AUX 奥克斯

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

GLOBAL OFFERING

Sole Sponsor, Sole Sponsor-Overall Coordinator, Joint Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

CICC 中金公司

Joint Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

东方证券 DFZQ 國際

Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

ABCI 農銀國際

Joint Bookrunners and Joint Lead Managers

ICBC 工银国际

富途證券

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**207,161,200 Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**10,358,200 Shares (subject to reallocation and the Offer Size Adjustment Option)**
Number of International Offer Shares	:	**196,803,000 Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)**
Maximum Offer Price	:	**HK$17.42 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565%, and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	:	**US$0.000005 per Share**
Stock Code	:	**2580**

Sole Sponsor, Sole Sponsor-Overall Coordinator, Joint Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

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

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

The Offer Price is expected to be determined by agreement between the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, August 29, 2025 and, in any event, not later than 12:00 noon on Friday, August 29, 2025. The Offer Price will be no more than HK$17.42 and is currently expected to be not less than HK$16.00. Applicants for Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the maximum Offer Price of HK$17.42 for each Hong Kong Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the Offer Price should be lower than HK$17.42. If, for any reason, the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price, the Global Offering will not proceed and will lapse.

The Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.aux-home.com as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For more details, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered (a) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; or (b) outside the United States in offshore transactions in reliance on Regulation S.

ATTENTION

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

This prospectus is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.aux-home.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

August 25, 2025

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES
FULLY ELECTRONIC APPLICATION PROCESS

Our Company has adopted a fully electronic application process for the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at **www.aux-home.com**.

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

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

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

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

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses stated above. Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares.

Your application through the **HK eIPO White Form** service or the **HKSCC EIPO** channel must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table.

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

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

No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
200	3,519.14	6,000	105,574.09	100,000	1,759,568.06	5,179,000(1)	91,128,030.35
400	7,038.27	7,000	123,169.76	200,000	3,519,136.15		
600	10,557.41	8,000	140,765.44	300,000	5,278,704.21		
800	14,076.55	9,000	158,361.13	400,000	7,038,272.28		
1,000	17,595.68	10,000	175,956.80	500,000	8,797,840.36		
1,200	21,114.81	20,000	351,913.61	600,000	10,557,408.42		
1,400	24,633.96	30,000	527,870.42	700,000	12,316,976.49		
1,600	28,153.08	40,000	703,827.23	800,000	14,076,544.55		
1,800	31,672.23	50,000	879,784.04	900,000	15,836,112.64		
2,000	35,191.36	60,000	1,055,740.84	1,000,000	17,595,680.70		
3,000	52,787.04	70,000	1,231,697.65	2,000,000	35,191,361.40		
4,000	70,382.72	80,000	1,407,654.46	3,000,000	52,787,042.10		
5,000	87,978.40	90,000	1,583,611.26	4,000,000	70,382,722.80		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

If there is any change in the following expected timetable, we will issue an announcement to be published on the websites of our Company at www.aux-home.com and the Stock Exchange at www.hkexnews.hk.

Date[(1)]

Hong Kong Public Offering commences . . . . .9:00 a.m. on Monday, August 25, 2025

Latest time for completing electronic applications under **HK eIPO White Form** service through the designated website: **www.hkeipo.hk** . . . . .11:30 a.m. on Thursday, August 28, 2025

Application lists open[(3)] . . . . .11:45 a.m. on Thursday, August 28, 2025

Latest time for (a) completing payment for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[(4)] . . . . .12:00 noon on Thursday, August 28, 2025

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

Application lists close[(3)] . . . . .12:00 noon on Thursday, August 28, 2025

Expected Price Determination Date[(5)] . . . . Friday, August 29, 2025

(1) Announcement of the Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published of the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.aux-home.com**[(6)] on or before . . . . .11:00 p.m. on Monday, September 1, 2025

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on our Company's website at **www.aux-home.com**, at or before . . . . 11:00 p.m. on Monday, September 1, 2025

- from the "Allotment Results" page in the designated results of allocations website at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) from. . . . . 11:00 p.m. on Monday, September 1, 2025 to 12:00 midnight on Sunday, September 7, 2025

- from the allocation results telephone enquiry by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from . . . . Tuesday, September 2, 2025 to Friday, September 5, 2025 (except Saturday, Sunday and public holiday in Hong Kong)

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before(7). . . . . Monday, September 1, 2025

HK eIPO White Form e-Auto Refund payment instructions/refund checks in respect of (i) wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and (ii) wholly or partially unsuccessful applications under the Hong Kong Public Offering to be dispatched on or before(8)(9) . . . . Tuesday, September 2, 2025

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . Tuesday, September 2, 2025

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

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

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, August 28, 2025, the application lists will not open or close on that day. Please see "How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements."

(4) Applicants who apply for Hong Kong Offer Shares through **HKSCC EIPO** channel or by instructing your **broker** or **custodian** to apply on your behalf via **HKSCC EIPO** Channel should see "How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels."

