZHENG Jianjiang and Mr. ZHENG Jiang and 60% by Ms. MA Bibo (馬碧波), the spouse of Mr. CHEN Yinjun, respectively, and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.

During the year ended December 31, 2025, the Group entered into the following continuing connected transactions, and the transactions have been conducted in accordance with the agreed terms, certain details of which are disclosed in compliance with Chapter 14A of the Listing Rules.

## Longzhicheng Components Procurement Framework Agreement

### Principal Terms

Our Company (for itself and on behalf of its subsidiaries) entered into a components procurement framework agreement with Longzhicheng on August 20, 2025 (the “**Longzhicheng Components Procurement Framework Agreement**”), pursuant to which we agreed to procure certain structural components for manufacturing air conditioners such as plastic components and fan blades from Longzhicheng (the “**Longzhicheng Components**”).

The Longzhicheng Components Procurement Framework Agreement has an initial term commencing from the Listing Date till December 31, 2027. Subject to compliance with the Listing Rules and applicable laws and regulations, the Longzhicheng Components Procurement Framework Agreement may be renewed for a further term of three years from time to time, unless either party notifies the other party to the contrary with one month’s written notice prior to the expiry of the agreement’s term. Upon renewal of the Longzhicheng Components Procurement Framework Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

**Historical Amount**

The historical transaction amounts of the procurement of Longzhicheng Components by our Group from Longzhicheng for the year ended December 31, 2025 were RMB100,207,000.

**Annual Cap**

The proposed annual caps for the transaction amounts under the Longzhicheng Components Procurement Framework Agreement are set out below:

	For the year ended December 31, 2025	For the year ending December 31, 2026		2027
<b>Proposed Annual Cap</b> (RMB in million)	170.00	230.00	300.00	

**Basis of Annual Cap**

The proposed annual caps were in line with the development and manufacturing plan of our Group. Considering the nature of the transactions under the Longzhicheng Components Procurement Framework Agreement, we anticipate that the transaction amounts will increase alongside our business expansion and the development of our business strategy.

The proposed annual caps were estimated with reference to, amongst others, (i) the historical transaction amount for the procurement of Longzhicheng Components, including its average annual growth rate during the Reporting Period (exceeding 30%); (ii) the historical purchase volume of the Longzhicheng Components by our Group; (iii) the estimated unit price of the Longzhicheng Components determined with reference to the prevailing market price of similar components on comparable supply conditions based on the collection and comparison of similar fee quotes from other third-party suppliers; (iv) the anticipated increasing demand for such Longzhicheng Components, primarily based on our estimated increasing production volume of our air conditioner products and the relatively stable historical proportion of Longzhicheng Components in the total procurement amount for certain types of components; (v) the expected production and supply capacity of Longzhicheng; and (vi) the possible upward price fluctuation of the Longzhicheng Components with reference to the previous price fluctuation of certain Longzhicheng Components.

**Pricing Policies**

We procure components through open tender, which must include at least three bidders (including at least two independent suppliers) each time. The amount payable by us to Longzhicheng under the Longzhicheng Components Procurement Framework Agreement will be determined through the bidding process involving Longzhicheng and other bidders according to our procurement procedures and policies. We will compare quotes offered by at least two independent suppliers for components of the same or similar quality. During the public tender, we will also consider bidding price, product quality, reliability and specifications, production scale and capacity, product delivery time and range of the offering provided by the bidders. Any successful bids from Longzhicheng should not be less favorable to us than bids from other suppliers which will be subject to approval of our procurement department. After a successful bid by Longzhicheng, we will enter into an individual agreement with Longzhicheng on terms determined on an arm's length basis.

## Report of the Directors

In light of the above, our Directors believe that our procurements of Longzhicheng Components from Longzhicheng have been and will be conducted in the ordinary and usual course of business of our Group, on an arm's length basis and on normal commercial terms or better.

### **Implementation Agreements**

The parties under the Longzhicheng Components Procurement Framework Agreement will enter into, from time to time and as necessary, individual implementation agreements to set out the specific terms and conditions (including the payment arrangements) in respect of the procurement of certain Longzhicheng Components thereunder. Any such implementation agreements will be within the ambit of the Longzhicheng Components Procurement Framework Agreement and shall not contravene the provisions of the Longzhicheng Components Procurement Framework Agreement.

### **Reasons for and Benefits of the Transactions**

Our business relationship with Longzhicheng started from 2012, and Longzhicheng has been supplying certain Longzhicheng Components of consistent high quality at reasonable price to us for a long-time period. As our Group has experienced expansion over the years and the demand for such Longzhicheng Components has been increasingly growing, our Company has leveraged its economies of scale and the long-term history of business relationship with Longzhicheng to expand its current cooperation. Having considered our Group's operational demands, the quality of the Longzhicheng Components provided by Longzhicheng, the favorable terms offered by Longzhicheng to our Group for the continuous procurement, our Directors believe that it will be beneficial to our Group to expand the current cooperation with Longzhicheng.

## Jiahuikai Components Procurement Framework Agreement

### **Principal Terms**

Our Company (for itself and on behalf of its subsidiaries) entered into a components procurement framework agreement with Jiahuikai on August 20, 2025 (the "**Jiahuikai Components Procurement Framework Agreement**"), pursuant to which we agreed to procure certain structural components for manufacturing air conditioners such as plastic components and fan blades from Jiahuikai (the "**Jiahuikai Components**").

The Jiahuikai Components Procurement Framework Agreement has an initial term commencing from the Listing Date till December 31, 2027. Subject to compliance with the Listing Rules and applicable laws and regulations, the Jiahuikai Components Procurement Framework Agreement may be renewed for a further term of three years from time to time, unless either party notifies the other party to the contrary with one month's written notice prior to the expiry of the agreement's term. Upon renewal of the Jiahuikai Components Procurement Framework Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

### **Historical Amount**

The historical transaction amounts of the procurement of Jiahuikai Components by our Group from Jiahuikai for the year ended December 31, 2025 were RMB115,774,000.

### Annual Cap

The proposed annual caps for the transaction amounts under the Jiahuikai Components Procurement Framework Agreement are set out below:

	For the year ended December 31, 2025	For the year ending December 31, 2026	For the year ending December 31, 2027
<b>Proposed Annual Cap</b> ( <i>RMB in million</i> )	150.00	190.00	250.00

### Basis of Annual Cap

The proposed annual caps were in line with the development and manufacturing plan of our Group. Considering the nature of the transactions under the Jiahuikai Components Procurement Framework Agreement, we anticipate that the transaction amounts will increase alongside our business expansion and the development of our business strategy.

The proposed annual caps were estimated with reference to, amongst others, (i) the historical transaction amount for the procurement of Jiahuikai Components, including its average annual growth rate during the Reporting Period (exceeding 30%); (ii) the historical purchase volume of the Jiahuikai Components by our Group; (iii) the estimated unit price of the Jiahuikai Components determined with reference to the prevailing market price of similar components on comparable supply conditions based on the collection and comparison of similar fee quotes from other third-party suppliers; (iv) the anticipated increasing demand for such Jiahuikai Components, primarily based on our estimated increasing production volume of our air conditioner products and the relatively stable historical proportion of Jiahuikai Components in the total procurement amount for certain types of components; (v) the expected production and supply capacity of Jiahuikai; and (vi) the possible upward price fluctuation of the Jiahuikai Components with reference to the previous price fluctuation of certain Jiahuikai Components.

### Pricing Policies

We procure components through open tender, which must include at least three bidders (including at least two independent suppliers) each time. The amount payable by us to Jiahuikai under the Jiahuikai Components Procurement Framework Agreement will be determined through the bidding process involving Jiahuikai and other bidders according to our procurement procedures and policies. We will compare quotes offered by at least two independent suppliers for components of the same or similar quality. During the public tender, we will also consider bidding price, product quality, reliability and specifications, production scale and capacity, product delivery time and range of the offering provided by the bidders. Any successful bids from Jiahuikai should not be less favorable to us than bids from other suppliers which will be subject to approval of our procurement department. After a successful bid by Jiahuikai, we will enter into an individual agreement with Jiahuikai on terms determined on an arm's length basis.

In light of the above, our Directors believe that our procurements of Jiahuikai Components from Jiahuikai have been and will be conducted in the ordinary and usual course of business of our Group, on an arm's length basis and on normal commercial terms or better.

## Report of the Directors

### ***Implementation Agreements***

The parties under the Jiahuikai Components Procurement Framework Agreement will enter into, from time to time and as necessary, individual implementation agreements to set out the specific terms and conditions (including the payment arrangements) in respect of the procurement of certain Jiahuikai Components thereunder. Any such implementation agreements will be within the ambit of the Jiahuikai Components Procurement Framework Agreement and shall not contravene the provisions of the Jiahuikai Components Procurement Framework Agreement.

### ***Reasons for and Benefits of the Transactions***

Our business relationship with Jiahuikai started from 2019, and Jiahuikai has been supplying certain Jiahuikai Components of consistent high quality at reasonable price to us for a long-time period. As our Group has experienced expansion over the years and the demand for such Jiahuikai Components has been increasingly growing, our Company has leveraged its economies of scale and the long-term history of business relationship with Jiahuikai to expand its current cooperation. Having considered our Group's operational demands, the quality of the Jiahuikai Components provided by Jiahuikai, the favorable terms offered by Jiahuikai to our Group for the continuous procurement, our Directors believe that it will be beneficial to our Group to expand the current cooperation with Jiahuikai.

## **Wenbang Components Procurement Framework Agreement**

### ***Principal Terms***

Our Company (for itself and on behalf of its subsidiaries) entered into a components procurement framework agreement with Wenbang on August 20, 2025 (the "**Wenbang Components Procurement Framework Agreement**"), pursuant to which we agreed to procure certain structural components for manufacturing air conditioners such as plastic components and fan blades from Wenbang (the "**Wenbang Components**").

The Wenbang Components Procurement Framework Agreement has an initial term commencing from the Listing Date till December 31, 2027. Subject to compliance with the Listing Rules and applicable laws and regulations, the Wenbang Components Procurement Framework Agreement may be renewed for a further term of three years from time to time, unless either party notifies the other party to the contrary with one month's written notice prior to the expiry of the agreement's term. Upon renewal of the Wenbang Components Procurement Framework Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

### ***Historical Amount***

The historical transaction amounts of the procurement of Wenbang Components by our Group from Wenbang for the year ended December 31, 2025 were RMB40,421,000.

### **Annual Cap**

The proposed annual caps for the transaction amounts under the Wenbang Components Procurement Framework Agreement are set out below:

	<b>For the year ended December 31, 2025</b>	<b>For the year ending December 31, 2026</b>	<b>2027</b>
<b>Proposed Annual Cap</b> (RMB in million)	60.00	80.00	100.00

### **Basis of Annual Cap**

The proposed annual caps were in line with the development and manufacturing plan of our Group. Considering the nature of the transactions under the Wenbang Components Procurement Framework Agreement, we anticipate that the transaction amounts will increase alongside our business expansion and the development of our business strategy.

The proposed annual caps were estimated with reference to, amongst others, (i) the historical transaction amount for the procurement of Wenbang Components; (ii) the historical purchase volume of the Wenbang Components by our Group; (iii) the estimated unit price of the Wenbang Components determined with reference to the prevailing market price of similar components on comparable supply conditions based on the collection and comparison of similar fee quotes from other third-party suppliers; (iv) the anticipated increasing demand for Wenbang Components, primarily based on our estimated increasing production volume of our air conditioner products and the relatively stable historical proportion of Wenbang Components in the total procurement amount for certain types of components; (v) the expected production and supply capacity of Wenbang; and (vi) the possible upward price fluctuation of the Wenbang Components with reference to the previous price fluctuation of certain Wenbang Components.

### **Pricing Policies**

We procure components through open tender, which must include at least three bidders (including at least two independent suppliers) each time. The amount payable by us to Wenbang under the Wenbang Components Procurement Framework Agreement will be determined through the bidding process involving Wenbang and other bidders according to our procurement procedures and policies. We will compare quotes offered by at least two independent suppliers for components of the same or similar quality. During the public tender, we will also consider bidding price, product quality, reliability and specifications, production scale and capacity, product delivery time and range of the offering provided by the bidders. Any successful bids from Wenbang should not be less favorable to us than bids from other suppliers which will be subject to approval of our procurement department. After a successful bid by Wenbang, we will enter into an individual agreement with Wenbang on terms determined on an arm's length basis.

In light of the above, our Directors believe that our procurements of Wenbang Components from Wenbang have been and will be conducted in the ordinary and usual course of business of our Group, on an arm's length basis and on normal commercial terms or better.

## Report of the Directors

### ***Implementation Agreements***

The parties under the Wenbang Components Procurement Framework Agreement will enter into, from time to time and as necessary, individual implementation agreements to set out the specific terms and conditions (including the payment arrangements) in respect of the procurement of certain Wenbang Components thereunder. Any such implementation agreements will be within the ambit of the Wenbang Components Procurement Framework Agreement and shall not contravene the provisions of the Wenbang Components Procurement Framework Agreement.

### ***Reasons for and Benefits of the Transactions***

Our business relationship with Wenbang started from 2013, and Wenbang has been supplying certain Wenbang Components of consistent high quality at reasonable price to us for a long-time period. As our Group has experienced expansion over the years and the demand for such Wenbang Components has been increasingly growing for daily business, our Company has leveraged its economies of scale and the long-term history of business relationship with Wenbang to expand its current cooperation. Having considered our Group's operational demands, the quality of the Wenbang Components provided by Wenbang, the favorable terms offered by Wenbang to our Group for the continuous procurement, our Directors believe that it will be beneficial to our Group to expand the current cooperation with Wenbang.

### **Listing Rules Implications**

As the applicable percentage ratios (other than the profit ratio) for the transactions contemplated under each of the Longzhicheng Components Procurement Framework Agreement, the Jiahuikai Components Procurement Framework Agreement and the Wenbang Components Procurement Framework Agreement (collectively, the "**CCT Framework Agreements**") will be no less than 0.1% but will not exceed 5%, the transactions conducted under each of the CCT Framework Agreements are continuing connected transactions exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements but are subject to the relevant annual reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

### **Annual Review Conducted by Independent Non-executive Directors**

Pursuant to Rule 14A.55 and 14A.71(6)(a) of the Listing Rules, the independent non-executive Directors had reviewed the above all the continuing connected transactions and confirmed that these transactions had been entered into:

- i. in the ordinary and usual course of business of the Group;
- ii. on normal commercial terms or better to the Group; and
- iii. in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

### Confirmation from the Auditor

Pursuant to Rule 14A.56 and 14A.71(6)(b) of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of above all the continuing connected transactions and the auditor has reported the factual findings on these procedures to the Audit Committee.

The auditor of the Company had informed the Board and confirmed that the above-mentioned continuing connected transactions:

- i. were approved by the Board;
- ii. were entered into in accordance with terms of relevant agreements governing the transactions; and
- iii. did not exceed the annual cap for 2025 disclosed in the section headed "Continuing Connected Transactions".

### RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 40 to the consolidated financial statements. Save for the transactions disclosed in the section headed "Continuing Connected Transactions" above, none of the related party transactions disclosed in note 40 to the consolidated financial statements constituted a connected transaction or a continuing connected transaction that was not fully exempt from all disclosure, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to those continuing connected transactions conducted by the Group during the year ended December 31, 2025 which were not exempt from the disclosure requirements under Chapter 14A of the Listing Rules.

### DONATIONS

During the year ended December 31, 2025, the Company's expenditure on charitable donation was approximately RMB1.0 million.

### SUBSEQUENT EVENTS

Details of the significant events of the Group after the Reporting Period are set out in note 45 to the financial statements. Apart from the aforementioned dividend distribution, there were no other material subsequent events that may affect the Group since the end of the Reporting Period.

### AUDITORS

Ernst & Young will retire at the conclusion of the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming AGM. Ernst & Young have been the auditors of the Company since the Listing Date.

## **CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT THE AGM**

The AGM will be held on Friday, June 5, 2026. The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to attend and vote at the AGM, from Tuesday, June 2, 2026 to Friday, June 5, 2026 (both days inclusive), during this period no transfer of Shares will be registered. In order to attend and vote at the AGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong for registration, not later than 4:30 p.m. on Monday, June 1, 2026. The record date for determining the Shareholders' entitlement to attend and vote at the AGM is Friday, 5 June 2026.

## **CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO THE PROPOSED FINAL DIVIDEND**

The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to the proposed final dividend, from Monday, August 17, 2026 to Tuesday, August 18, 2026 (both days inclusive), during this period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong for registration, not later than 4:30 p.m. on Friday, August 14, 2026.

By order of the Board

**AUX ELECTRIC CO., LTD.**

**ZHENG Jianjiang**

*Chairman of the Board and Executive Director*

Hong Kong, March 27, 2026

# Independent Auditor's Report



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**Independent auditor's report**  
**To the directors of AUX ELECTRIC CO., LTD.**  
(Incorporated in Cayman with limited liability)

## OPINION

We have audited the consolidated financial statements of AUX ELECTRIC CO., LTD. (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 184, which comprise the consolidated statements of financial position as at December 31, 2025 and the company statements of financial position as at December 31, 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2025, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2025 and of its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2025 in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### KEY AUDIT MATTERS *(continued)*

Key audit matters identified in our audit are summarized as follows:

- **Revenue recognition**

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p>The Group are principally engaged in manufacturing and sales of household air-conditioners and central air-conditioners in the Chinese Mainland and other countries or jurisdictions.</p> <p>Revenue from the sale of goods is recognised when the control of the goods is transferred to the customer, and the amount recognised reflects the consideration the Group expects to be entitled to. During the year ended December 31, 2025, the Group's revenue from goods sold was approximately RMB28.1 billion.</p> <p>We spent significant audit efforts in this area due to the variety of sales channels used in the sale of goods domestically and internationally, a large number of customers, huge volume of transactions and the magnitude of the revenue derived from goods sold. Therefore, we identified revenue recognition for sale of goods as a key audit matter.</p> <p>Related disclosures about the material policies for revenue recognition and disaggregated revenue information are included in notes 2.4 and 5 to the consolidated financial statements, respectively.</p>	<p>Our procedures in relation to revenue recognition of goods sales mainly included:</p> <ol style="list-style-type: none"><li>1. Understanding and evaluating the design and implementation of the internal controls over the revenue recognition for sale of goods from different sales channels and the operating effectiveness of the key internal controls testing;</li><li>2. Evaluating the appropriateness of the Group's accounting policies on revenue recognition by examining various types of sales contracts with customers through different sales channels on a sample basis, with reference to the requirements of the prevailing accounting standards;</li><li>3. Confirming with the major customers directly on balances of trade receivables as at the financial year-end date on a sample basis and performing alternative procedures on any unreturned confirmations;</li><li>4. Performing test of details by vouching to the relevant supporting documents including sales contracts, sales orders, invoices, goods receipt notes or delivery records, where appropriate, on a sample basis, to assess the validity and appropriateness of the revenue recognition;</li><li>5. Testing sales returns, on a sample basis, by examining relevant supporting documents, including sales invoices and return records after the financial year-end date, to assess the reasonableness of the sales returns; and</li><li>6. Performing audit procedures on sales transactions that were recorded close before and after the financial year-end date, on a sample basis, by tracing to relevant supporting documents (including goods receipt notes or delivery records, where appropriate) to assess whether the revenue was recorded in the proper financial year.</li></ol>

## **OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai (practising certificate number: P06860).

*Certified Public Accountants*  
Hong Kong  
March 27, 2026

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2025

	Notes	2025 RMB'000	2024 RMB'000
REVENUE	5	30,048,580	29,759,319
Cost of sales		(24,388,923)	(23,518,994)
<b>Gross profit</b>		<b>5,659,657</b>	6,240,325
Other income and gains	5	797,938	616,263
Selling and distribution expenses		(1,602,762)	(1,276,678)
Administrative expenses		(1,086,780)	(1,025,375)
Research and development expenses	6	(688,699)	(710,035)
Impairment loss on financial assets, net		(17,879)	(43,233)
Other expenses	7	(113,963)	(207,074)
Finance costs	8	(57,122)	(45,146)
PROFIT BEFORE TAX	6	2,890,390	3,549,047
Income tax expense	11	(655,407)	(638,876)
PROFIT FOR THE YEAR		2,234,983	2,910,171
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Receivables at fair value through other comprehensive income/(losses):			
Changes in fair value		4,266	(1,274)
Reclassification adjustments for impairment (losses)/income	6	(5,291)	1,309
Income tax effect		(675)	429
		(1,700)	464
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		304,456	55,192
Income tax effect		(69,034)	7,197
		235,422	62,389

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2025

	Note	2025 RMB'000	2024 RMB'000
Exchange differences on translation of foreign operations		(13,726)	9,083
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		219,996	71,936
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		219,996	71,936
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,454,979	2,982,107
Profit attributable to: Owners of the parent		2,234,983	2,910,171
Total comprehensive income attributable to: Owners of the parent		2,454,979	2,982,107
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	13	RMB1.56	RMB2.23

# Consolidated Statement of Financial Position

December 31, 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	5,854,768	5,006,191
Investment property	15	305,366	331,489
Right-of-use assets	16(a)	1,574,706	1,217,277
Intangible assets	17	297,024	322,203
Pledged deposits	25	800,346	839,453
Deferred tax assets	26	469,257	498,699
Prepayments	18	145,782	172,399
Total non-current assets		9,447,249	8,387,711
<b>CURRENT ASSETS</b>			
Inventories	19	6,430,878	5,878,841
Trade and bills receivables	20	2,997,031	3,003,430
Receivables at fair value through other comprehensive income	21	561,322	964,806
Prepayments, deposits and other receivables	18	1,512,309	1,448,033
Tax recoverable		90,910	155,413
Financial assets at fair value through profit or loss	24	1,400,000	–
Derivative financial instruments	23	272,887	–
Pledged deposits	25	1,827,325	1,424,909
Cash and bank balances	25	6,879,199	2,907,756
Amounts due from related parties	40	176	73
Total current assets		21,972,037	15,783,261
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	27	9,632,954	10,395,125
Other payables and accruals	28	4,436,523	3,660,304
Contract liabilities	29	4,181,897	2,850,473
Derivative financial instruments	23	2,646	173,370
Interest-bearing bank borrowings	30	860,000	657,841
Lease liabilities	16(b)	16,008	29,902
Income tax payable		126,532	126,736
Deferred income	31	62,502	57,317
Provision	32	162,051	159,864
Amounts due to related parties	40	138,810	141,890
Total current liabilities		19,619,923	18,252,822

## Consolidated Statement of Financial Position

December 31, 2025

	<i>Notes</i>	<b>2025</b> <b>RMB'000</b>	2024 RMB'000
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>2,352,114</b>	(2,469,561)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>11,799,363</b>	5,918,150
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	30	<b>602,846</b>	895,493
Lease liabilities	16(b)	<b>83,662</b>	88,000
Deferred tax liabilities	26	<b>34,561</b>	54,045
Other payables	28	<b>65,697</b>	109,040
Deferred income	31	<b>654,643</b>	573,637
Provision	32	<b>399,567</b>	362,229
<b>Total non-current liabilities</b>		<b>1,840,976</b>	2,082,444
<b>Net assets</b>		<b>9,958,387</b>	3,835,706
<b>EQUITY</b>			
Share capital	33	<b>57</b>	48
Reserves	34	<b>9,958,330</b>	3,835,658
<b>Total equity</b>		<b>9,958,387</b>	3,835,706

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on March 27, 2026 and were signed on its behalf by:

*Executive Director:*  
**ZHENG Jianjiang**

*Executive Director:*  
**XIN Ning**

# Consolidated Statement of Changes in Equity

Year ended December 31, 2025

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Merger reserve*	Reserve funds*	Share award reserve*	Exchange fluctuation reserve*	Financial assets revaluation reserve*	Cash flow hedge reserve*	Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 33)	(Note 34)	(Note 34)	(Note 34)						
<b>At January 1, 2025</b>	48	177,809	815,144	547,763	94,044	1,130	4,157	(21,595)	2,217,206	3,835,706
Profit for the year	-	-	-	-	-	-	-	-	2,234,983	2,234,983
Changes in fair value of receivables at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(1,700)	-	-	(1,700)
Cash flow hedges	-	-	-	-	-	-	-	235,422	-	235,422
Exchange differences on translation of foreign operations	-	-	-	-	-	(13,726)	-	-	-	(13,726)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(13,726)	(1,700)	235,422	2,234,983	2,454,979
Transfer of cash flow hedge reserve to inventories	-	-	-	-	-	-	-	(28,315)	-	(28,315)
Issue of new shares upon the initial public offering (the "IPO") (note 33)	9	3,683,657	-	-	-	-	-	-	-	3,683,666
Equity-settled share-based payment	-	-	-	-	12,351	-	-	-	-	12,351
Transfer from retained profits	-	-	-	134,692	-	-	-	-	(134,692)	-
<b>At December 31, 2025</b>	57	3,861,466	815,144	682,455	106,395	(12,596)	2,457	185,512	4,317,497	9,958,387

## Consolidated Statement of Changes in Equity

Year ended December 31, 2025

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Merger reserve*	Reserve funds*	Share award reserve*	Exchange fluctuation reserve*	Financial assets revaluation reserve*	Cash flow hedge reserve*	Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 33)	(Note 34)	(Note 34)	(Note 34)						
<b>At January 1, 2024</b>	-	-	508,442	129,724	89,799	(7,953)	3,693	-	3,518,574	4,242,279
Profit for the year	-	-	-	-	-	-	-	-	2,910,171	2,910,171
Other comprehensive income for the year:										
Changes in fair value of receivables at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	464	-	-	464
Cash flow hedges	-	-	-	-	-	-	-	62,389	-	62,389
Exchange differences on translation of foreign operations	-	-	-	-	-	9,083	-	-	-	9,083
Total comprehensive income for the year	-	-	-	-	-	9,083	464	62,389	2,910,171	2,982,107
Transfer of cash flow hedge reserve to inventories	-	-	-	-	-	-	-	(83,984)	-	(83,984)
Equity-settled share-based payment	-	-	-	-	4,245	-	-	-	-	4,245
Deemed contribution from the controlling shareholder (note 34(ii))	-	-	321,174	-	-	-	-	-	-	321,174
Deemed distribution to the controlling shareholder (note 34(ii))	-	-	(14,426)	-	-	-	-	-	-	(14,426)
Issue of shares (note 33)	48	177,809	(46)	-	-	-	-	-	-	177,811
Transfer from retained profits	-	-	-	418,039	-	-	-	-	(418,039)	-
Dividends paid (note 12)	-	-	-	-	-	-	-	-	(3,793,500)	(3,793,500)
<b>At December 31, 2024</b>	48	177,809	815,144	547,763	94,044	1,130	4,157	(21,595)	2,217,206	3,835,706

\* These reserve accounts comprise the consolidated reserves of RMB9,958,330,000 (2024: RMB3,835,658,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended December 31, 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>2,890,390</b>	3,549,047
Adjustments for:			
Interest income	5	<b>(164,588)</b>	(217,790)
Fair value gains on financial assets at fair value through profit or loss	5	<b>(20,137)</b>	(28,389)
Impairment loss on financial assets, net	6	<b>17,879</b>	43,233
Losses on disposal of items of property, plant and equipment and intangible assets	7	<b>2,975</b>	5,674
Finance costs	8	<b>57,122</b>	45,146
Depreciation of property, plant and equipment	14	<b>497,852</b>	438,894
Depreciation of investment property	15	<b>28,358</b>	24,147
Depreciation of right-of-use assets	16	<b>69,795</b>	45,843
Amortization of intangible assets	17	<b>53,284</b>	52,250
Assets-related government grants released	5,31	<b>(95,368)</b>	(56,134)
Changes on derivative financial instruments	6,23	<b>(167,469)</b>	165,102
Exchange losses/gains net		<b>27,707</b>	(16,433)
Equity-settled share-based payment expenses	35	<b>12,351</b>	4,245
		<b>3,210,151</b>	4,054,835
Increase in inventories		<b>(552,037)</b>	(3,170,936)
Increase in trade and bills receivables		<b>(16,135)</b>	(1,101,814)
Decrease/(increase) in receivables at fair value through other comprehensive income		<b>412,538</b>	(295,474)
Increase in prepayments, deposits and other receivables		<b>(68,384)</b>	(949,263)
Increase in pledged deposits		<b>(363,309)</b>	(216,593)
(Decrease)/increase in trade and bills payables		<b>(762,171)</b>	3,958,678
Increase in contract liabilities		<b>1,331,424</b>	640,742
Increase in other payables and accruals		<b>170,519</b>	78,142
Increase in warranty provision		<b>39,525</b>	11,864
Increase in amounts due from related parties		<b>(103)</b>	(73)
(Decrease)/increase in amounts due to related parties		<b>(3,080)</b>	57,940
Cash flows generated from operations		<b>3,398,938</b>	3,068,048
Income tax paid		<b>(655,647)</b>	(709,317)
Interest received		<b>143,760</b>	159,348
Net cash flows generated from operating activities		<b>2,887,051</b>	2,518,079

## Consolidated Statement of Cash Flows

Year ended December 31, 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		20,828	58,442
Purchases of items of property, plant and equipment		(1,297,625)	(809,970)
Purchases of intangible assets		(111,824)	(115,254)
Additions to investment property		(2,235)	(2,281)
Proceeds from disposal of items of property, plant and equipment		12,207	2,667
Purchase of leasehold land	16(a)	(410,745)	(105,135)
Proceeds from disposal of leasehold land and buildings	28	652,454	–
Receipt of government grants for property, plant and equipment		181,559	90,276
Purchases of financial assets at fair value through profit or loss		(11,535,000)	(8,013,434)
Disposals of financial assets at fair value through profit or loss		10,155,137	8,041,823
Placement of time deposits		(4,368,710)	(2,039,900)
Withdrawal of time deposits		2,542,278	2,547,449
Repayments from related parties		–	137,001
Net cash flow used in investing activities		<b>(4,161,676)</b>	<b>(208,316)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	33	3,687,138	177,811
Dividends paid	12	–	(3,793,500)
Contribution from the controlling shareholder	34(ii)	–	321,174
Deemed distribution to the controlling shareholder	34(ii)	–	(14,426)
New bank loans		3,248,407	7,137,804
Repayment of bank loans		(3,338,895)	(6,785,794)
Interest paid	8	(57,122)	(45,146)
Principle portion of lease payments		(34,600)	(23,713)
Repayments to related parties		–	(1,494,052)
Listing expense paid		(32,418)	(990)
Net cash flows from/(used) in financing activities		<b>3,472,510</b>	<b>(4,520,832)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		2,197,885	(2,211,069)
Effect of foreign exchange rate changes, net		2,907,756	5,102,830
		(52,874)	15,995
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>5,052,767</b>	<b>2,907,756</b>

## Consolidated Statement of Cash Flows

Year ended December 31, 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances as stated in the consolidated statement of financial position	25	<b>6,879,199</b>	2,907,756
Less: short-term bank deposits with original maturities of over three months and due within one year		<b>(1,826,432)</b>	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		<b>5,052,767</b>	2,907,756

# Notes to Financial Statements

December 31, 2025

## 1. CORPORATE AND GROUP INFORMATION

AUX ELECTRIC CO., LTD. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on October 23, 2024. The registered address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company had been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from September 2, 2025 (the "Listing").

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group underwent the Pre-IPO reorganization("the Reorganization") as conducted during the year ended December 31, 2024.

In the opinion of the directors of the Company, the immediate holding company of the Company is AUX Holdings Group Co., Ltd. ("AUX Holdings"), which is incorporated in the Cayman Islands, and the ultimate holding company of the Company is Ze Hui Limited ("Ze Hui"), which is incorporated in the British Virgin Islands.

As at the date of this report, Mr. ZHENG Jianjiang, through his controlled entities, controlled approximately 81.91% of the voting rights of the Company. In the opinion of the directors of the Company, Mr. ZHENG Jianjiang is the ultimate controlling shareholder of the Company.