(5) The Price Determination Date is expected to be on or before Friday, August 29, 2025 and, in any event, not later than 12:00 noon on Friday, August 29, 2025. If, for any reason, the Offer Price is not agreed between the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and us by 12:00 noon on Friday, August 29, 2025, the Global Offering will not proceed and will lapse.

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

(7) The Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

(8) **HK eIPO White Form** e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's identification document number before encashment of the refund check. Inaccurate completion of an applicant's identification document number may invalidate or delay encashment of the refund check.

(9) Applicants who have applied for Hong Kong Offer Shares through **HKSCC EIPO** channel should refer to "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies" for details.

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

Any uncollected Share certificates will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

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

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

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, and the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering.

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full document. You should read the whole document before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

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

OVERVIEW

We are one of the global top five air conditioner providers, with capabilities covering the design, R&D, production, sales and related services of household and central air conditioners. We capture opportunities in the global air conditioner industry with market size of RMB1,312.8 billion in 2024. Our operations have expanded from China to the world, covering over 150 countries and regions worldwide. In 2024, we are the fifth largest air conditioner provider in the global market in terms of sales volume with a market share of 7.1%, according to Frost & Sullivan. The chart below demonstrates the highlights of our businesses:

RMB29.8 bn	23.4%	150+	57.1%	Top 5
2024 Revenue	Revenue CAGR[1]	Countries and Regions[2]	Revenue from Overseas[3]	Air Conditioner Provider Globally[4]

Notes:

1. From 2022 to 2024.

2. As of the Latest Practicable Date.

3. For the three months ended March 31, 2025.

4. In terms of sales volume in 2024, according to Frost & Sullivan.

We have earned market recognition and consumer loyalty, making us one of the fastest-growing air conditioner brands globally. During the Track Record Period, we have maintained rapid growth, achieving a sales volume CAGR of 30.0% from 2022 to 2024, comparing to the sales volume CAGR of global air conditioner market of 4.6% during the same period.

We provide a wide range of mass-market household air conditioners. The mass market has become the primary growth engine for China's air conditioner sector, fueled by rural revitalization policies, urbanization-driven demand in lower-tier markets, and consumers' growing focus on cost-effectiveness. By seizing these industry opportunities with our sales coverage and affordable products, we have consistently increased our market share and brand influence. Furthermore, our multi-brand strategy allows us to cater to diverse consumer needs.

We are a key player for smart-enabled air conditioners within the industry, maintaining technology capabilities such as voice recognition and semantic understanding.

For over three decades, we have been deeply rooted in the air conditioner industry, continuously striving to provide global consumers with high-quality and affordable products. During the startup phase from 1994 to 2001, we established the AUX brand and quickly gained a strong presence in China's rapidly growing air conditioner market. We experienced rapid growth from 2001 to 2013, when we penetrated into global markets and built strong brand recognition through continuous product improvement, affordable products and precise brand marketing. We have been transforming and upgrading our sales channels, production capacity and product quality since 2013. We adopted the sales model of streamlining the distribution layers by reducing the number of intermediates, and benefited our consumers. We launched our "Hello AUX" app to better manage and empower our distributors, and then derived and built a unique "Hello AUX" ecosystem. Since 2018, we have advanced our international strategy by establishing production bases and R&D centers in overseas, and then established our overseas sales companies and local teams in areas such as Malaysia, Thailand, the U.S., the UAE, Vietnam and Saudi Arabia to expand our sales in such areas. In addition, we focus on digitalization and supply chain integration to further strengthen our competitive advantages. For details, see "Business — Overview — Our Development History."

Our Brand and Product Matrix

We have named our brand "AUX" by transliterating the English word "Ox." We have leveraged our master brand "AUX" to build our presence in both domestic and overseas markets, and further enhance our market penetration through a multi-brand strategy. We have developed the brands "Hutssom" (華蒜) and "AUFIT," and introduced premium brands such as ShinFlow to achieve broader global consumer coverage. Through this multi-brand strategy, we are able to address the varying needs and preferences of consumers around the world.

Our product portfolio primarily encompasses household and central air conditioners. We concentrate our product development on four key factors: efficiency, comfort, health and intelligence. Our household air conditioners include wall-mounted, cabinet-style and mobile units, while our central air conditioners comprise VRF systems, packaged units, heat pumps, chillers and terminal devices. We rapidly iterate our products and continuously enrich our portfolio, covering a wide range of applications, such as residential homes, office buildings, shopping malls, hotels, hospitals and industrial parks.

Our Financial Highlights

During the Track Record Period, we have maintained a robust growth in our revenue and net profit. Our revenue increased by 27.2% from RMB19,527.6 million in 2022 to RMB24,831.8 million in 2023, and further increased by 19.8% to RMB29,759.3 million in 2024. Furthermore, our revenue increased by 27.0% from RMB7,362.6 million in the three months ended March 31, 2024 to RMB9,352.4 million in the three months ended March 31, 2025.