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
China Bloom Industrial Co., Ltd.	British Virgin Islands March 22, 2004	United States dollars ("USD") 2	100	–	Investment holding
Ze Kai Limited	Hong Kong August 5, 2011	Hong Kong dollars ("HK\$") 2,000	–	100	Investment holding
Ningbo Sanxing Technology Co., Ltd.* (寧波三星科技有限公司)	PRC/Chinese Mainland May 13, 1999	RMB51,000,000	–	100	Investment holding
Ningbo AUX Electric Co., Ltd.* (寧波奧克斯電氣有限公司)	PRC/Chinese Mainland June 24, 2003	RMB1,350,000,000	–	100	Manufacture and sales of air conditioners
AUX Air Conditioner Co., Ltd.* (奧克斯空調股份有限公司)	PRC/Chinese Mainland December 8, 2016	RMB2,434,627,564	–	100	Manufacture and sales of air conditioners
Ningbo AUX IMP.& EXP. Co., Ltd.* (寧波奧克斯進出口有限公司)	PRC/Chinese Mainland November 10, 1997	RMB550,000,000	–	100	Sales of air conditioners
Nanchang City Aux Electric Manufacture Limited Company*(南昌市奧克斯電氣製造有限公司)	PRC/Chinese Mainland October 17, 2003	RMB604,197,600	–	100	Manufacture of air conditioners
Ningbo AUX Home Appliances Sales Co., Ltd.* (寧波奧克斯家電銷售有限公司)	PRC/Chinese Mainland February 28, 2012	RMB100,000,000	–	100	Sales of air conditioners

## Notes to Financial Statements

December 31, 2025

### 1. CORPORATE AND GROUP INFORMATION *(continued)*

#### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Anhui Aux Intelligent Electric Co., Ltd.* (安徽奧克斯智能電氣有限公司)	PRC/Chinese Mainland November 2, 2017	RMB850,000,000	–	100	Manufacture of air conditioners
Ningbo AUX Information Technology Co., Ltd.* (寧波奧克斯信息技術有限公司)	PRC/Chinese Mainland May 14, 2015	RMB50,000,000	–	100	Sales of air conditioners
Ningbo Huajie Trading Co., Ltd.* (寧波驊韻貿易有限公司)	PRC/Chinese Mainland June 23, 2017	RMB50,000,000	–	100	Trading of metal material
Henan AUX Intelligent Electrical Co., Ltd.* (河南奧克斯智能電氣有限公司)	PRC/Chinese Mainland December 6, 2018	RMB600,000,000	–	100	Manufacture of air conditioners
Ningbo Aoyunshang Commercial Trading Co., Ltd.* (寧波奧雲商貿有限公司)	PRC/Chinese Mainland September 7, 2018	RMB100,000,000	–	100	Sales of air conditioners
Ningbo Hutssom Electric Co., Ltd.* (寧波華蒜電氣有限公司)	PRC/Chinese Mainland August 17, 2018	RMB200,000,000	–	100	Sales of air conditioners
Ningbo Aoyunfu Technology Co., Ltd.* (寧波奧雲服科技有限公司)	PRC/Chinese Mainland September 7, 2018	RMB100,000,000	–	100	Sales of air conditioners
Tianjin AUX Electric Co., Ltd.* (天津奧克斯電氣有限公司)	PRC/Chinese Mainland March 24, 2008	RMB350,000,000	–	100	Property leasing
Zhuhai Tuoxin Technology Co., Ltd.* (珠海拓芯科技有限公司)	PRC/Chinese Mainland June 29, 2016	RMB3,000,000	–	100	Research and development of air conditioning technology
Tianjin AUX Home Appliance Sales Co., Ltd.* (天津奧克斯家電銷售有限公司)	PRC/Chinese Mainland October 20, 2023	RMB100,000,000	–	100	Sales of air conditioners
Ningbo AUX Intelligent Manufacturing Co., Ltd.* (寧波奧克斯智能製造有限公司)	PRC/Chinese Mainland April 30, 2024	RMB200,000,000	–	100	Manufacture of air conditioners
Xtron Air-conditioning Manufacture (Thailand) Co., Ltd.	Thailand September 24, 2018	Thai Baht ("THB") 1,170,000,000	–	100	Manufacture and sales of air conditioners
Aux Cloud Commerce (Malaysia) Sdn. Bhd.	Malaysia August 18, 2023	Malaysian Ringgit ("MYR") 100,000	–	100	Sales of air conditioners
Aux Cloud Commerce (Thailand) Co., Ltd.	Thailand November 29, 2023	THB100,000,000	–	100	Sales of air conditioners
Aux Cloud Commerce PTE. Ltd.	Singapore December 21, 2023	Singapore dollars 1	–	100	Sales of air conditioners
Aux Home Appliances (HK) Co., Limited	Hong Kong July 26, 2017	HK\$10,000	–	100	Sales of air conditioners

## 1. CORPORATE AND GROUP INFORMATION *(continued)*

### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Aux Air-conditioning Sales Co., Ltd.* (杭州奧克斯空調銷售有限公司)	PRC/Chinese Mainland September 12, 2024	RMB10,000,000	–	100	Sales of air conditioners
Ningbo Hanyao Optoelectronics Co., Ltd.* (寧波瀚耀光電有限公司)	PRC/Chinese Mainland December 2, 2024	RMB20,000,000	–	100	Generation of electric power
Nanchang Hanyuan Optoelectronics Co., Ltd.* (南昌瀚遠光電有限公司)	PRC/Chinese Mainland November 8, 2024	RMB20,000,000	–	100	Generation of electric power
Wuhu Hanfeng Optoelectronics Co., Ltd.* (蕪湖瀚峰光電有限公司)	PRC/Chinese Mainland November 4, 2024	RMB20,000,000	–	100	Generation of electric power
Ma'anshan Hantu Optoelectronics Co., Ltd.* (馬鞍山市瀚途光電有限公司)	PRC/Chinese Mainland November 4, 2024	RMB20,000,000	–	100	Generation of electric power
AUX Home Appliances Saudi Arabia Limited L.L.C	Kingdom of Saudi Arabia ("KSA") September 29, 2024	Saudi Arabian Riyal ("SAR") 30,000	–	100	Sales of air conditioners
Aux Cloud Commerce Vietnam Company Limited	Socialist Republic of Vietnam October 18, 2024	Vietnamese Dong ("VND") 72,501,000	–	100	Sales of air conditioners
Changsha Aux Home Appliance Sales Co., Ltd.* (長沙奧克斯家電銷售有限公司)	PRC/Chinese Mainland September 24, 2024	RMB10,000,000	–	100	Sales of air conditioners
Shanghai Aux Air-conditioning Sales Co., Ltd.* (上海奧克斯空調銷售有限公司)	PRC/Chinese Mainland September 20, 2024	RMB10,000,000	–	100	Sales of air conditioners
Jinan Aux Air-conditioning Sales Co., Ltd.* (濟南奧克斯空調銷售有限公司)	PRC/Chinese Mainland September 25, 2024	RMB10,000,000	–	100	Sales of air conditioners
Fuzhou AUX Electric Sales Co., Ltd.* (福州奧克斯電器銷售有限公司)	PRC/Chinese Mainland October 22, 2024	RMB10,000,000	–	100	Sales of air conditioners
Jinhua Aux Air-conditioning Sales Co., Ltd.* (金華奧克斯空調銷售有限公司)	PRC/Chinese Mainland September 29, 2024	RMB10,000,000	–	100	Sales of air conditioners
Chengdu Aux Air-conditioning Equipment Co., Ltd.* (成都奧克斯空調設備有限公司)	PRC/Chinese Mainland September 30, 2024	RMB10,000,000	–	100	Sales of air conditioners
Shenyang Aux Xinchuang Sales Co., Ltd.* (瀋陽奧克斯新創銷售有限公司)	PRC/Chinese Mainland October 16, 2024	RMB10,000,000	–	100	Sales of air conditioners
Shanxi Aux Home Appliance Sales Co., Ltd.* (山西奧克斯家電銷售有限公司)	PRC/Chinese Mainland October 30, 2024	RMB10,000,000	–	100	Sales of air conditioners

## Notes to Financial Statements

December 31, 2025

### 1. CORPORATE AND GROUP INFORMATION *(continued)*

#### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Nanjing Aux Air Conditioning Technology Co., Ltd.* (南京奧克斯空調科技有限公司)	PRC/Chinese Mainland September 29, 2024	RMB10,000,000	–	100	Sales of air conditioners
Wuxi Aux Electric Sales Co., Ltd.* (無錫奧克斯電器銷售有限公司)	PRC/Chinese Mainland November 7, 2024	RMB10,000,000	–	100	Sales of air conditioners
Nanning Aux Home Appliance Sales Co., Ltd.* (南寧奧克斯家電銷售有限公司)	PRC/Chinese Mainland September 26, 2024	RMB10,000,000	–	100	Sales of air conditioners
Anhui Aux Home Appliance Sales Co., Ltd.* (安徽奧克斯家電銷售有限公司)	PRC/Chinese Mainland September 23, 2024	RMB10,000,000	–	100	Sales of air conditioners
Xian Aux Air-conditioning Sales Co., Ltd.* (西安奧克斯空調銷售有限公司)	PRC/Chinese Mainland October 12, 2024	RMB10,000,000	–	100	Sales of air conditioners
Shijiazhuang Aux Air-conditioning Sales Co., Ltd.* (石家莊奧克斯空調銷售有限公司)	PRC/Chinese Mainland October 18, 2024	RMB10,000,000	–	100	Sales of air conditioners
Shanxi Aux Air-conditioning Sales Co., Ltd.* (山西奧克斯空調銷售有限公司)	PRC/Chinese Mainland September 24, 2024	RMB10,000,000	–	100	Sales of air conditioners
Chongqing Aux Air-conditioning Equipment Co., Ltd.* (重慶奧克斯空調設備有限公司)	PRC/Chinese Mainland October 9, 2024	RMB10,000,000	–	100	Sales of air conditioners
Shenzhen Aux Air-conditioning Sales Co., Ltd.* (深圳奧克斯空調銷售有限公司)	PRC/Chinese Mainland September 27, 2024	RMB10,000,000	–	100	Sales of air conditioners
Zhengzhou Aux Electric Sales Co., Ltd.* (鄭州奧克斯電器銷售有限公司)	PRC/Chinese Mainland September 23, 2024	RMB10,000,000	–	100	Sales of air conditioners
Nanchang Aux Home Appliance Marketing Co., Ltd.* (南昌奧克斯家電營銷有限公司)	PRC/Chinese Mainland September 24, 2024	RMB10,000,000	–	100	Sales of air conditioners
Hubei Aux Air-conditioning Sales Co., Ltd.* (湖北奧克斯空調銷售有限公司)	PRC/Chinese Mainland September 20, 2024	RMB10,000,000	–	100	Sales of air conditioners
Foshan Aux Electric Sales Co., Ltd.* (佛山奧克斯電器銷售有限公司)	PRC/Chinese Mainland December 2, 2024	RMB10,000,000	–	100	Sales of air conditioners

The above table lists the subsidiaries of the Company that the directors of the Company believe principally affect the results or assets of the Group. In the opinion of the directors of the Company, to give details of other subsidiaries would result in particulars of excessive length.

\* *The English names of the companies registered in PRC represent the best efforts made by management of the Company to translate the Chinese names of the companies as they do not have official English names.*

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets and financial liabilities which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended December 31, 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities any non-controlling interest and the exchange fluctuation reserve; and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The Group has adopted amendments to *HKAS 21 Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the HKICPA has issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements<sup>2</sup></i>
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosure<sup>2</sup></i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments<sup>1</sup></i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency<sup>2</sup></i>
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2026

<sup>2</sup> Effective for annual/reporting periods beginning on or after January 1, 2027

<sup>3</sup> No mandatory effective date yet determined but available for adoption

## 2. ACCOUNTING POLICIES (continued)

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

(continued)

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after January 1, 2027 with earlier application permitted. Retrospective application is required. The Group is currently analyzing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or IFRS Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of HKFRS 19 and its amendments in their specified financial statements.

Except for that have been disclosed above, the directors of the Company anticipate that the application of all new and amended HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES

#### Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

#### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Related parties *(continued)*

A party is considered to be related to the Group if: *(continued)*

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

#### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 4.75%
Motor vehicles	9% to 31.67%
Machinery and equipment	9% to 31.67%
Office equipment and fixtures	9% to 31.67%
Freehold overseas land	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### Investment property

Investment property is interests in land and buildings held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the Group measures its investment property at cost less depreciation and any impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Land use rights	50 years
Buildings	20 years

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of the retirement or disposal.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### **Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

##### ***Software***

Software is stated at cost less any impairment losses and is amortized on the straight-line basis over their estimated useful lives of 3 to 10 years.

##### ***Patent***

Purchased patent is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of 7 years.

##### ***Research and development costs***

All research costs are charged to profit or loss as incurred.

#### **Leases**

The Group assesses at contract inception whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### ***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### ***(a) Right-of-use assets***

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Leases *(continued)*

##### **Group as a lessee** *(continued)*

##### *(a) Right-of-use assets (continued)*

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2-10 years
Land use rights	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

##### *(b) Lease liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

##### *(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Leases *(continued)*

##### ***Group as a lessor***

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

#### **Investments and other financial assets**

##### ***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Investments and other financial assets *(continued)*

##### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

##### ***Financial assets at amortized cost (debt instruments)***

Financial assets that are with the objective of holding to collect contractual cash flows, where those cash flows represent SPPI, are classified and measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

##### ***Financial assets at fair value through other comprehensive income (debt instruments)***

Financial assets that are with the objective of both holding to collect contractual cash flows and selling the financial assets, where those cash flows represent SPPI, are classified and measured at fair value through other comprehensive income (i.e. receivables at fair value through other comprehensive income that are set out in note 21 to the consolidated financial statements). For receivables at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss. Losses arising on derecognition are presented in "other expense".

##### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognized as other income in profit or loss when the right of payment has been established.

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### **Derecognition of financial assets** *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment of financial assets**

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### **General approach**

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### **General approach** *(continued)*

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

#### **Simplified approach**

For trade and bills receivables and receivables at fair value through other comprehensive income that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix, that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, derivative financial instruments and interest-bearing bank borrowings.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### **Financial liabilities** *(continued)*

##### ***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

##### ***Financial liabilities at amortized cost (trade and other payables, and borrowings)***

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

#### **Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

#### **Derivative financial instruments and hedge accounting**

##### ***Initial recognition and subsequent measurement***

The Group uses derivative financial instruments, such as forward currency contracts, future contracts for the purchase of copper and foreign currency swaps, to hedge its foreign currency risk and commodity price risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### **Derivative financial instruments and hedge accounting** *(continued)*

##### **Initial recognition and subsequent measurement** *(continued)*

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

##### **Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

## **2. ACCOUNTING POLICIES** *(continued)*

### **2.4 MATERIAL ACCOUNTING POLICIES** *(continued)*

#### **Derivative financial instruments and hedge accounting** *(continued)*

##### **Cash flow hedges** *(continued)*

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the moving weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sales of air-conditioners for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Income tax *(continued)*

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Revenue recognition

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

##### *(a) Sale of goods*

The Group are principally engaged in manufacturing and sales of household air-conditioners and central air-conditioners in Chinese Mainland and other countries/jurisdictions.

Revenue from domestic sales of goods is recognized when the Group has delivered products to the location specified in the sales contract and the customer has confirmed the acceptance of the products, and the delivery note is signed by the customer. Upon confirming the acceptance, the customer has the right to sell the products at its discretion and takes the risks of any price fluctuations and obsolescence and loss of the products.

Revenue from overseas sales of goods is recognised when the products have been loaded on board and shipped out of the port in accordance with the sales contract.

The credit period granted to customers by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component.

##### *(i) Rights of return*

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 *Revenue Recognition* on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

The Group bases its estimates of sales return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Revenue recognition *(continued)*

##### **Revenue from contracts with customers** *(continued)*

(a) *Sale of goods* *(continued)*

(ii) Sales rebates

The Group provides distributors with sales rebate and discount, and the relevant revenue is recognized based on contract consideration net of the rebate and discount amount estimated.

(iii) Warranty

The periods and terms of product quality warranty are provided in accordance with the laws and regulations related to the products. The Group has not provided any additional services or product quality warranty, so the product quality warranty does not constitute a separate performance obligation.

(b) *Rendering of services*

The Group provides installation services which are bundled together with the sale of air-conditioners to certain customers. The installation services can be obtained from other providers and do not significantly customize or modify the products.

Contracts for bundled sales of air conditioner and installation services are comprised of two performance obligations because the promises to transfer the air-conditioner and provide installation services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the sale of air-conditioner and installation services.

Revenue from installation services is recognized at a point in time upon completion of installation services. If the contractual consideration received or receivable exceeds the services performed, the excess is recognized as contract liabilities.

(c) *Royalties*

Royalties are brand royalties paid by authorized partners to the Group for the purpose of obtaining franchise rights. The Group appropriates and recognizes revenue over the term of the franchise contracts.

##### **Revenue from other sources**

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Revenue recognition *(continued)*

##### **Other income**

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

##### **Contract liabilities**

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

##### **Share-based payments**

The Company operates an employee share incentive plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of services received in return for shares granted was measured by reference to the fair value of shares granted and the subscription price paid by the grantees. The fair value of the shares granted is determined using discounted cash flow method, further details of which are given in note 35 to the consolidated financial statements.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the lock-up restricted period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Share-based payments *(continued)*

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

#### Other employee benefits

##### *Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Foreign currencies *(continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognized in profit or loss.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

#### *Deferred tax assets*

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### **Judgements** *(continued)*

##### ***Deferred tax assets*** *(continued)*

The Group has tax losses and temporary differences of RMB322,089,000 (2024: RMB169,032,000) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses and temporary differences carried forward.

If the Group had been able to recognize all unrecognized deferred tax assets, the profit and equity would have increased by RMB31,871,000. Further details on deferred taxes are disclosed in note 26 to the financial statements.

##### ***Revenue from contracts with customers***

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

##### ***Determining the method to estimate variable consideration and assessing the constraint for the sale of air-conditioners***

Certain contracts for the sale of air-conditioners include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

In estimating the variable consideration for the sale of air-conditioners with volume rebates, the Group determined that using a combination of the most likely amount method and the expected value method is appropriate. The selected method that better predicts the amount of variable consideration related to volume rebates is primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### ***Variable consideration for sales rebates***

The Group estimates variable consideration to be included in the transaction price for the sale of air-conditioners with sales rebates.

The Group's expected sales rebates are analyzed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely to be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group has applied a statistical model for estimating expected sales rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected sales rebates monthly and the sales rebate accruals and payables are adjusted accordingly. Estimates of expected sales rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of customers' actual rebate entitlements in the future. The refund liabilities at the end of each reporting period are recorded as "sales rebate accruals and payables" in note 28 to the consolidated financial statements.

#### ***Provision for expected credit losses on trade receivables at amortized cost***

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing analysis of customers that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements, respectively.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### **Estimation uncertainty** *(continued)*

##### ***Net realizable value of inventories***

Net realizable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. These estimates, based on the current market condition and the historical experience in selling goods of a similar nature, include but not limited to economic outlook, sales forecasts and the forecast market value for the inventory items. They could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period.

##### ***Useful lives and residual values of items of property, plant and equipment***

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances. Further details of the property, plant and equipment are set out in note 14 to the financial statements.

##### ***Fair value of equity-settled share-based payments***

The fair value of the restricted shares granted is determined by using the discounted cash flow method at the grant dates. Valuation techniques are certified by an independent valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Some inputs, such as revenue growth rate and discount rate, require management estimates. Should any of the estimates and assumptions change, it may lead to a change in the fair value to be recognized in profit or loss. Further details are included in note 35 to the financial statements.

##### ***Warranty provisions***

The Group provides warranty in accordance with the laws and regulations related to the air-conditioners. Under the terms of warranty, the Group undertakes to repair the air-conditioners free of charge in the event of any malfunctioning within the warranty period.

Estimated costs related to warranty are accrued at the time of sales of air-conditioners based on contractual terms, historical experience on the cost incurred on the past warranty claims and volumes of products sold. In cases where the actual cost incurred on the warranty claims are less or more than expected, or change in facts and circumstances which result in revision of estimated costs related to product warranty, a material reversal or further provision of warranty may arise, which would be recognized in profit or loss for the period in which such a reversal or further provision takes place. Further details are included in note 32 to the financial statements.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### Estimation uncertainty *(continued)*

##### *Leases—Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

### 4. OPERATING SEGMENT INFORMATION

#### Description of segments and principal activities

For management purposes, the Group is mainly engaged in manufacturing and sales of household air-conditioners and central air-conditioners in Chinese Mainland and other countries/jurisdictions, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group’s management for purposes of resource allocation and performance assessment. Therefore, no further operating segment analysis thereof is presented.

#### Geographical information

##### *(a) Revenue from external customers*

	2025 RMB’000	2024 RMB’000
Chinese Mainland	15,307,527	15,078,580
Asia (except for Chinese Mainland)	8,208,247	7,339,872
European Union	2,835,481	3,024,817
North America	1,452,264	2,095,134
South America	1,509,047	1,507,028
Other countries/jurisdictions	736,014	713,888
Total revenue	30,048,580	29,759,319

The revenue information above is based on the locations of the customers.

## Notes to Financial Statements

December 31, 2025

### 4. OPERATING SEGMENT INFORMATION *(continued)*

#### Geographical information *(continued)*

##### *(b) Non-current assets*

	2025 RMB'000	2024 RMB'000
Chinese Mainland	7,855,230	6,761,527
Other countries/jurisdictions	322,416	288,032
Total non-current assets	<b>8,177,646</b>	7,049,559

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

#### Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's total revenue for each of the reporting period.

Information about products and services have been disclosed in note 5 to the consolidated financial statements.

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers	30,006,309	29,707,212
Revenue from other sources		
Gross rental income from operating leases	42,271	52,107
Total	<b>30,048,580</b>	29,759,319

**5. REVENUE, OTHER INCOME AND GAINS** *(continued)***Revenue from contracts with customers****(i) Disaggregated revenue information**

	2025 RMB'000	2024 RMB'000
Types of goods or services		
Sale of household air conditioners	<b>24,887,222</b>	24,568,233
Sale of central air conditioners	<b>3,214,307</b>	3,169,839
Installation services of household air-conditioners	<b>1,348,199</b>	1,336,230
Installation services of central air-conditioners	<b>70,257</b>	53,661
Others*	<b>486,324</b>	579,249
Total	<b>30,006,309</b>	29,707,212
Timing of revenue recognition		
Revenue recognized at a point in time:		
Sale of household air conditioners	<b>24,887,222</b>	24,568,233
Sale of central air conditioners	<b>3,214,307</b>	3,169,839
Installation services of household air-conditioners	<b>1,348,199</b>	1,336,230
Installation services of central air-conditioners	<b>70,257</b>	53,661
Others – sales of scrap and raw materials	<b>355,032</b>	521,228
Revenue recognized over time:		
Others	<b>131,292</b>	58,021
Total	<b>30,006,309</b>	29,707,212

\* Others mainly consist of the Group's sales of scrap and raw materials and royalty income.

## Notes to Financial Statements

December 31, 2025

### 5. REVENUE, OTHER INCOME AND GAINS *(continued)*

#### Revenue from contracts with customers *(continued)*

##### *(i) Disaggregated revenue information (continued)*

The following table shows the amounts of revenue recognized in each reporting period that were included in the contract liabilities at the beginning of each reporting period:

	2025 RMB'000	2024 RMB'000
Sale of air conditioners	2,222,523	1,665,425
Installation services	495,974	473,251
Royalty income	39,663	50,510
Total	2,758,160	2,189,186

##### *(ii) Performance obligations*

Information about the Group's performance obligations is summarized below:

###### *Sale of air conditioners*

Revenue from domestic sales of goods is recognized when the Group has delivered products to the location specified in the sales contract, the customer has confirmed the acceptance of the products, and the delivery note is signed by the customer. The Group generally requires domestic customers to make payments in advance before the delivery of products.

Revenue from overseas sales of goods is recognized when the products have been loaded on board and shipped out of the port in accordance with the sales contract. The Group generally collects a certain amount of deposits from overseas customers and the remaining payment is generally due within one to four months from the date when the products have been loaded on board and shipped out of the port in accordance with the sales contract.

Some contracts provide customers with a right of return and sales rebates which give rise to variable consideration subject to constraint. The Group provides distributors with sales rebates and discounts, and the relevant revenue is recognized based on contract consideration net of the rebate and discount amounts estimated.

The periods and terms of product quality warranty are provided in accordance with the laws and regulations related to the products. The Group has not provided any additional services or product quality warranty, so the product quality warranty does not constitute a separate performance obligation.

The Group's obligation to transfer products to customers for consideration received or receivable is presented as contract liabilities.

## 5. REVENUE, OTHER INCOME AND GAINS *(continued)*

### Revenue from contracts with customers *(continued)*

#### **(ii) Performance obligations** *(continued)*

##### *Installation services*

The performance obligation is satisfied at the point in time as installation services are completed and payments in advance are generally required.

##### *Others*

Others mainly consist of the Group's sales of scrap and raw materials and royalty income.

#### (i) Sales of scrap and raw materials

The performance obligation is satisfied when the goods are delivered to and accepted by the customer at the location specified by the customer (delivery) and payments in advance are generally required.

#### (ii) Royalty income

The performance obligation is satisfied over the term of the franchise contract and payments in advance are generally required.

All contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

## Notes to Financial Statements

December 31, 2025

### 5. REVENUE, OTHER INCOME AND GAINS *(continued)*

#### Other income and gains

An analysis of other income and gains is as follows:

	2025 RMB'000	2024 RMB'000
Other income:		
Government grants: <i>(Note)</i>		
Asset-related	95,368	56,134
Income related	300,500	179,633
Bank interest income	164,588	217,790
	<b>560,456</b>	453,557
Other gains:		
Foreign exchange differences, net	–	86,042
Realized gains on derivative financial instruments	–	19,099
Fair value gains on derivative financial instruments	167,469	–
Fair value gains on financial assets at fair value through profit or loss	20,137	28,389
Compensations from suppliers	21,642	22,723
Others	28,234	6,453
	<b>237,482</b>	162,706
Total	<b>797,938</b>	616,263

*Note: The income related government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward the Group's support and contribution for the development of local economies. The asset-related government grants are related to purchases of property, plant and equipment. The grants related to assets were recognized in profit or loss over the useful lives of relevant assets. As at December 31, 2025, there was no unfulfilled conditions or contingencies relating to these government grants (2024: nil).*

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2025 RMB'000	2024 RMB'000
Cost of inventories sold		<b>20,407,781</b>	19,620,017
Cost of services provided		<b>1,418,456</b>	1,367,945
Depreciation of property, plant and equipment	14	<b>497,852</b>	438,894
Depreciation of investment property	15	<b>28,358</b>	24,147
Depreciation of right-of-use assets	16	<b>69,795</b>	45,843
Amortization of software*	17	<b>14,341</b>	13,307
Amortization of patent*	17	<b>38,943</b>	38,943
Research and development costs		<b>688,699</b>	710,035
Lease payments not included in the measurement of lease liabilities	16(c)	<b>108,930</b>	56,909
Auditor's remuneration		<b>5,736</b>	4,837
Listing expenses		<b>29,188</b>	20,471
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		<b>1,859,449</b>	1,801,365
Pension scheme contributions and social welfare		<b>483,486</b>	551,427
Equity-settled share-based payment expenses		<b>9,687</b>	1,581
<b>Total</b>		<b>2,352,622</b>	2,354,373
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment property		<b>2,704</b>	3,521
Foreign exchange differences, net	5,7	<b>2,938</b>	(86,042)
Fair value losses of derivative financial instruments		<b>(167,469)</b>	165,102
Impairment loss of financial assets, net			
Impairment loss of trade receivables, net	20	<b>22,534</b>	43,286
(Reversal of impairment loss)/Impairment loss of receivables at fair value through other comprehensive income	21	<b>(5,291)</b>	1,309
Impairment loss/(Reversal of impairment loss) of financial assets included in prepayments, deposits and other receivables	18	<b>636</b>	(1,362)
<b>Total</b>		<b>17,879</b>	43,233
Write-down of inventories to net realizable value		<b>1,481</b>	19,657
Interest income	5	<b>(164,588)</b>	(217,790)
Losses on disposal of items of property, plant and equipment and intangible assets	7	<b>2,975</b>	5,674

\* The amortization of software and patent for the reporting period are included in "Administrative expenses" and "Research and development expenses", respectively, in the consolidated statement of profit or loss and other comprehensive income.

## Notes to Financial Statements

December 31, 2025

### 7. OTHER EXPENSES

	2025 RMB'000	2024 RMB'000
Foreign exchange differences, net	2,938	–
Realized losses on derivative financial instruments	33,616	–
Fair value losses on derivative financial instruments	–	165,102
Losses on derecognition of receivables at fair value through other comprehensive income	8,692	21,537
Losses on disposal of items of property, plant and equipment and intangible assets	2,975	5,674
Donations	1,015	1,020
Others	64,727	13,741
Total	113,963	207,074

### 8. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 RMB'000	2024 RMB'000
Interest on bank borrowings	52,331	43,832
Interest on lease liabilities (note 16(b))	4,791	1,314
Total	57,122	45,146

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Certain of the Company's directors received remuneration from the subsidiaries now comprising the Group prior to their appointment as the directors of the Company. Details of the remuneration received or receivable by the directors from the Group are as follows:

	2025 RMB'000	2024 RMB'000
Fees:	300	300
Other emoluments:		
Salaries, allowances and benefits in kind	2,414	2,468
Performance related bonuses*	824	1,048
Equity-settled share-based payment expenses**	2,664	2,664
Pension scheme contributions and social welfare	18	16
Subtotal	5,920	6,196
Total	6,220	6,496

\* Executive directors of the Company are entitled to bonus payments which are determined according to their performance.

\*\* Incentives were granted to one of the directors of the Company in respect of his service to the Group, further details of which are set out in note 35 to the consolidated financial statements. The fair value of such share incentive awards, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the consolidated financial statements for the reporting period are included in the above directors' and chief executive's remuneration disclosures.

### (a) Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

	2025 RMB'000	2024 RMB'000
Mr. XIANG Wei	100	100
Ms. JING Xian	100	100
Mr. TAO Shengwen	100	100
Total	300	300

There were no other emoluments payable to the independent non-executive directors during reporting period.

## Notes to Financial Statements

December 31, 2025

### 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

#### (b) Executive directors, non-executive directors and the chief executive

Year ended December 31, 2025

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
<b>Executive directors:</b>					
Mr. ZHENG Jianjiang*	–	–	–	–	–
Mr. XIN Ning**	2,414	824	2,664	18	5,920
<b>Non-executive directors:</b>					
Mr. ZHENG Jiang	–	–	–	–	–
Mr. HE Xiwan	–	–	–	–	–
Ms. LI Jian	–	–	–	–	–
<b>Total</b>	<b>2,414</b>	<b>824</b>	<b>2,664</b>	<b>18</b>	<b>5,920</b>

Year ended December 31, 2024

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
<b>Executive directors:</b>					
Mr. ZHENG Jianjiang*	–	–	–	–	–
Mr. XIN Ning**	2,468	1,048	2,664	16	6,196
<b>Non-executive directors:</b>					
Mr. ZHENG Jiang	–	–	–	–	–
Mr. HE Xiwan	–	–	–	–	–
Ms. LI Jian	–	–	–	–	–
<b>Total</b>	<b>2,468</b>	<b>1,048</b>	<b>2,664</b>	<b>16</b>	<b>6,196</b>

\* Mr. ZHENG Jianjiang is also the chairman of the Company's board of directors.

\*\* Mr. XIN Ning is also the president of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the reporting period.

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended December 31, 2025 included one (2024: one) director, details of whose remuneration are set out in note 9 to the consolidated financial statements.

Details of the remuneration for the remaining four (2024: four) highest paid employees who are neither directors nor the chief executive of the Company during the year ended December 31, 2025 are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	9,481	2,969
Performance related bonuses	7,192	6,963
Equity-settled share-based payment expenses	1,559	1,559
Pension scheme contributions and social welfare	70	65
Total	<b>18,302</b>	11,556

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	2025 RMB'000	2024 RMB'000
HK\$3,000,001 to HK\$3,500,000	1	3
HK\$3,500,001 to HK\$4,000,000	1	1
HK\$4,500,001 to HK\$5,000,000	1	–
HK\$8,500,001 to HK\$9,000,000	1	–
Total	<b>4</b>	4

### 11. INCOME TAX

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

#### Chinese Mainland

Under the law of the PRC on corporate income tax (the "CIT Law") and the implementation regulation of the CIT Law, the CIT rate of the PRC subsidiaries is 25% unless they are subject to preferential tax as set out below.

In 2021, Ningbo Aux Electric Co., Ltd. was accredited as a "High and New Technology Enterprise" ("HNTE") and was entitled to a preferential income tax rate of 15% for a period of three years from December 2021 to December 2024. This subsidiary subsequently renewed its HNTE qualification in 2024 and was entitled to the preferential tax rate of 15% from December 2024 to December 2027.

The State Taxation Administration of the PRC ("STA") announced in March 2021 that manufacturing enterprises engaging in research and development activities would be entitled to claim 200% of their research and development expenses as an additional tax deduction since January 1, 2021. The STA further announced in March 2023 that eligible enterprises would be entitled to claim 200% of their research and development expenses as an additional tax deduction since January 1, 2023. The Group has made its best estimate for the additional tax deduction to be claimed for the Group's entities in ascertaining their assessable profits during the reporting period.