Our net profit increased by 72.5% from RMB1,441.7 million in 2022 to RMB2,486.8 million in 2023, and further increased by 17.0% to RMB2,910.2 million in 2024. Furthermore, our net profit increased by 23.0% from RMB751.6 million in the three months ended March 31, 2024 to RMB924.5 million in the three months ended March 31, 2025. In 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, our net profit margins amounted to 7.4%, 10.0%, 9.8%,10.2% and 9.9%, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following strengths position us well to capitalize on future opportunities and deliver continued growth:

- One of the global top five air conditioner providers;
- Renowned brand cultivated by over three decades of development focused on air conditioners;

- Technological innovation and rapid product iteration driven by quality-focused R&D;
- Efficient consumer reach covered by multi-channel, innovative and streamlined sales;
- Improved operational efficiency and quality through digitalization and intelligentization; and
- Visionary, dynamic and stable management team with collaborative corporate culture.

OUR STRATEGIES

We aim to further grow our business by pursuing the following strategies:

- Accelerate our globalization layout;
- Enhance the sales of our own branded products and enhance our brand recognition;
- Continue to expand our central air conditioner business;
- Further invest in R&D and promote digital and intelligent transformation; and
- Promote industrial empowerment and ecological cooperation.

CUSTOMERS AND SUPPLIERS

During the Track Record Period, our five largest customers were mainly distributors and ODM customers. In 2022, 2023, 2024 and the three months ended March 31, 2025, our revenue from our five largest customers in each year/period in the aggregate accounted for 18.3%, 17.5%, 18.9% and 18.1% of our total revenue during the corresponding years/periods, respectively. Our distributors primarily include e-commerce platforms, regional distributors and SME retailers. For details, please see "Business — Sales and Marketing."

During the Track Record Period, our suppliers primarily included raw material and component suppliers. In 2022, 2023, 2024 and the three months ended March 31, 2025, our purchase amount from our five largest suppliers in each year/period in the aggregate accounted for 31.8%, 28.8%, 33.3% and 26.6% of our total cost of sales during the corresponding years/periods, respectively.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this prospectus, including the related notes. Our consolidated financial information has been prepared in accordance with HKFRS Accounting Standards.

Summary of Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss with line items, both in absolute amounts and as percentages of our revenue, for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* *(Unaudited)*	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	**19,527,585**	**100.0**	**24,831,833**	**100.0**	**29,759,319**	**100.0**	**7,362,572**	**100.0**	**9,352,397**	**100.0**
Cost of sales	(15,377,689)	(78.7)	(19,409,654)	(78.2)	(23,518,994)	(79.0)	(5,785,050)	(78.6)	(7,376,697)	(78.9)
Gross profit	**4,149,896**	**21.3**	**5,422,179**	**21.8**	**6,240,325**	**21.0**	**1,577,522**	**21.4**	**1,975,700**	**21.1**
Other income and gains	321,657	1.6	465,572	1.9	616,263	2.1	101,623	1.4	124,222	1.3
Selling and distribution expenses	(785,288)	(4.0)	(1,019,264)	(4.1)	(1,276,678)	(4.3)	(263,936)	(3.6)	(363,619)	(3.9)
Administrative expenses	(741,182)	(3.8)	(949,135)	(3.8)	(1,025,375)	(3.4)	(221,844)	(3.0)	(269,329)	(2.9)
Research and development expenses	(397,563)	(2.0)	(566,630)	(2.3)	(710,035)	(2.4)	(123,509)	(1.7)	(128,335)	(1.4)
Impairment (loss)/gain on financial assets, net	(13,075)	(0.1)	2,965	0.0	(43,233)	(0.1)	(65,920)	(0.9)	(67,872)	(0.7)
Other expenses	(604,106)	(3.1)	(151,804)	(0.6)	(207,074)	(0.7)	(31,412)	(0.4)	(44,577)	(0.5)
Finance costs	(96,032)	(0.5)	(61,483)	(0.2)	(45,146)	(0.2)	(12,868)	(0.2)	(17,458)	(0.2)
Profit before tax	**1,834,307**	**9.4**	**3,142,400**	**12.7**	**3,549,047**	**11.9**	**959,656**	**13.0**	**1,208,732**	**12.9**
Income tax expense	(392,569)	(2.0)	(655,606)	(2.6)	(638,876)	(2.1)	(208,061)	(2.8)	(284,184)	(3.0)
Profit for the year	**1,441,738**	**7.4**	**2,486,794**	**10.0**	**2,910,171**	**9.8**	**751,595**	**10.2**	**924,548**	**9.9**
Profit attributable to:										
Owners of the parent	1,441,738	7.4	2,486,794	10.0	2,910,171	9.8	751,595	10.2	924,548	9.9

Non-HKFRS Measures

To supplement our consolidated financial statements that are presented in accordance with HKFRS, we also use adjusted net profit (non-HKFRS measure), EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with, HKFRS. Adjusted net profit for the year/period (non-HKFRS measure) was calculated by taking profit for the year/period and adding back (i) Listing expenses, which represented expenses in relation to the Global Offering; and (ii) share based compensation paid to our employees, which was non-cash in nature. We define adjusted EBITDA (non-HKFRS measure) as EBITDA (non-HKFRS measure) (which refers to profit for the year/period plus (i) depreciation and amortization, which represents the depreciation of property, plant and equipment, right-of-use assets and investment property and the amortization of intangible assets; (ii) finance costs, which represent interest expense from financing activities; and (iii) income tax expenses, minus interest income) for the year/period adjusted by adding back (i) Listing expenses, which represented expenses in relation to the Global Offering; and (ii) share based compensation paid to our employees, which was non-cash in nature.

We believe that these non-HKFRS measures facilitate comparisons of operating performance from period to period and company to company. We believe that these measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-HKFRS measure), EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS Accounting Standards.

The following table sets forth a reconciliation of our adjusted net profit (non-HKFRS measure), EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) in accordance with HKFRS for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2022	2023	2024	2024	2025
			RMB'000		
				(Unaudited)	
Profit for the year/period	**1,441,738**	**2,486,794**	**2,910,171**	**751,595**	**924,548**
Add:					
Listing expenses in connection with Global Offering	–	–	20,471	–	8,257
Share-based payment expenses	7,455	24,298	4,245	4,770	5,090
Adjusted net profit (non-HKFRS measure)	**1,449,193**	**2,511,092**	**2,934,887**	**756,365**	**937,895**
Profit for the year/period	**1,441,738**	**2,486,794**	**2,910,171**	**751,595**	**924,548**
Add:					
Depreciation and amortization	480,350	480,996	561,134	132,101	151,988
Finance costs	96,032	61,483	45,146	12,868	17,458
Income tax expenses	392,569	655,606	638,876	208,061	284,184
Less:					
Interest income	(46,612)	(186,525)	(217,790)	(45,280)	(24,531)
EBITDA (non-HKFRS measure)	**2,364,077**	**3,498,354**	**3,937,537**	**1,059,345**	**1,353,647**
Add:					
Listing expenses in connection with Global Offering	–	–	20,471	–	8,257
Share-based payment expenses	7,455	24,298	4,245	4,770	5,090
Adjusted EBITDA (non-HKFRS measure)	**2,371,532**	**3,522,652**	**3,962,253**	**1,064,115**	**1,366,994**

Revenue

During the Track Record Period, we primarily generated revenue from sales of products, including household air conditioners and central air conditioners. We also generated revenue from other businesses, such as sales of raw materials, royalty fees and leasing of properties. Our royalty fees represent brand authorization fees from a variety of domestic manufacturers for certain kitchen appliances and other small home appliances, for example, floor fan and air fryer.

To support the sales of our diverse product portfolio, we have integrated online and offline channels to better serve our customers and expand our penetration to broader markets. Additionally, we have implemented a hybrid distribution model and direct sales. Our overall growth in revenue during the Track Record Period was primarily driven by the increase sales to the overseas ODM customers. Our revenue from sales to overseas ODM customers amounted to RMB6,881.0 million, RMB8,503.3 million, RMB11,936.7 million, RMB3,238.5 million and RMB4,374.1 million in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively, accounting for 35.2%, 34.2%, 40.1%, 44.0% and 46.8% of our total revenue in the same period, respectively.

The following table sets forth the breakdown of our revenue by types of goods, both in absolute amounts and as percentages of total revenue, for the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Household air conditioners	17,283,960	88.5	21,683,095	87.3	25,904,463	87.1	6,542,323	88.9	8,376,177	89.5
– Wall-mounted units	14,457,926	74.0	18,208,560	73.3	22,082,388	74.2	5,610,017	76.2	7,080,880	75.7
– Cabinet-style units	2,309,927	11.8	3,242,497	13.1	3,624,983	12.2	835,747	11.4	1,134,891	12.1
– Mobile units[(1)]	516,108	2.7	232,038	0.9	197,093	0.7	96,559	1.3	160,406	1.7
Central air conditioners	1,885,156	9.7	2,750,134	11.1	3,223,500	10.8	734,978	10.0	865,208	9.3
Others	358,469	1.8	398,604	1.6	631,356	2.1	85,271	1.1	111,012	1.2
Total	**19,527,585**	**100.0**	**24,831,833**	**100.0**	**29,759,319**	**100.0**	**7,362,572**	**100.0**	**9,352,397**	**100.0**

Note:

(1) During the Track Record Period, the sales performance of our mobile unit air conditioners did not correspond with the overall increase in our revenue. This was primarily due to our strategic decision to adjust certain orders to mitigate low-margin transactions from 2022 to 2024. The revenue generated from mobile units increased from RMB96.6 million for the three months ended March 31, 2024 to RMB160.4 million for the same period in 2025, primarily driven by growing demand for portable air conditioners in the European market, coupled with the successful launch of a new low-noise product that gained strong market acceptance.