#### Cayman Islands and British Virgin Islands

Under the current laws of the Cayman Islands and British Virgin Islands, the Company and its subsidiaries incorporated in the British Virgin Islands are not subject to tax on income or capital gains during the reporting period.

#### Hong Kong

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the reporting period, except for a subsidiary incorporated in Hong Kong which is a qualifying entity under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of the qualifying entity are taxed at 8.25% and the remaining profits are taxed at 16.5%.

#### Thailand

Under the current laws of Thailand, the Company's subsidiaries incorporated in Thailand are not subject to tax on income or capital gains during the reporting period.

#### Singapore

Under the current laws of Singapore, Singapore profits tax is calculated at 17% on the estimated assessable profits arising in Singapore for the reporting period.

**11. INCOME TAX** *(continued)***Corporate income tax in other jurisdictions**

Income tax on profit arising from other jurisdictions, including Japan, Malaysia, USA, UAE and KSA is calculated on the estimated assessable profit for each of the reporting period at the respective rates prevailing in the relevant jurisdictions.

The income tax expense of the Group is analyzed as follows:

	2025 RMB'000	2024 RMB'000
Current income tax:		
Charge for the year	626,328	592,917
Underprovision in respect of prior years	88,830	2,646
Deferred income tax ( <i>note 26</i> )	(59,751)	43,313
Total	655,407	638,876

A reconciliation of the income tax expense applicable to profit before tax using the statutory tax rate for the country or jurisdiction in which the majority of the Company's subsidiaries are domiciled to the income tax expense at the effective tax rate is as follows:

	2025 RMB'000	2024 RMB'000
Profit before tax	2,890,390	3,549,047
Tax at the statutory tax rate	722,598	887,262
Effect of lower tax rate enacted by local tax authorities	(84,257)	(143,202)
Expenses not deductible for tax	9,195	4,937
Additional deductible allowance for research and development costs	(112,830)	(124,359)
Deductible temporary differences and tax losses not recognized	37,952	17,482
Utilization of tax losses not recognized in previous years	(6,081)	(5,890)
Adjustments in respect of current tax of previous years	88,830	2,646
Tax charge at the Group's effective rate	655,407	638,876

## Notes to Financial Statements

December 31, 2025

### 11. INCOME TAX (continued)

#### Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdiction in which the Group operates, and the legislation is effective for the Group's financial year beginning January 1, 2024.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which it operates are above 15%. There are a limited number of jurisdictions where the Pillar Two effective tax rate is slightly below 15%. The Group does not expect a material exposure to Pillar Two income taxes.

### 12. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2025 of RMB1.06 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

During the year ended December 31, 2024, a dividend of approximately RMB3,793,500,000 was declared and paid by Ningbo Aux Electric Co., Ltd. to its then shareholders.

### 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,429,411,733 (2024: 1,302,530,389) outstanding during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2025 and 2024.

The calculations of basic and diluted earnings per share are based on:

	2025 RMB'000	2024 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent:	<b>2,234,983</b>	2,910,171

  

	Number of shares 2025	2024
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year	<b>1,429,411,733</b>	1,302,530,389

## 14. PROPERTY, PLANT AND EQUIPMENT

## The Group

	Buildings RMB'000	Motor vehicles RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Freehold overseas land RMB'000	Total RMB'000
<b>December 31, 2025</b>							
At January 1, 2025							
Cost	4,082,285	97,995	2,669,328	305,804	701,168	52,142	7,908,722
Accumulated depreciation	(1,258,284)	(56,666)	(1,355,367)	(204,417)	-	-	(2,874,734)
Accumulated impairment	-	(167)	(26,977)	(653)	-	-	(27,797)
Net carrying amount	2,824,001	41,162	1,286,984	100,734	701,168	52,142	5,006,191
At January 1, 2025, net of accumulated depreciation and impairment	2,824,001	41,162	1,286,984	100,734	701,168	52,142	5,006,191
Additions	85,099	9,301	191,538	67,859	996,511	-	1,350,308
Transfers	628,942	10,104	330,005	23,696	(992,747)	-	-
Depreciation provided during the year	(205,211)	(20,570)	(226,659)	(45,412)	-	-	(497,852)
Disposals	-	(1,631)	(12,272)	(1,279)	-	-	(15,182)
Exchange realignment	7,796	15	536	533	-	2,423	11,303
At December 31, 2025, net of accumulated depreciation and impairment	3,340,627	38,381	1,570,132	146,131	704,932	54,565	5,854,768
At December 31, 2025:							
Cost	4,804,122	110,647	3,080,722	384,964	704,932	54,565	9,139,952
Accumulated depreciation	(1,463,495)	(72,099)	(1,483,613)	(238,180)	-	-	(3,257,387)
Accumulated impairment	-	(167)	(26,977)	(653)	-	-	(27,797)
Net carrying amount	3,340,627	38,381	1,570,132	146,131	704,932	54,565	5,854,768

## Notes to Financial Statements

December 31, 2025

### 14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

#### The Group *(continued)*

	Buildings RMB'000	Motor vehicles RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Freehold overseas land RMB'000	Total RMB'000
<b>December 31, 2024</b>							
At January 1, 2024							
Cost	3,901,851	86,127	2,252,320	261,508	265,695	50,848	6,818,349
Accumulated depreciation	(1,070,828)	(48,107)	(1,169,817)	(184,855)	-	-	(2,473,607)
Accumulated impairment	-	(167)	(26,977)	(653)	-	-	(27,797)
Net carrying amount	2,831,023	37,853	1,055,526	76,000	265,695	50,848	4,316,945
At January 1, 2024, net of accumulated depreciation and impairment							
	2,831,023	37,853	1,055,526	76,000	265,695	50,848	4,316,945
Additions	45,805	12,340	360,905	45,101	662,543	-	1,126,694
Transfers	128,312	2,825	94,569	1,364	(227,070)	-	-
Depreciation provided during the year	(187,119)	(11,804)	(218,042)	(21,929)	-	-	(438,894)
Disposals	-	(201)	(7,555)	(245)	-	-	(8,001)
Exchange realignment	5,980	149	1,581	443	-	1,294	9,447
At December 31, 2024, net of accumulated depreciation and impairment	2,824,001	41,162	1,286,984	100,734	701,168	52,142	5,006,191
At December 31, 2024:							
Cost	4,082,285	97,995	2,669,328	305,804	701,168	52,142	7,908,722
Accumulated depreciation	(1,258,284)	(56,666)	(1,355,367)	(204,417)	-	-	(2,874,734)
Accumulated impairment	-	(167)	(26,977)	(653)	-	-	(27,797)
Net carrying amount	2,824,001	41,162	1,286,984	100,734	701,168	52,142	5,006,191

As at December 31, 2025, certain of the Group's buildings with aggregate net carrying values of approximately RMB581,658,000 (2024: RMB716,581,000) were pledged to secure certain interest-bearing bank borrowings and bank facilities of the Group (note 30).

**15. INVESTMENT PROPERTY****The Group**

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
<b>December 31, 2025</b>			
At January 1, 2025:			
Cost	425,637	160,869	586,506
Accumulated depreciation	(203,004)	(52,013)	(255,017)
Net carrying amount	222,633	108,856	331,489
At January 1, 2025, net of accumulated depreciation	222,633	108,856	331,489
Additions	2,235	–	2,235
Depreciation provided during the year	(25,141)	(3,217)	(28,358)
At December 31, 2025, net of accumulated depreciation	199,727	105,639	305,366
At December 31, 2025:			
Cost	427,872	160,869	588,741
Accumulated depreciation	(228,145)	(55,230)	(283,375)
Net carrying amount	199,727	105,639	305,366

## Notes to Financial Statements

December 31, 2025

### 15. INVESTMENT PROPERTY *(continued)*

#### The Group *(continued)*

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
<b>December 31, 2024</b>			
At January 1, 2024:			
Cost	423,356	160,869	584,225
Accumulated depreciation	(182,074)	(48,796)	(230,870)
Net carrying amount	241,282	112,073	353,355
At January 1, 2024, net of accumulated depreciation	241,282	112,073	353,355
Additions	2,281	–	2,281
Depreciation provided during the year	(20,930)	(3,217)	(24,147)
At December 31, 2024, net of accumulated depreciation	222,633	108,856	331,489
At December 31, 2024:			
Cost	425,637	160,869	586,506
Accumulated depreciation	(203,004)	(52,013)	(255,017)
Net carrying amount	222,633	108,856	331,489

**15. INVESTMENT PROPERTY** *(continued)*

The Group's investment property is measured using a cost model and depreciated to write off its costs net of estimated residual values over its estimated useful life on a straight-line basis.

The Group's investment property is located on the land in the PRC with a land use right period of 50 years for self-owned property.

There were no items of investment property pledged during the reporting period.

Fair values of the investment property as at the end of each of the reporting period are as follows:

	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Investment property in the PRC	<b>445,593</b>	515,378

The fair values of the Group's investment property as at the end of each of the reporting period are determined by valuations conducted by management. Under the valuation models, an income approach has been adopted for this industrial property.

The income approach is based on the net rental income of this industrial property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases.

The fair value estimations for the self-owned property (including the related leasehold land) were at Level 3 of the fair value hierarchy. There were no transfers of fair value measurements into or out of Level 3 during each of the reporting period.

## 16. LEASES

### The Group as a lessee

The Group has lease contracts mainly for various items of land use rights and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 years and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during each of the reporting period are as follows:

##### The Group

	Land use rights RMB'000	Buildings RMB'000	Total RMB'000
At January 1, 2024	1,013,776	13,250	1,027,026
Additions	105,135	130,904	236,039
Depreciation provided	(27,068)	(18,775)	(45,843)
Exchange realignment	–	55	55
As at December 31, 2024 and January 1, 2025	1,091,843	125,434	1,217,277
As at December 31, 2024 and January 1, 2025	1,091,843	125,434	1,217,277
Additions	410,745	18,487	429,232
Depreciation provided	(33,523)	(36,272)	(69,795)
Early termination	–	(2,001)	(2,001)
Exchange realignment	–	(7)	(7)
At December 31, 2025	1,469,065	105,641	1,574,706

As at December 31, 2025, certain of the land use rights with aggregate net carrying values of approximately RMB134,998,000 (2024: RMB432,797,000) were pledged to secure certain interest-bearing bank borrowings and bank facilities of the Group (note 30).

**16. LEASES** (continued)**The Group as a lessee** (continued)**(b) Lease liabilities**

The carrying amounts of lease liabilities and the movements during each of the reporting period are as follows:

*The Group*

	2025 RMB'000	2024 RMB'000
Carrying amount at the beginning of the year	117,902	10,728
New leases	18,487	130,904
Accretion of interest recognized during the year	4,791	1,314
Payments	(39,250)	(25,027)
Early cancellation of lease	(2,141)	–
Exchange realignment	(119)	(17)
Carrying amount at the end of the year	99,670	117,902
Analyzed into:		
Current portion	16,008	29,902
Non-current portion	83,662	88,000

The maturity analysis of lease liabilities is disclosed as follow:

	2025 RMB'000	2024 RMB'000
Within one year	16,008	29,902
In the second year	12,075	13,664
In the third to fifth years, inclusive	31,647	25,074
Beyond five years	39,940	49,262
Total	99,670	117,902

## Notes to Financial Statements

December 31, 2025

### 16. LEASES (continued)

#### The Group as a lessee (continued)

(c) The amounts recognized in profit or loss in relation to leases are as follows:

The Group

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	4,791	1,314
Depreciation charge of right-of-use assets	69,795	45,843
Expense relating to short-term leases	106,541	54,805
Expense relating to leases of low-value assets	2,389	2,104
Gain on early cancellation of lease	(140)	–
Total amount recognized in profit or loss	<b>183,376</b>	104,066

(d) The total cash outflow for leases is disclosed in note 36 to the consolidated financial statements.

#### The Group as a lessor

##### (1) Rental income from investment property

The Group leases its investment property (note 15) consisting an industrial property in Chinese Mainland under operating lease arrangements with leases negotiated from terms ranging from one to ten years.

	2025 RMB'000	2024 RMB'000
Rental income	33,455	38,160

The undiscounted lease payments receivable by the Group in future periods under operating leases with its tenants are as follows:

	2025 RMB'000	2024 RMB'000
Within one year	28,873	33,893
After one year but within two years	20,746	31,661
After two years but within three years	12,592	22,120
After three years but within four years	6,377	13,315
After four years but within five years	4,419	5,535
After five years	9,393	14,312
Total	<b>82,400</b>	120,836

**16. LEASES** *(continued)***The Group as a lessor** *(continued)***(2) Rental income from property, plant and equipment**

The Group leases its properties consisting of buildings in Chinese Mainland under operating lease arrangements with leases negotiated from terms ranging from one to three years.

	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Rental income	<b>8,816</b>	13,947

The undiscounted lease payments receivable by the Group in future periods under operating leases with its tenants are as follows:

	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Within one year	<b>497</b>	2,044
After one year but within two years	<b>280</b>	470
After two years but within three years	<b>11</b>	287
Total	<b>788</b>	2,801

## Notes to Financial Statements

December 31, 2025

### 16. LEASES (continued)

#### The Group as a lessor (continued)

The Group has items of property, plant and equipment subject to an operating lease. These assets subject to an operating lease (by class of underlying asset), separate from owned assets held and used by the lessor, are as follows:

	<b>Buildings</b> <b>RMB'000</b>
<b>December 31, 2025</b>	
At January 1, 2025:	
Cost	<b>42,104</b>
Accumulated depreciation	<b>(34,140)</b>
Net carrying amount	<b>7,964</b>
At January 1, 2025, net of accumulated depreciation	<b>7,964</b>
Depreciation provided during the year	<b>(697)</b>
At December 31, 2025, net of accumulated depreciation	<b>7,267</b>
At December 31, 2025:	
Cost	<b>42,104</b>
Accumulated depreciation	<b>(34,837)</b>
Net carrying amount	<b>7,267</b>

**16. LEASES** *(continued)***The Group as a lessor** *(continued)*

	Buildings RMB'000
<hr/>	
<b>December 31, 2024</b>	
At January 1, 2024:	
Cost	42,104
Accumulated depreciation	<u>(32,020)</u>
Net carrying amount	<u>10,084</u>
At January 1, 2024, net of accumulated depreciation	10,084
Depreciation provided during the year	<u>(2,120)</u>
At December 31, 2024, net of accumulated depreciation	<u>7,964</u>
At December 31, 2024:	
Cost	42,104
Accumulated depreciation	<u>(34,140)</u>
Net carrying amount	<u>7,964</u>

## Notes to Financial Statements

December 31, 2025

### 17. INTANGIBLE ASSETS

#### The Group

	Software RMB'000	Patent RMB'000	Total RMB'000
<b>December 31, 2025</b>			
At January 1, 2025:			
Cost	165,024	272,600	437,624
Accumulated amortization	(73,670)	(38,943)	(112,613)
Accumulated impairment	(2,808)	–	(2,808)
Net carrying amount	88,546	233,657	322,203
At January 1, 2025, net of accumulated amortization and impairment	88,546	233,657	322,203
Additions	30,044	–	30,044
Amortization provided during the year	(14,341)	(38,943)	(53,284)
Disposals	(1,965)	–	(1,965)
Exchange realignment	26	–	26
At December 31, 2025, net of accumulated amortization and impairment	102,310	194,714	297,024
At December 31, 2025:			
Cost	192,242	272,600	464,842
Accumulated amortization	(87,124)	(77,886)	(165,010)
Accumulated impairment	(2,808)	–	(2,808)
Net carrying amount	102,310	194,714	297,024

**17. INTANGIBLE ASSETS** *(continued)***The Group** *(continued)*

	Software RMB'000	Patent RMB'000	Total RMB'000
<b>December 31, 2024</b>			
At January 1, 2024:			
Cost	135,484	–	135,484
Accumulated amortization	(63,959)	–	(63,959)
Accumulated impairment	(2,808)	–	(2,808)
Net carrying amount	<u>68,717</u>	<u>–</u>	<u>68,717</u>
At January 1, 2024, net of accumulated amortization and impairment			
	68,717	–	68,717
Additions	33,474	272,600	306,074
Amortization provided during the year	(13,307)	(38,943)	(52,250)
Disposals	(340)	–	(340)
Exchange realignment	2	–	2
At December 31, 2024, net of accumulated amortization and impairment	<u>88,546</u>	<u>233,657</u>	<u>322,203</u>
At December 31, 2024:			
Cost	165,024	272,600	437,624
Accumulated amortization	(73,670)	(38,943)	(112,613)
Accumulated impairment	(2,808)	–	(2,808)
Net carrying amount	<u>88,546</u>	<u>233,657</u>	<u>322,203</u>

## Notes to Financial Statements

December 31, 2025

### 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

#### The Group

	2025 RMB'000	2024 RMB'000
Current		
Value-added-tax recoverable	896,574	896,828
Prepayments	390,313	408,117
Deposits and other receivables	212,621	122,774
Deferred listing expenses	–	3,472
Others	26,773	30,178
	<b>1,526,281</b>	1,461,369
Impairment allowance	<b>(13,972)</b>	(13,336)
	<b>1,512,309</b>	1,448,033
Non-current		
Prepayments for equipment	<b>145,782</b>	172,399

Impairment of other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Reconciliation of the allowance for deposits and other receivables is as follows:

#### As at December 31, 2025

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	
At January 1, 2025	716	767	11,853	13,336	13,336
Impairment (reversal)/loss	(373)	2,883	(1,874)	636	636
As at December 31, 2025	<b>343</b>	<b>3,650</b>	<b>9,979</b>	<b>13,972</b>	<b>13,972</b>

**18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES** *(continued)***The Group** *(continued)*

As at December 31, 2024

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000		
At January 1, 2024	1,495	649	12,554		14,698
Impairment (reversal)/loss	(779)	118	(701)		(1,362)
As at December 31, 2024	716	767	11,853		13,336

**19. INVENTORIES****The Group**

	2025 RMB'000	2024 RMB'000
Finished goods	4,593,550	3,890,577
Finished goods in transit	224,710	405,671
Raw materials	907,185	936,380
Work in progress	705,433	646,213
Total	6,430,878	5,878,841

**20. TRADE AND BILLS RECEIVABLES****The Group**

	2025 RMB'000	2024 RMB'000
Trade receivables	2,331,100	2,221,953
Impairment	(125,703)	(109,379)
Trade receivables, net	2,205,397	2,112,574
Bills receivable	791,634	890,856
Trade and bills receivables	2,997,031	3,003,430

## Notes to Financial Statements

December 31, 2025

### 20. TRADE AND BILLS RECEIVABLES (continued)

#### The Group (continued)

The Group's trading terms with its customers are mainly on credit. The credit term is generally from one to four months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control process to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing. Bills receivable are aged within six months.