The following table sets forth a breakdown of our revenue by geographic locations for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000 (Unaudited)	% of revenue	RMB'000	% of revenue
China	11,141,582	57.1	14,419,477	58.1	15,078,580	50.7	3,662,583	49.7	4,016,628	42.9
Asia (except China)	4,800,131	24.6	5,734,525	23.1	7,339,872	24.7	1,956,838	26.6	2,944,806	31.5
Europe	1,789,547	9.2	2,282,070	9.2	3,024,817	10.2	810,999	11.0	1,091,794	11.7
North America(1)	1,041,432	5.3	1,132,694	4.6	2,095,134	7.0	579,639	7.9	392,876	4.2
South America	460,827	2.4	719,836	2.9	1,507,028	5.0	184,027	2.5	518,585	5.6
Other countries/regions(2)	294,066	1.4	543,231	2.1	713,888	2.4	168,486	2.3	387,708	4.1
Total	**19,527,585**	**100.0**	**24,831,833**	**100.0**	**29,759,319**	**100.0**	**7,362,572**	**100.0**	**9,352,397**	**100.0**

Notes:

(1) During the Track Record Period, our revenue generated from North America was primarily represented revenue generated from Mexico.

(2) Primarily include Africa and Oceania.

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 the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Household air conditioners	3,450,131	20.0	4,439,841	20.5	4,979,830	19.2	1,305,335	20.0	1,659,896	19.8
Central air conditioners	518,916	27.5	795,778	28.9	979,267	30.4	228,891	31.1	259,850	30.0
Others	180,849	50.5	186,560	46.8	281,228	44.5	43,296	50.8	55,954	50.4
Total	**4,149,896**	**21.3**	**5,422,179**	**21.8**	**6,240,325**	**21.0**	**1,577,522**	**21.4**	**1,975,700**	**21.1**

Our overall gross profit margin during the Track Record Period was primarily influenced by changes in the product mix, including variations in product types (e.g., household and central air conditioners) and business models (e.g., OBM and ODM models).

The gross profit margin for central air conditioners is generally higher than that of household air conditioners, primarily because more complex manufacturing processes and more advanced technical requirements required for central air conditioning systems. The gross profit margin for other business is higher than that of sales of air conditioners as our leasing of properties generally had lower cost of sales. In addition, there is no cost of sales associated with providing brand authorization.

In addition, our gross profit margin under the ODM model is generally lower than that of the OBM model, primarily because (i) under the OBM model, we maintain full control over our brand, enabling independent product design, research and development, production, and sales. This autonomy allows for premium pricing and greater market pricing power, thereby enhancing product value and profit margins. Furthermore, the OBM model strengthens consumer loyalty and market competitiveness through continuous brand-building and marketing efforts, further driving profitability. In contrast, while we possess design and R&D capabilities under the ODM model, we rely on client brands, resulting in relatively lower profit margins. During the Track Record Period, increased sales under the ODM model contributed to the growth of our total revenue. However, this also temporarily exerted pressure on our overall gross margin. Historically, rather than being limited to the ODM model, we have consistently enhanced our capabilities to promote our own brands. For details, see "Business — Sales and Marketing — Our Sales Networks — Offline Channels" as well.

Profit For the Year/Period

Our profit increased from RMB1,441.7 million in 2022 to RMB2,486.8 million in 2023. The increase was primarily due to (i) an increase in our revenue from sales of our household air conditioners with sales volume increasing from 10.2 million units in 2022 to 14.0 million units in 2023. This is primarily due to the enhanced market presence achieved through increased distributor networks, strengthened e-commerce collaborations, and the increased sales volume of our "Hutssom" (華蒜) products; and (ii) an increase in our revenue from sales of our central air conditioners, primarily due to the increase in sales volume from 0.9 million units in 2022 to 1.3 million units in 2023, driven by enhanced global presence, strengthened collaborations with major existing overseas customers, and the launch of several new products. Our profit is partially offset by (i) an increase in our cost of sales, primarily due to the increased costs in raw materials and components for the same period, along with our increased production and sales; and (ii) an increase in our expenses, largely driven by our business growth.

Our profit increased from RMB2,486.8 million in 2023 to RMB2,910.2 million in 2024. The increase was primarily due to (i) an increase in our revenue from sales of our household air conditioners, primarily due to the increase in sales volume of household air conditioners from 14.0 million units in 2023 to 17.1 million units in 2024. This is primarily attributable to the enhanced penetration of "Hello AUX," expansion of the distributor network, strategic overseas customer base expansion, and strengthened market presence of our air conditioners in certain overseas counties and regions; and (ii) an increase in our revenue from sales of our central air conditioners, primarily due to the increase in sales volume of central air conditioners from 1.3 million units in 2023 to 1.6 million units in 2024. This is primarily due to the successful launch of regionally tailored central air conditioners, strategic expansion and enhanced penetration of the customer base in key overseas regions, and increased market presence of certain products in certain European countries. Our profit is partially offset by (i) an increase in our cost of sales, primarily due to the increased costs in raw materials and components used for the same period, which was generally along with our increased production and sales; and (ii) an increase in our expenses, largely driven by our business growth.

Our profit increased from RMB751.6 million for the three months ended March 31, 2024 to RMB924.5 million for the three months ended March 31, 2025. The increase was primarily due to (i) an increase in our revenue from sales of our household air conditioners, driven by a rise in sales volume from 4.5 million to 5.5 million units. This was mainly due to expanded distributor networks both domestically and overseas, strategic overseas market expansion — particularly in the Middle East and Southeast Asia — and enhanced product offerings with improved features, increased marketing, and competitive pricing; and (ii) an increase in our revenue from sale of central air conditioners, primarily attributable to the sales of central air conditioners grew 354.5 thousand units for the three months ended March 31, 2024 to 440.9 thousand units for the three months ended March 31, 2025. This was mainly because we expanded our customer base in South America, Southeast Asia, and Europe, launched new models suited to local markets, and increased marketing of heat pumps in some European countries. Our profit is partially offset by (i) an increase in our cost of sales, primarily due to the increased costs in raw materials and components used for the same period, which was generally along with our increased production and sales; and (ii) an increase in our expenses, largely driven by our business growth.

For details, please see "Financial Information — Year/Period to Year/Period Comparison of Results of Operations."

Summary of Consolidated Statements of Financial Position

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

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			
Total non-current assets	6,390,893	7,149,136	8,387,711	7,632,676
Total current assets	8,316,056	12,820,334	15,783,261	19,943,364
Total current liabilities	11,506,036	14,849,778	18,252,822	20,774,547
Net current liabilities	(3,189,980)	(2,029,444)	(2,469,561)	(831,183)
Total assets less current liabilities	3,200,913	5,119,692	5,918,150	6,801,493
Total non-current liabilities	1,473,211	877,413	2,082,444	1,977,283
Net assets	1,727,702	4,242,279	3,835,706	4,824,210

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

We recorded net current liabilities during the Track Record Period mainly because of our utilization of cash and bank balances, resulting in a substantial decrease in our current assets. Prior to and during the Track Record Period, we strategically invested in a range of fixed assets, intangible assets and long-term capital assets using our cash and bank balances. This led to an increase in our non-current assets and a decrease in our current assets, leading to our net current liabilities position. These investments are primarily aimed at enhancing our production capabilities and improving operational efficiency to support sustained growth, which mainly involving acquiring land, building production bases, as well as acquiring production machinery and equipment with long lifespan. In addition, we declared a one-time dividend of RMB3,793.5 million in 2024 to our Shareholders using our cash and bank balances. As a result, the utilization of our cash and bank balances has led to a decrease in current assets, leading to our net current liabilities position.

Our net current liabilities decreased from RMB3,190.0 million as of December 31, 2022 to RMB2,029.4 million as of December 31, 2023, primarily attributable to an increase in our current assets primarily as a result of an increase of RMB3,220.7 million in cash and bank balances primarily driven by an increase in profit; partially offset by an increase in our current liabilities, which primarily due to (i) an increase of RMB1,000.4 million in trade payables and bills payables primarily because we purchased more raw materials to support our production expansion; and (ii) an increase of RMB1,134.4 million in other payables and accruals due to an increase in sales rebate accruals as a result of the increased sales to our distributors.

Our net current liabilities increased from RMB2,029.4 million as of December 31, 2023 to RMB2,469.6 million as of December 31, 2024, primarily attributable to an increase in our current liabilities mainly as a result of an increase of RMB3,958.7 million in trade payables and bills payables along with our increased procurement of raw materials to support our business expansion; partially offset by an increase in our current assets, primarily due to (i) an increase of RMB3,170.9 million in inventories mainly in response to the growing demand for our products; (ii) an increase of RMB1,058.6 million in trade and bills receivables due to our increased overseas sales which typically has a longer credit period; and (iii) an increase of RMB950.6 million in prepayments, deposits and other receivables along with our increased purchase of materials to support our business expansion and increased overseas sales.

Our net current liabilities decreased from RMB2,469.6 million as of December 31, 2024 to RMB831.2 million as of March 31, 2025, primarily attributable to an increase in our current assets, primarily as a result of (i) an increase of RMB1,761.1 million in trade and bills receivables mainly because of the increased overseas sales, which typically have a longer credit period, and (ii) an increase of RMB1,196.9 million in pledged deposits, along with our business growth and as a result of using more bills during our operations; partially offset by an increase in our current liabilities, which primarily due to an increase of RMB1,553.3 million in trade and bills payables, primarily attributable to the increased procurement of raw materials to support our business expansion.

Our net current liabilities decreased from RMB831.2 million as of March 31, 2025 to RMB803.8 million as of July 31, 2025, primarily attributable to a decrease in our current liabilities, which primarily due to a decrease of RMB197.6 million in our interest-bearing bank borrowings as a result of proactive debt management and repayment strategies.

For risks related to our net current liabilities, see "Risk Factors — Risks Relating to Our Financial, Accounting and Tax Matter — We recorded net current liabilities during the Track Record Period. We cannot assure you that we will not experience net current liabilities in the future, which could expose us to liquidity risks."