An ageing analysis of the Group's trade receivables, based on the revenue recognition date and net of loss allowance, is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	1,624,501	1,987,016
3 to 6 months	284,520	84,672
6 to 12 months	294,845	39,772
1 to 2 years	1,531	1,114
Total	2,205,397	2,112,574

The movements in the loss allowance for impairment of trade receivables are as follows:

	2025 RMB'000	2024 RMB'000
At beginning of the year	109,379	67,962
Impairment losses, net	22,534	43,286
Amounts written off as uncollectible	(6,210)	(1,869)
At end of the year	125,703	109,379

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. To measure the expected credit losses, trade receivables have been assessed on an individual basis for debtors in severe financial difficulty, or by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience, based on the aging of the trade receivables, adjusted as appropriate to reflect current and forward-looking information.

**20. TRADE AND BILLS RECEIVABLES** *(continued)***The Group** *(continued)*

The information about the credit risk exposure on the Group's trade receivables are set out below:

**As at December 31, 2025**

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000	Net carrying amount RMB'000
Provision on a collective basis:				
Aged within 1 year	1.74%	2,242,893	(39,027)	2,203,866
Aged 1 to 2 years	92.94%	21,684	(20,153)	1,531
Aged 2 to 3 years	100.00%	16,760	(16,760)	–
Aged over 3 years	100.00%	15,971	(15,971)	–
Provision on an individual basis	100.00%	33,792	(33,792)	–
Total		2,331,100	(125,703)	2,205,397

**As at December 31, 2024**

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000	Net carrying amount RMB'000
Provision on a collective basis:				
Aged within 1 year	1.88%	2,151,844	(40,384)	2,111,460
Aged 1 to 2 years	94.29%	19,533	(18,419)	1,114
Aged 2 to 3 years	100.00%	9,381	(9,381)	–
Aged over 3 years	100.00%	17,808	(17,808)	–
Provision on an individual basis	100.00%	23,387	(23,387)	–
Total		2,221,953	(109,379)	2,112,574

## Notes to Financial Statements

December 31, 2025

### 21. RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
Bills receivable at fair value through other comprehensive income	94,684	171,046
Trade receivables at fair value through other comprehensive income	466,638	793,760
Total	561,322	964,806

The movements in the loss allowance for impairment of trade receivables at fair value through other comprehensive income are as follows:

	2025 RMB'000	2024 RMB'000
At beginning of year	14,102	12,793
Impairment losses, net	(5,291)	1,309
At end of year	8,811	14,102

All these receivables at fair value through other comprehensive income are aged within six months.

### 22. TRANSFERS OF FINANCIAL ASSETS

#### Transferred financial assets that are not derecognized in their entirety

At December 31, 2025 and 2024, the Group endorsed certain bills receivables accepted by banks in Chinese Mainland (the "Endorsed Bills") with carrying amounts of RMB597,699,000 and RMB695,245,000, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the Company's directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognize the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate amounts of the trade payables settled by the Endorsed Bills to which the suppliers have recourse were RMB2,654,652,000 and RMB2,142,247,000 during the years ended December 31, 2025 and 2024.

## 22. TRANSFERS OF FINANCIAL ASSETS *(continued)*

### Transferred financial assets that are not derecognized in their entirety *(continued)*

At December 31, 2025 and 2024, the Group discounted certain bills receivables accepted by banks in Chinese Mainland (the "Discounted Bills") with carrying amounts of nil and RMB61,982,000 (the "Discounting"). In the opinion of the Company's directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognize the full carrying amounts of the Discounted Bills and the associated bank borrowings. Subsequent to the Discounting, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate amounts of the Discounted Bills to which the banks have recourse were RMB211,982,000 and RMB386,900,000 during the years ended December 31, 2025 and 2024.

### Transferred financial assets that are derecognized in their entirety

At December 31, 2025 and 2024, the Group endorsed certain bills receivables accepted by banks in Chinese Mainland to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB2,817,173,000 and RMB1,348,224,000, and discounted certain bills receivables accepted by banks in Chinese Mainland (the "Derecognized Bills") with carrying amounts of RMB497,290,000 and RMB811,076,000. The Derecognized Bills had a maturity of one to six months at the end of each of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognized Bills, including the Group, disregarding the order of precedence (the "Continuing Involvement"). In the opinion of the Company's directors, the risk of the Group being claimed by the holders of the Derecognized Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the Company's directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

During the years ended December 31, 2025 and 2024, the Group has recognized losses of RMB8,692,000 and RMB21,537,000 which represent the difference between the face amount of the Derecognized Bills and the consideration received from the banks that determined by the discount rate ranging from 0.7% to 1.5% per annum and the remaining period of the Derecognized Bills.

## Notes to Financial Statements

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### 23. DERIVATIVE FINANCIAL INSTRUMENTS

#### The Group

	2025 RMB'000	2024 RMB'000
Assets:		
Forward currency contracts	25,537	–
Futures contracts for the purchase of copper	247,350	–
Total	272,887	–
Liabilities:		
Forward currency contracts	2,646	144,578
Futures contracts for the purchase of copper	–	28,792
Total	2,646	173,370

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as “held for trading” for accounting purposes and are accounted for at fair value through profit or loss.

#### Cash flow hedge – futures contracts for the purchase of copper

Futures contracts for the purchase of copper are designated as hedging instruments in cash flow hedges of forecast purchases of copper. These forecast transactions are highly probable. There is an economic relationship between the hedged items and the hedging instruments as the terms of the futures contracts for the purchase of copper match the terms of the expected highly probable forecast transactions. To measure the hedge effectiveness, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

During the years ended December 31, 2025 and 2024, hedging gains of RMB304,456,000 and RMB55,192,000 were recognized in other comprehensive income, and RMB28,315,000 and RMB83,984,000 were removed from cash flow hedge reserve and included in the initial cost of the hedged asset (inventories).

All the other derivative instruments of the Group do not qualify for hedge accounting, thus, changes in the fair value of which are recognized immediately in “other income and gains” or “other expenses” in profit or loss.

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Structured deposits	1,400,000	–

The balance as at December 31, 2025 represents structured deposits issued by a commercial bank in Chinese Mainland, which were accounted for as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. These structured deposits are with a maturity of 2 months.

## 25. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

### The Group

	2025 RMB'000	2024 RMB'000
Cash and bank balances	6,879,199	2,907,756
Pledged deposits	2,627,671	2,264,362
Subtotal	9,506,870	5,172,118
Less: Short-term bank deposits with original maturities of over three months and due within one year*	(1,826,432)	–
Pledged deposits for bills payable*:		
Current portion	(1,827,325)	(1,424,909)
Non-current portion*	(800,346)	(839,453)
Cash and cash equivalents	5,052,767	2,907,756
Denominated in:		
RMB	809,584	1,186,163
USD	3,887,443	1,436,547
Euro ("EUR")	250,459	152,328
THB	34,987	33,615
MYR	18,962	71,833
AED	19,526	730
VND	10,443	20,616
Others	21,363	5,924
Total	5,052,767	2,907,756

## Notes to Financial Statements

December 31, 2025

### 25. CASH AND BANK BALANCES AND PLEDGED DEPOSITS *(continued)*

#### The Company

	2025 RMB'000	2024 RMB'000
Bank balances	2,024,957	177,811
Denominated in USD	2,024,957	177,811

\* The non-current portion of pledged deposits as at December 31, 2025 and 2024 are with a maturity between 30 months and 36 months.

The RMB is not freely convertible into other currencies, however, under the Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

### 26. DEFERRED TAX

#### The Group

##### (a) *Deferred tax assets*

The movements in deferred tax assets of the Group during each of the reporting period are as follows:

	Accrued expenses RMB'000	Warranty provision RMB'000	Tax losses RMB'000	Contract liabilities RMB'000	Impairment for financial assets RMB'000	Deferred income RMB'000	Employee benefits RMB'000	Derivative financial instruments RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2024	139,189	122,275	50,394	76,074	20,458	26,952	34,062	36	2,563	63,808	535,811
Deferred tax (charged)/ credited <i>(note 11)</i>	(31,753)	867	5,203	13,415	5,790	(3,662)	7,429	42,283	38,262	35,353	113,187
As at December 31, 2024 and January 1, 2025	107,436	123,142	55,597	89,489	26,248	23,290	41,491	42,319	40,825	99,161	648,998
Deferred tax (charged)/ credited <i>(note 11)</i>	(16,717)	(1,338)	81,361	(63,064)	7,827	5,268	(1,565)	(42,319)	(12,316)	55,707	12,844
At December 31, 2025	90,719	121,804	136,958	26,425	34,075	28,558	39,926	-	28,509	154,868	661,842

**26. DEFERRED TAX** *(continued)***The Group** *(continued)***(b) Deferred tax liabilities**

The movements in deferred tax liabilities of the Group during each of the Relevant Periods are as follows:

	Temporary differences in depreciation of fixed assets RMB'000	Derivative financial instruments RMB'000	Accrued interest of pledged deposits RMB'000	Right-of-use assets RMB'000	Derivative financial instruments RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2024	42,810	5,190	4,100	3,155	-	215	55,470
Deferred tax charged/ (credited) <i>(note 11)</i>	111,800	(5,190)	5,763	36,716	-	(215)	148,874
As at December 31, 2024 and January 1, 2025	154,610	-	9,863	39,871	-	-	204,344
Deferred tax charged/ (credited) <i>(note 11)</i>	(29,941)	61,837	56	(10,589)	1,439	-	22,802
At December 31, 2025	124,669	61,837	9,919	29,282	1,439	-	227,146

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Net deferred tax assets recognized in the consolidated statement of financial position	469,257	498,699
Net deferred tax liabilities recognized in the consolidated statement of financial position	34,561	54,045

The total amounts of tax losses at December 31, 2025 and 2024, were RMB855,517,000 and RMB363,594,000, most of which were generated within Chinese Mainland.

The amounts of unrecognized tax losses as at December 31, 2025 and 2024 were RMB294,477,000 and RMB139,674,000 which will expire in five to ten years for offsetting against future taxable profits of the subsidiaries in which the losses arose. The amounts of unrecognized temporary differences as at December 31, 2025 and 2024 were RMB27,612,000 and RMB29,358,000. No deferred tax assets have been recognized in relation to these tax losses and temporary differences as it is not considered probable that taxable profit will be available against which these tax losses and temporary differences can be utilized.

## Notes to Financial Statements

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### 27. TRADE AND BILLS PAYABLES

#### The Group

	2025 RMB'000	2024 RMB'000
Trade payables	5,181,495	6,451,406
Bills payable	4,451,459	3,943,719
Total	9,632,954	10,395,125

Bills payable are aged within six months. An ageing analysis of the trade payables, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	5,023,639	6,292,210
3 to 6 months	79,666	125,223
6 to 12 months	58,277	20,721
1 to 2 years	9,797	4,600
2 to 3 years	2,118	2,922
Over 3 years	7,998	5,730
Total	5,181,495	6,451,406

The trade payables are non-interest-bearing and are normally settled on terms of one to three months.

## 28. OTHER PAYABLES AND ACCRUALS

### The Group

	2025 RMB'000	2024 RMB'000
Current		
Sales rebate accruals and payables	715,571	752,655
Other accrued expenses	352,821	395,337
Deposits	977,079	806,964
Payroll payables	519,401	582,358
Equipment and construction payables	710,876	723,247
Value-added tax payables	325,983	225,601
Other tax payables	54,050	63,612
Consideration for disposal of buildings and leasehold land	650,489	–
Others	130,253	93,188
Accrual for listing expenses	–	17,342
	<b>4,436,523</b>	3,660,304
Non-current		
Equipment and construction payables	65,697	109,040

Other current payables are unsecured, non-interest-bearing and repayable on demand.

## 29. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

### The Group

	2025 RMB'000	2024 RMB'000
Contract liabilities		
– advances received on sales of goods and services	4,181,897	2,850,473

As at January 1, 2024, the carrying amount of contract liabilities was RMB2,209,731,000.

The Group' contract liabilities are mainly related to short-term advances received to deliver goods and render installation services. The increase in contract liabilities in 2024 and 2025 was mainly due to the continuous growth in the scale of the Group' operations in 2024 and 2025.

## Notes to Financial Statements

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### 30. INTEREST-BEARING BANK BORROWINGS

#### The Group

				As at December 31, 2025		
	Note	Effective interest rate (%)	Maturity	RMB'000		
Current						
Bank loans – unsecured		0.6-3.65	2026	860,000		
Total – current				860,000		
Non-current						
Bank loans – secured	(a)	2.8-3.65	2027-2030	58,690		
Bank loans – unsecured		2.8-3.65	2028-2030	544,156		
Total – non-current				602,846		
				As at December 31, 2024		
	Note	Effective interest rate (%)	Maturity	RMB'000		
Current						
Bank loans – unsecured		0.60-2.31	2025	641,982		
Current portion of long term bank loans – unsecured		2.60-2.65	2025	15,859		
Total – current				657,841		
Non-current						
Bank loans – secured	(a)	2.80-3.65	2026-2029	50,640		
Bank loans – unsecured		2.40-2.65	2026-2027	844,853		
Total – non-current				895,493		

**30. INTEREST-BEARING BANK BORROWINGS** *(continued)***The Group** *(continued)*

An analysis of the carrying amounts of interest-bearing bank borrowings by type of interest rate is as follows:

	2025 RMB'000	2024 RMB'000
Fixed interest rate	860,000	900,640
Variable interest rate	602,846	652,694
Total	<b>1,462,846</b>	1,553,334

	2025 RMB'000	2024 RMB'000
Analyzed into:		
Bank loans repayable:		
Within one year or on demand	860,000	657,841
In the second year	20,439	694,853
In the third to fifth years, inclusive	582,407	200,640
Total	<b>1,462,846</b>	1,553,334

*Notes:*

(a) As at December 31, 2025 and 2024 interest-bearing bank borrowings with the amount of nil and RMB50,640,000 were pledged by buildings (note 14) and land use rights (note 16(a)) of the Group.

(b) The above loan balances are all denominated in RMB.