Our net assets were RMB1,727.7 million, RMB4,242.3 million, RMB3,835.7 million and RMB4,824.2 million as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively. Our net assets increased from RMB1,727.7 million as of December 31, 2022 to RMB4,242.3 million as of December 31, 2023, mainly due to our profit for the year of RMB2,486.8 million in 2023. Our net assets decreased from RMB4,242.3 million as of December 31, 2023 to RMB3,835.7 million as of December 31, 2024, mainly due to the payments of dividends of RMB3,793.5 million in 2024, partially offset by our profit for the year of RMB2,910.2 million in 2024. For details, see "Financial Information — Dividends." Our net assets increased from RMB3,835.7 million as of December 31, 2024 to RMB4,824.2 million as of March 31, 2025, mainly due to our profit for the period of RMB924.5 million in the three months ended March 31, 2025.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flow for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2022	2023	2024	2024	2025
			RMB'000		
				(Unaudited)	
Net cash flows generated from operating activities	4,003,995	4,631,421	2,518,079	1,817,944	579,658
Net cash flows used in investing activities	(138,462)	(1,388,776)	(208,316)	(1,185,658)	(1,112,623)
Net cash flows (used in)/generated from financing activities	(2,951,983)	(282,127)	(4,520,832)	133,352	730,389

	For the year ended December 31,			For the three months ended March 31,	
	2022	2023	2024	2024	2025
			RMB'000		
				(Unaudited)	
Net increase/(decrease) in cash and cash equivalents	913,550	2,960,518	(2,211,069)	765,638	197,424
Cash and cash equivalents at beginning of the year/period	1,227,470	2,131,268	5,102,830	5,102,830	2,907,756
Effect of foreign exchange rate changes, net	(9,752)	11,044	15,995	16,501	19,233
Cash and cash equivalents at the end of the year/period	2,131,268	5,102,830	2,907,756	5,884,969	3,124,413

In 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, we had net cash flows generated from operating activities of RMB4,004.0 million, RMB4,631.4 million, RMB2,518.1 million, RMB1,817.9 million and RMB579.7 million, respectively. The decrease of our net cash flows generated from operating activities from RMB1,817.9 million in the three months ended March 31, 2024 to RMB579.7 million for the same period in 2025 was primarily due to (i) a larger increase in receivables at fair value through other comprehensive income as a result of the growth in overseas sales, (ii) a smaller increase in trade and bills payables as our trade and bills payables were relatively high as of December 31, 2024, which primarily related to our manufacturing schedule in preparation for inventory stocking at the end of 2024 based on our confirmed orders and forecasts for the following year, and were largely settled during the three months ended March 31, 2025, and (iii) an increase in pledged deposits as we had more guarantee deposits for our bills payables.

Key Financial Ratios

The following table set forth our key financial ratios as of the dates or for the years/periods indicated.

	As of/for the year ended December 31,			As of/for the three months ended March 31,
	2022	2023	2024	2025
Net profit margin	7.4%	10.0%	9.8%	9.9%
Inventory turnover days	62.1	52.2	66.6	67.8
Trade and bills receivables turnover days	25.2	24.8	30.3	37.4
Return of equity (ROE)[(1)]	143.9%	83.3%	72.1%	85.4%
Return on assets (ROA)[(2)]	9.9%	14.3%	13.2%	14.3%
Gearing ratio[(3)]	88.3%	78.8%	84.1%	82.5%

Notes:

(1) ROE is calculated by dividing profit for the year/period attributable to the owners of our Company by the average balance of equity attributable to the owners of our Company and multiplying by 100%. For the three months ended March 31, 2025, ROE is annualized by multiplying the number by 4.

(2) ROA is calculated by dividing profit for the year/period by the average balance of total assets and multiplying by 100%. For the three months ended March 31, 2025, ROA is annualized by multiplying the number by 4.

(3) Gearing ratio is calculated by dividing total liabilities by total assets of the year/period.