## Notes to Financial Statements

December 31, 2025

### 31. DEFERRED INCOME

#### The Group

	2025 RMB'000	2024 RMB'000
At the beginning of the year	630,954	596,812
Addition	181,559	90,276
Amortization during the year	(95,368)	(56,134)
At the end of the year	717,145	630,954
Current portion	62,502	57,317
Non-current portion	654,643	573,637

### 32. PROVISION

#### The Group

	RMB'000
At January 1, 2024	510,229
Additional provision	150,628
Amounts utilized during the year	(138,824)
Exchange realignment	60
At December 31, 2024	522,093
Portion classified as current liabilities	(159,864)
Non-current portion	362,229
At January 1, 2025	522,093
Additional provision	174,263
Amounts utilized during the year	(134,852)
Exchange realignment	114
At December 31, 2025	561,618
Portion classified as current liabilities	(162,051)
Non-current portion	399,567

The duration and terms of the product quality guarantee are provided in accordance with the laws and regulations relating to the product. The Group does not provide any additional services or product quality warranties, and therefore product quality warranties do not constitute separate performance obligations. The amount of the provision for the warranties is estimated based on contractual terms, historical experience on cost incurred on the past warranty claims and volumes of products sold. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

### 33. SHARE CAPITAL

	Numbers of ordinary shares '000	Amount US\$
Authorized:		
As at January 1, 2024	–	–
Authorized ordinary shares of US\$0.000005 each	10,000,000	50,000
As at December 31, 2024 and December 31, 2025	10,000,000	50,000

A summary of movements in the Company's ordinary share capital is as follows:

	Numbers of ordinary shares '000	Nominal value of shares US\$	Equivalent nominal value of shares RMB'000
Issued and fully paid:			
As at January 1, 2024	–	–	–
Issue of ordinary shares of US\$0.000005 each	1,350,000	6,750	48
As at December 31, 2024 and January 1, 2025	1,350,000	6,750	48
Issue of ordinary shares pursuant to IPO of US\$0.000005 each	238,235	1,191	9
As at December 31, 2025	1,588,235	7,941	57

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 23, 2024. Upon its incorporation, one ordinary share was issued and allotted at par value, which was then transferred to AUX Holdings.

On November 22, 2024, the Company issued and allotted 1,300,921,249 ordinary shares to AUX Holdings. Upon such issuance, AUX Holdings held 1,300,921,250 ordinary shares of the Company.

On December 20, 2024, 49,078,750 ordinary shares were issued and allotted to offshore shareholding platforms (as detailed in note 35 to the consolidated financial statements) at an aggregated consideration of approximately US\$24.7 million (equivalent to approximately RMB177,811,000). The consideration was fully paid on December 24, 2024.

On September 2, 2025, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of the issuance of 238,235,200 new shares of US\$0.000005 each issued at an offering price of HK\$17.42 per share.

## 34. RESERVES

### The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

#### **(i) Capital reserve**

As at December 31, 2025, the capital reserve of the Group represents the difference between the par value of the shares issued and the consideration received.

#### **(ii) Merger reserve**

As at December 31, 2022 and 2023, the merger reserve represents the sum of share capital of China Bloom Industrial Co., Ltd. (the oversea holding company) and Ningbo AUX Electric Co., Ltd. (the domestic holding company), offset by (i) share capital of Ningbo Fenghe, which is the consideration paid to AUX Group for the share swap; and (ii) share capital of Ningbo Zezhong, both of which have been disposed of/transferred as part of the Reorganization.

During the year ended December 31, 2024, consideration of RMB321,174,000 for the disposal of the entire equity interest in Ningbo Zezhong was received by the Group as deemed contribution from the ultimate controlling shareholder, and cash consideration of RMB14,426,000 for the share swap was paid by the Group as deemed distribution to the ultimate controlling shareholder.

#### **(iii) Reserve funds**

In accordance with the Company Law of the PRC, certain subsidiaries of the Group, being domestic enterprises, are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their reserve funds until the reserve funds reach 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the reserve funds may be converted to registered capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital.

### 35. SHARE BASED PAYMENTS

For the purpose of awarding the employees and directors of the Group to secure their services and incentivize their maximum effort towards the Group's success, the Group set up four limited partnerships in the PRC as onshore shareholding platforms.

In 2017, 2018 and 2022, 26,164,000 shares, 2,914,623 shares and 29,497,479 shares of Ningbo AUX Electric Co., Ltd. with par value of RMB1.00 each were granted to certain eligible participants and issued to the onshore shareholding platforms, the units of which were held by the grantees. Details of the granted restricted shares are as follows:

Date of grant	Number of shares	Subscription	Fair value at grant
		price per share	date per share
		RMB	RMB
October 11, 2017*	26,164,000	3.62	17.14
August 31, 2018	2,914,623	1.65-1.67	7.62
December 14, 2022	29,497,479	2.39	6.27

\* Due to the increase of share capital by capitalization of capital reserve of Ningbo AUX Electric Co., Ltd in July 2018, the total number of shares has been adjusted on a 1:2.25 basis. The number of restricted shares granted in October 11, 2017 has been increased to 58,869,000.

## Notes to Financial Statements

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### 35. SHARE BASED PAYMENTS *(continued)*

These restricted shares granted to grantees/employees shall be vested after 3 or 6 years since the completion of initial public offering of the Company's shares.

In October 2024, as a step of the Reorganization, for the purpose of better administration and to complete the relevant overseas direct investment (ODI) procedure, four offshore shareholding platforms were established. The onshore shareholding platforms swapped the shares in Ningbo AUX Electric Co., Ltd. to the Company. In return, the offshore shareholding platforms held the shares of the Company upon the completion of the Reorganization. The awarded employees are now holding the units of the four offshore shareholding platforms which held the shares of the Company on behalf of them. Each eligible participant's interests in the onshore shareholding platforms were reflected in such offshore shareholding platforms.

The following restricted shares were outstanding during the reporting period:

	<b>Number of restricted shares</b>
At January 1, 2024	59,882,000
Forfeited during the year	<u>(10,803,250)</u>
At December 31, 2024	<u>49,078,750</u>
At January 1, 2025	49,078,750
Forfeited during the year	<u>–</u>
At December 31, 2025	<u>49,078,750</u>

The fair value of services received in return for shares granted was measured by reference to the fair value of shares granted less the subscription price paid by the eligible participants. The fair value of the shares granted is measured as the market value at the grant date, which is determined by an external valuer using discounted cash flow method, taking into account the terms and conditions upon which the restricted shares were granted.

During the years ended December 31, 2025 and 2024 the equity-settled share-based payment expenses of RMB12,351,000 and RMB4,245,000 were charged to profit or loss.

### 36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

During the years ended December 31, 2025 and 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB18,487,000 and RMB130,904,000 in respect of lease arrangements for buildings.

**36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS** *(continued)***(b) Changes in liabilities arising from financing activities****Year ended December 31, 2025**

	Interest- bearing bank borrowings RMB'000	Lease liabilities RMB'000
At January 1, 2025	1,553,334	117,902
Changes from financing cash flows	(142,819)	(39,250)
New leases	–	18,487
Early cancellation of lease	–	(2,141)
Interest expense <i>(note 8)</i>	52,331	4,791
Exchange realignment	–	(119)
At December 31, 2025	<b>1,462,846</b>	<b>99,670</b>

**Year ended December 31, 2024**

	Interest- bearing bank borrowings RMB'000	Lease liabilities RMB'000	Amounts due to related parties RMB'000
At January 1, 2024	1,201,324	10,728	1,494,052
Changes from financing cash flows	308,178	(25,027)	(1,494,052)
New leases	–	130,904	–
Interest expense <i>(note 8)</i>	43,832	1,314	–
Exchange realignment	–	(17)	–
At December 31, 2024	<b>1,553,334</b>	<b>117,902</b>	<b>–</b>

**(c) Total cash outflow for leases**

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2025 RMB'000	2024 RMB'000
Within operating activities	108,930	56,909
Within investing activities	410,745	105,135
Within financing activities	39,250	25,027
Total	<b>558,925</b>	<b>187,071</b>

## Notes to Financial Statements

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### 37. CONTINGENT LIABILITIES

On December 8, 2022, a company (the "Plaintiff") filed a claim against Ningbo Aosheng Trading Co., Ltd. (an entity controlled by Mr. ZHENG Jianjiang), AUX Air Conditioner Co., Ltd. (a subsidiary of the Company) and five individuals, two of whom are the Group's current employees and three of whom are the Group's former employees, alleging infringement of the Plaintiff's business secrets and technical secrets related to eight patents. The Plaintiff's claims include (i) demanding that the defendants immediately cease infringing on the Plaintiff's trade secrets and transfer the eight involved patents to the Plaintiff; and (ii) seeking compensation from the defendants for economic losses and reasonable rights protection costs totaling RMB99.0 million.

In April 2025, the Group received the first-instance decision from the court, which decided, among others, that (i) Ningbo Aosheng Trading Co., Ltd. and two of the individual defendants shall compensate the Plaintiff for its economic losses and reasonable expenses in the amount of RMB3.5 million, and (ii) the Group shall transfer the eight involved patents, which were not used in the production activities of the Group and were not capitalized in the consolidated statement of financial position of the Group, to the Plaintiff.

Ningbo Aosheng Trading Co., Ltd. has filed an appeal against the decision and the second-instance hearing was held in January 2026. As of the date of this report, the court in the PRC has conducted a trial of the case, but has not yet given a judgment.

The directors of the Company, based on the aforementioned decision, believe it is not probable that an outflow of resources will be required. Accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

### 38. PLEDGE OF ASSETS

Details of the Group's buildings and land use rights pledged for the Group's interest-bearing bank borrowings and bank facilities are included in notes 14 and 16(a) to the consolidated financial statements.

Details of the Group's deposits pledged for the Group's bills payable are included in note 25 to the consolidated financial statements.

### 39. COMMITMENTS

The Group had the following contractual commitments at the end of each reporting period.

	2025 RMB'000	2024 RMB'000
Buildings	1,814,702	781,328
Machinery	309,884	315,555
Total	2,124,586	1,096,883

## 40. RELATED PARTY TRANSACTIONS

### (a) Names of and relationships with 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 reporting period:

Name of the related party	Relationship with the Group
Mr. ZHENG Jianjiang	Director and controlling shareholder of the Company
Mr. ZHENG Jiang	Director of the Company
Mr. HE Xiwan	Director of the Company
AUX Holdings	Immediate parent company
China Prosper Enterprise Holding Co., Ltd. ("China Prosper")	Intermediate parent company
AUX Group	Entity controlled by Mr. ZHENG Jianjiang
Ningbo Mingzhou Hospital Co., Ltd.* 寧波明州醫院有限公司	Entity controlled by Mr. ZHENG Jianjiang
Hangzhou Aux Real Estate Co., Ltd.* 杭州奧克斯置業有限公司	Entity controlled by Mr. ZHENG Jianjiang
Ningbo Yinzhou Mingao Pharmacy Co., Ltd.* 寧波市鄞州明奧大藥房有限公司	Entity controlled by Mr. ZHENG Jianjiang
Ningbo Mingzhou Puhua Pharmaceutical Co., Ltd.* 寧波明州普華醫藥有限公司	Entity controlled by Mr. ZHENG Jianjiang
Ningbo Aux Intelligent Technology Co., Ltd.* 寧波奧克斯智能科技股份有限公司	Entity controlled by Mr. ZHENG Jianjiang
Ningbo Mingzhou Medical Group Co., Ltd.* 寧波明州醫療集團有限公司	Entity controlled by Mr. ZHENG Jianjiang
Ningbo Aux Real Estate Co., Ltd.* 寧波奧克斯置業有限公司	Entity controlled by Mr. ZHENG Jianjiang
Ningbo Sanxing Medical Electric Co., Ltd.* 寧波三星醫療電氣股份有限公司	Entity controlled by Mr. ZHENG Jianjiang
Shu Yi Property Services Limited Co., Ltd.* 曙一物業服務有限公司	Entity controlled by Mr. ZHENG Jianjiang
Ningbo ShuYi Business Service Co., Ltd.* 寧波曙一商務服務有限公司	Entity controlled by Mr. ZHENG Jianjiang
Ningbo Zezhong	Entity controlled by Mr. ZHENG Jianjiang
Ningbo Fengtong Investment Co., Ltd.* 寧波豐通投資有限公司	Entity controlled by Mr. ZHENG Jianjiang
Ningbo Shengyao Enterprise Management Co., Ltd.* 寧波聖耀企業管理有限公司	Entity controlled by Mr. ZHENG Jianjiang
Ningbo Aoneng Electric Co., Ltd.* 寧波奧能電氣有限公司	Entity controlled by Mr. ZHENG Jianjiang
Jiangxi Longzhicheng Industry Co., Ltd.* 江西省龍之丞實業有限公司 ("Longzhicheng")	Entity controlled by relatives of Mr. He Xiwan
Anhui Jiahuikai Intelligent Technology Co., Ltd.* 安徽嘉匯凱智能科技股份有限公司 ("Jiahuikai")	Entity controlled by relatives of Mr. ZHENG Jianjiang

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### 40. RELATED PARTY TRANSACTIONS *(continued)*

#### (a) Names of and relationships with related parties *(continued)*

Name of the related party	Relationship with the Group
Ningbo Wenbang Electronics Co., Ltd.* 寧波文邦電子有限公司 (“Wenbang”)	Entity controlled by relatives of Mr. ZHENG Jianjiang
Ningbo Dewei Electric Appliance Co., Ltd.* 寧波德偉電器有限公司 (“Dewei”)	A relative of Mr. ZHENG Jianjiang hold 20% of the equity interest in this entity
Ningbo Furno HVAC Engineering Co., Ltd.* 寧波富諾暖通工程有限公司 (“Furno HVAC”)	A relative of Mr. ZHENG Jianjiang hold 50% of the equity interest in this entity
Ningbo Yinzhou Rural Commercial Bank Co., Ltd.* 寧波鄞州農村商業銀行股份有限公司 (“Yinzhou Rural Commercial Bank”)	Mr. ZHENG Jianjiang serves as a director in this entity
Ningbo Haishu Longguan Kunyuan Plastic Packaging Factory* 寧波市海曙龍觀坤源塑料包裝廠 (“Kunyuan”)	Business operated by a relative of Mr. HE Xiwan

\* *The English names of the companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of the companies as they do not have official English names.*

#### (b) Transactions with related parties

	2025 RMB'000	2024 RMB'000
<b>Purchases of goods and services:</b>		
Jiahuikai	115,774	110,846
Longzhicheng	100,207	126,361
Wenbang	40,421	42,077
Entities controlled by Mr. ZHENG Jianjiang	14,937	17,620
Dewei	30,489	39,001
Kunyuan	3,093	3,106
	<b>304,921</b>	339,011
<b>Sales of goods and rendering of services:</b>		
Entities controlled by Mr. ZHENG Jianjiang	19,419	31,251
Furno HVAC	2,772	7,220
Jiahuikai	2,674	–
	<b>24,865</b>	38,471
<b>Lease income:</b>		
Entities controlled by Mr. ZHENG Jianjiang	898	2,953

**40. RELATED PARTY TRANSACTIONS** (continued)**(b) Transactions with related parties** (continued)

	2025 RMB'000	2024 RMB'000
<b>Lease expense for short-term leases:</b>		
Entities controlled by Mr. ZHENG Jianjiang	462	392
Interest income:		
Yinzhou Rural Commercial Bank	594	142
<b>Rental payments:</b>		
Entities controlled by Mr. ZHENG Jianjiang	4,081	3,995
Interest expense:		
Entities controlled by Mr. ZHENG Jianjiang	–	284
<b>Purchase of property, plant and equipment</b>		
Entities controlled by Mr. ZHENG Jianjiang	25,392	–

The above transactions were carried out between the Group and its related parties during the reporting period at terms negotiated between the Group and the respective related parties.

**(c) Compensation of key management personnel of the Group**

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	4,429	4,032
Performance related bonuses	1,628	2,868
Pension scheme contributions and social welfare	53	53
Equity-settled share-based payment expenses	4,101	4,101
Total	10,211	11,054

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### 40. RELATED PARTY TRANSACTIONS *(continued)*

#### (d) Balances with related parties

The following table sets forth the outstanding balances with related parties as of the dates indicated:

	2025 RMB'000	2024 RMB'000
Bank balance*		
Yinzhou Rural Commercial Bank	83,916	43,031

\* The balance is included in the "cash and bank balances" in the consolidated statement of financial position.

	2025 RMB'000	2024 RMB'000
Amounts due from related parties:		
Trade nature		
Entities controlled by Mr. ZHENG Jianjiang	176	73

The maximum outstanding amounts of the following balances due from related parties–non-trade nature during each reporting period are as follows:

	2025 RMB'000	2024 RMB'000
Amounts due from related parties:		
Non-trade nature		
Mr. ZHENG Jianjiang	–	32,341
Entities controlled by Mr. ZHENG Jianjiang	–	7,525
Total	–	39,866

The amounts due from related parties are unsecured and payable on demand with interest-free.

**40. RELATED PARTY TRANSACTIONS** *(continued)***(d) Balances with related parties** *(continued)*

	2025 RMB'000	2024 RMB'000
Amounts due to related parties:		
Trade nature		
Jiahuikai	54,959	44,571
Longzhicheng	47,162	50,368
Wenbang	19,749	20,884
Dewei	16,060	21,923
Entities controlled by Mr. ZHENG Jianjiang	603	3,591
Furno HVAC	166	318
Kunyuan	111	235
	<b>138,810</b>	141,890

An ageing analysis of the amounts due to related parties – trade nature, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	121,909	110,536
3 to 6 months	3,349	13,611
6 to 12 months	7,407	9,443
1 to 2 years	2,930	4,506
2 to 3 years	513	2,245
Over 3 years	2,702	1,549
Total	<b>138,810</b>	141,890

The above amounts due to related parties are unsecured, payable on demand and interest-free.

## Notes to Financial Statements

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### 41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the reporting period are as follows:

#### Financial assets

As at December 31, 2025

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortized cost RMB'000	Total RMB'000
Receivables at fair value through other comprehensive income	–	561,322	–	561,322
Trade and bills receivables	–	–	2,997,031	2,997,031
Financial assets included in prepayments, deposits and other receivables	–	–	222,702	222,702
Derivative financial instruments	272,887	–	–	272,887
Pledged deposits	–	–	2,627,671	2,627,671
Cash and bank balances	–	–	6,879,199	6,879,199
Amounts due from related parties	–	–	176	176
<b>Total</b>	<b>272,887</b>	<b>561,322</b>	<b>12,726,779</b>	<b>13,560,988</b>

As at December 31, 2024

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortized cost RMB'000	Total RMB'000
Receivables at fair value through other comprehensive income	964,806	–	964,806
Trade and bills receivables	–	3,003,430	3,003,430
Financial assets included in prepayments, deposits and other receivables	–	151,692	151,692
Pledged deposits	–	2,264,362	2,264,362
Cash and bank balances	–	2,907,756	2,907,756
Amounts due from related parties	–	73	73
<b>Total</b>	<b>964,806</b>	<b>8,327,313</b>	<b>9,292,119</b>

**41. FINANCIAL INSTRUMENTS BY CATEGORY** *(continued)*

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the reporting period are as follows: *(continued)*

**Financial liabilities****As at December 31, 2025**

	Financial liabilities at fair value through profit or loss RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Financial liabilities at amortized cost RMB'000	Total RMB'000
Trade and bills payables	–	–	9,632,954	9,632,954
Financial liabilities included in other payables and accruals	–	–	3,602,785	3,602,785
Derivative financial instruments	2,646	–	–	2,646
Interest-bearing bank borrowings <i>(note 30)</i>	–	–	1,462,846	1,462,846
Amounts due to related parties	–	–	138,810	138,810
<b>Total</b>	<b>2,646</b>	<b>–</b>	<b>14,837,395</b>	<b>14,840,041</b>

**As at December 31, 2024**

	Financial liabilities at fair value through profit or loss RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Financial liabilities at amortized cost RMB'000	Total RMB'000
Trade and bills payables	–	–	10,395,125	10,395,125
Financial liabilities included in other payables and accruals	–	–	2,878,029	2,878,029
Derivative financial instruments	144,578	–	–	144,578
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	28,972	–	28,972
Interest-bearing bank borrowings <i>(note 30)</i>	–	–	1,553,334	1,553,334
Amounts due to related parties	–	–	141,890	141,890
<b>Total</b>	<b>144,578</b>	<b>28,972</b>	<b>14,968,378</b>	<b>15,141,748</b>

### 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, pledged deposits, financial assets included in prepayments, deposits and other receivables, trade and bills receivables, amounts due from related parties, trade and bills payables, financial liabilities included in other payables and accruals, amounts due to related parties and current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Derivative financial instruments, including forward currency contracts, futures contracts for the purchase of copper and foreign currency swaps are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts, futures contracts for the purchase of copper and foreign currency swaps are the same as their fair values.

The fair values of the non-current portion of pledged deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair values of receivables at fair value through other comprehensive income have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The Group invests in unlisted investments, which represent structure deposits issued by a bank in Chinese Mainland. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

**42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS***(continued)***Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value:

**As at December 31, 2025**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets				
Derivative financial instruments	–	272,887	–	272,887
Receivables at fair value through other comprehensive income	–	561,322	–	561,322
Total	–	834,209	–	834,209

As at December 31, 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets				
Receivables at fair value through other comprehensive income	–	964,806	–	964,806

## Notes to Financial Statements

December 31, 2025

### 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

#### Fair value hierarchy (continued)

Liabilities measured at fair value:

As at December 31, 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities				
Derivative financial instruments	–	2,646	–	2,646

As at December 31, 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities				
Derivative financial instruments	–	173,370	–	173,370

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and bank balances, pledged deposits and interest-bearing bank borrowings. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency and foreign currency swaps. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors reviews and agrees policies for managing each of these risks and they are summarized below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

#### Interest rate risk

The Group's exposure to the risk of changes in fair value relates primarily to the Group's interest-bearing bank borrowings with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000	(Decrease)/ increase in equity RMB'000
<b>December 31, 2025</b>			
RMB	<b>100</b>	<b>(6,028)</b>	<b>(5,124)</b>
RMB	<b>(100)</b>	<b>6,028</b>	<b>5,124</b>
December 31, 2024			
RMB	100	(6,368)	(5,412)
RMB	(100)	6,368	5,412

## Notes to Financial Statements

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### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Foreign currency risk

The Group's transactional currency exposures mainly arise from overseas sales of products.

Therefore, the Group is exposed to foreign currency risk.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the USD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). The remaining currency amounts are not material and are not tested separately.

#### As at December 31, 2025

	Increase/ (decrease) in USD rate in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
If the RMB weakens against the USD	100	60,111	51,094
If the RMB strengthens against the USD	(100)	(60,111)	(51,094)

#### As at December 31, 2024

	Increase/ (decrease) in USD rate in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
If the RMB weakens against the USD	100	34,768	29,553
If the RMB strengthens against the USD	(100)	(34,768)	(29,553)

**43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)***Credit risk**

The Group trades only with recognized and creditworthy third parties and there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. As at December 31, 2025 and 2024, the Group had certain concentrations of credit risk as 7.93% and 10.21% of the Group's trade receivables were due from the Group's largest customer, and 26.25% and 30.60% of the Group's trade receivables were due from the Group's five largest customers, respectively. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk.

**Maximum exposure and year-end staging**

The table below shows the credit quality based on the Group's credit policy and the maximum exposure to credit risk presented at gross carrying amounts, which is mainly based on reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions, and year-end staging classification as at the end of each of the reporting period.

**December 31, 2025**

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and bills receivables*	–	–	–	3,122,734	3,122,734
Financial assets included in prepayments, deposits, and other receivables**	207,855	18,253	10,566	–	236,674
Cash and bank balances	6,879,199	–	–	–	6,879,199
Derivative financial instruments	272,887	–	–	–	272,887
Pledged deposits	2,627,671	–	–	–	2,627,671
Amounts due from related parties	176	–	–	–	176
Receivables at fair value through other comprehensive income	–	–	–	561,322	561,322
<b>Total</b>	<b>9,987,788</b>	<b>18,253</b>	<b>10,566</b>	<b>3,684,056</b>	<b>13,700,663</b>

## Notes to Financial Statements

December 31, 2025

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Credit risk *(continued)*

##### **Maximum exposure and year-end staging** *(continued)*

December 31, 2024

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and bills receivables*	–	–	–	3,112,809	3,112,809
Financial assets included in prepayments, deposits, and other receivables**	135,195	3,837	12,660	–	151,692
Cash and bank balances	2,907,756	–	–	–	2,907,756
Pledged deposits	2,264,362	–	–	–	2,264,362
Amounts due from related parties	73	–	–	–	73
Derivative financial assets	272,887	–	–	–	272,887
Receivables at fair value through other comprehensive income	–	–	–	964,806	964,806
<b>Total</b>	<b>5,580,273</b>	<b>3,837</b>	<b>12,660</b>	<b>4,077,615</b>	<b>9,674,385</b>

\* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the consolidated financial statements.

\*\* The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables and other receivables are disclosed in notes 20 and 18 to the consolidated financial statements, respectively.

**43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)**Liquidity risk**

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting period based on the contractual undiscounted payments, is as follows:

	As at December 31, 2025				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payable	–	9,632,954	–	–	9,632,954
Financial liabilities included in other payables and accruals	–	3,537,088	65,697	–	3,602,785
Interest-bearing bank borrowings	–	875,471	664,290	–	1,539,761
Derivative financial instruments	–	2,646	–	–	2,646
Amounts due to related parties	138,810	–	–	–	138,810
Lease liabilities	–	19,720	53,875	43,329	116,924
<b>Total</b>	<b>138,810</b>	<b>14,067,879</b>	<b>783,862</b>	<b>43,329</b>	<b>15,033,880</b>

  

	As at December 31, 2024				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payable	–	10,395,125	–	–	10,395,125
Financial liabilities included in other payables and accruals	–	2,768,989	109,040	–	2,878,029
Interest-bearing bank borrowings	–	682,238	915,047	–	1,597,285
Derivative financial instruments	–	173,370	–	–	173,370
Amounts due to related parties	141,890	–	–	–	141,890
Lease liabilities	–	35,283	48,117	54,553	137,953
<b>Total</b>	<b>141,890</b>	<b>14,055,005</b>	<b>1,072,204</b>	<b>54,553</b>	<b>15,323,652</b>

**43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)***Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it 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 reporting period.

The Group monitors capital on the basis of the asset-liability ratios. The ratio as at the end of each of the reporting period are as follows:

	<b>2025</b> <b>RMB'000</b>	2024 RMB'000
Total assets	<b>31,419,286</b>	24,170,972
Total liabilities	<b>21,460,899</b>	20,335,266
Asset-liability ratio*	<b>68%</b>	84%

\* *Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.*

#### 44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	1,854,767	–
Total non-current assets	1,854,767	–
CURRENT ASSETS		
Bank balances	2,024,957	177,811
Amount due from a subsidiary	359	–
Prepayments, deposits and other receivables	4	–
Total current assets	2,025,320	177,811
CURRENT LIABILITIES		
Amount due to subsidiaries	4,555	–
Other payables and accruals	58	–
Total current liabilities	4,613	–
Net assets	3,875,474	177,811
EQUITY		
Share capital	57	48
Reserves	3,875,417	177,763
Total equity	3,875,474	177,811

##### Investment in a subsidiary

	2025 RMB'000	2024 RMB'000
Investment in a subsidiary China Bloom Industrial Co., Ltd.	1,854,767	–

\* The amount is less than RMB1,000.

## Notes to Financial Statements

December 31, 2025

### 44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY *(continued)*

#### Reserve

	Capital reserve RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at January 1, 2024	–	–	–	–
Issue of ordinary shares <i>(note 33)</i>	177,809	–	–	177,809
Impact of the Reorganization	–	(46)	–	(46)
At December 31, 2024 and January 1, 2025	<b>177,809</b>	<b>(46)</b>	<b>–</b>	<b>177,763</b>
Profit for the year	–	–	<b>13,997</b>	<b>13,997</b>
Issue of ordinary shares pursuant to IPO of US\$0.000005 each <i>(note 33)</i>	<b>3,683,657</b>	–	–	<b>3,683,657</b>
At December 31, 2025	<b>3,861,466</b>	<b>(46)</b>	<b>13,997</b>	<b>3,875,417</b>

On November 22, 2024, the Company acquired the entire equity interest in China Bloom Industrial Co., Ltd. from AUX Holdings and in consideration, the Company issued and allotted 1,300,921,249 shares to AUX Holdings. The Company's merger reserve represents the difference between the carrying amount of the investment in China Bloom Industrial Co., Ltd. as at the acquisition date of less than RMB1,000 and the equivalent nominal value of the shares issued of approximately RMB46,000.

### 45. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after December 31, 2025.

### 46. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on March 27, 2026.

# Financial Summary

	Year ended December 31			
	2025	2024	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	<b>30,048,580</b>	29,759,319	24,831,833	19,527,585
Cost of sales	<b>(24,388,923)</b>	(23,518,994)	(19,409,654)	(15,377,689)
Gross profit	<b>5,659,657</b>	6,240,325	5,422,179	4,149,896
Profit before tax	<b>2,890,390</b>	3,549,047	3,142,400	1,834,307
Profit for the year	<b>2,234,983</b>	2,910,171	2,486,794	1,441,738

  

	As of December 31			
	2025	2024	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	<b>31,419,286</b>	24,170,972	19,969,470	14,706,949
Total liabilities	<b>(21,460,899)</b>	(20,335,266)	(15,727,191)	(12,977,247)
Total equity	<b>9,958,387</b>	3,835,706	4,242,279	1,729,702

Note:

The Company was listed on the Main Board of the Stock Exchange on September 2, 2025. The Company published financial information since 2022 in the Prospectus, and therefore the above table sets out the financial summary for the four accounting years since 2022.

## Definition

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

“AGM”	the annual general meeting of the Company to be held on Friday, June 5, 2026
“Articles of Association”	the articles of association of our Company conditionally adopted by a special resolution passed on August 20, 2025 with effect from the Listing Date, and as amended from time to time
“associated corporation(s)”	has the meaning ascribed to it under Part XV of the SFO
“Audit Committee”	the audit committee of the Board
“AUX Holdings”	AUX Holdings Group Co., Ltd. (奧克斯控股集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on August 9, 2011, a wholly-owned subsidiary of China Prosper and one of our controlling Shareholders
“Board” or “Board of Directors”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China and, except where the context requires and only for the purpose of this annual report, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan, China. “Chinese” shall be construed accordingly
“China Prosper”	China Prosper Enterprise Holding Co., Ltd., a business company with limited liability incorporated in the BVI on March 22, 2004, owned as to 85%, 10% and 5% by Ze Hui, Ze Hong, and Ze Long, respectively and one of our controlling Shareholders
“Company”, “our Company” or “the Company”	Aux Electric Co., Ltd. (奧克斯電氣有限公司), an exempted company with limited liability incorporated in the Cayman Islands on October 23, 2024
“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
“Global Offering”	the global offering of the Company’s Shares on the Stock Exchange

“Group”, “our Group”, “we”, “us” or “our”	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS Accounting Standards”	include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants
“Latest Practicable Date”	April 24, 2026, being the latest practicable date for the purpose of ascertaining certain information in this annual report prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on September 2, 2025
“Listing Date”	September 2, 2025, being the date on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Mr. ZHENG Jianjiang”	Mr. ZHENG Jianjiang (鄭堅江), the founder of our Company, the chairman of our Board, an executive Director and one of our controlling Shareholders
“Nomination Committee”	the nomination committee of the Board
“ODM”	original design manufacturer, a company that designs and manufactures products that will eventually be sold under third-party brands
“Prospectus”	the prospectus of the Company dated August 25, 2025
“R&D”	research and development
“Remuneration Committee”	the remuneration committee of the Board

## Definition

“Reporting Period”	the year ended December 31, 2025
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital the Company with a nominal value of US\$0.000005 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to this term under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“treasury share(s)”	has the meaning ascribed to it under the Listing Rules
“Ze Hong”	Ze Hong Limited, a business company with limited liability incorporated in the BVI on July 11, 2011, which is wholly owned by Mr. ZHENG Jiang
“Ze Hui”	Ze Hui Limited, one of our controlling Shareholders, is a business company with limited liability incorporated in the BVI on July 11, 2011, which is wholly owned by Mr. ZHENG Jianjiang
“Ze Long”	Ze Long Limited, a business company with limited liability incorporated in the BVI on July 11, 2011, which is wholly owned by Mr. HE Xiwan
“%”	per cent

**AUX** 奥克斯

The image features a vibrant, futuristic digital environment. In the center, a glowing blue and red circular platform with intricate patterns and light trails sits on a dark, reflective surface. Above the platform, a large, semi-transparent blue sphere is composed of numerous small, glowing particles, creating a sense of depth and digital complexity. The overall color palette is dominated by deep blues and bright reds, with a high-tech, ethereal atmosphere.