LEGAL PROCEEDINGS AND COMPLIANCE

Historical Intellectual Property Infringement Claims

Before the Track Record Period, Ningbo Aosheng (a wholly-owned subsidiary of AUX Group as of the Latest Practicable Date, for details of the business restructuring in relation to Ningbo Aosheng, see "History, Reorganization and Corporate Structure — Major Corporate Developments and Pre-IPO Reorganization of Our Group — Business Restructuring." After the business restructuring, Ningbo Aosheng was not part of our Group. To the best knowledge of our Directors, Ningbo Aosheng had no substantial business operation after the business restructuring and up to the Latest Practicable Date) has been involved in several intellectual property litigations as the defendant or a co-defendant. For example, Ningbo Aosheng was the defendant or a co-defendant in many intellectual property litigations raised by a market player (the "**Historical IP Cases**") before and around 2018 and some of which may be raised as a way of competition. Our Directors are of the view that these claims did not have any material adverse effect on our business, results of operations and financial conditions, considering (i) all of these Historical IP Cases have been concluded and fully executed, with judgments implemented in their entirety, (ii) some of the disputed patents have expired, alleviating concerns about future infringements, (iii) while certain disputed patents remain valid, they are not material to the design and production of our products. We have proactively made strategic product modifications and innovations in relation to products related to above-mentioned disputed patents to steer clear of technologies infringing the disputed patents and we currently do not use these disputed patents in the design and production of our products, (iv) the aggregate compensation amount paid to the plaintiff in these Historical IP Cases, amounting to approximately RMB116.3 million, has been paid by Ningbo Aosheng as we were not listed as the defendant in these Historical IP Cases, and (v) we have continuously refined our intellectual property management system and set up an intellectual property management team within its R&D IP Department. Following these IP cases, the Group has continuously refined our intellectual property management system. For details, see "Business — Risk Management and Internal Control." There have been no additional patent infringement claims from third parties related to our air conditioner products raised during the Track Record Period.

During the Track Record Period and up to the date of this prospectus, there have been no IP infringement issues, IP-related legal proceedings, lawsuits, or arbitrations involving our Group that have had a material adverse effect on our business operations or financial performance.

Trade Secrets and Intellectual Property Infringement Proceeding

On December 8, 2022, a company (the "Plaintiff") filed a claim against Ningbo Aosheng, us and five individuals, two of whom were our current employees and three of whom were our former employees as of the same date, alleging infringement of the Plaintiff's business secrets and technical secrets related to eight patents.

In April 2025, we received the first-instance decision from the court, which decided, among others, that (i) Ningbo Aosheng 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) we shall transfer the three involved patents to the Plaintiff and the creation rights of five involved patents (which have expired as of the date of the first-instance decision due to the expiration of their ten-year validity period) belonged to the Plaintiff. The court also concluded, among others, (i) that the Plaintiff acknowledges that we and Ningbo Aosheng did not use the eight involved patents in the production activities, (ii) we did not infringe the Plaintiff's trade secrets primarily because (a) we received the patents from Ningbo Aosheng in 2018, (b) we were not involved in the development and registration of relevant patents by Ningbo Aosheng which incurred before the establishment of our Company, (c) the relevant patents were public and therefore did not constitute trade secrets before the transfer from Ningbo Aosheng to our Group, and (iii) there was no ongoing infringement of the Plaintiff's trade secrets mainly because the technical information had been disclosed when the patent documents were published, with five of the eight patents even expired as of the first-instance decision date. As of the date of this prospectus, Ningbo Aosheng has filed an appeal against the decision, and the appeal has been accepted by the court. As of the same date, the above-mentioned three involved patents remain valid and have not been transferred to the Plaintiff.

Our Directors are of the view that this proceeding did not have a material adverse effect on us, primarily because (i) we were not involved in the monetary damages to the Plaintiff, (ii) as concluded by the court, we did not infringe the Plaintiff's trade secrets, and (iii) our Group and Ningbo Aosheng did not and never used the aforementioned eight patents, which are developed based on industry wide technology.

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, including (i) risks relating to our business and industries; (ii) risks relating to financial, accounting and tax matters; (iii) risks relating to our operations; (iv) risks relating to government regulations; and (v) risks relating to the global offering, which are set out in the section headed "Risk Factors" in this prospectus. You should read that section in its entirety carefully before you decide to invest in the Offer Shares. Some of the major risks we face include, but are not limited to: (i) our growth and profitability depend on economic conditions and the level of consumer spending in our key markets; (ii) we operate in a highly competitive environment, and failure to compete successfully would adversely affect our market position, business and financial results; (iii) 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; (iv) 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; (v) 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; (vi) we may not be able to effectively manage any overlap or potential competition among our different sales channels; (vii) if we fail to grow or retain our customer base, or if customer satisfaction declines, our business and operating results may be adversely affected; (viii) 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 (ix) we conduct operations worldwide and are exposed to legal, regulatory, political, economic, commercial and other risks in each country in which we operate.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. ZHENG Jianjiang, through Ze Hui, China Prosper and AUX Holdings, controlled approximately 96.36% of voting rights in our Company. Immediately following completion of the Global Offering (assuming the Offer Size Adjustment Option and Over-allotment Option are not exercised), Mr. ZHENG Jianjiang, through Ze Hui, China Prosper and AUX Holdings, will control approximately 83.54% of voting rights in our Company. Therefore, Mr. ZHENG Jianjiang, Ze Hui, China Prosper and AUX Holdings are and will continue to be a group of Controlling Shareholders of our Company upon the Listing. For details, see "Relationship with our Controlling Shareholders."

CONNECTED TRANSACTIONS

Prior to the Listing, our Group has entered into certain transactions in our ordinary and usual course with parties who will, upon the Listing, become connected persons of our Company. We will continue to engage in such continuing connected transactions after the Listing. We have applied for, and the Stock Exchange has granted us waivers from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules. For details, see "Connected Transactions."

RECENT DEVELOPMENT

The phase I of our Wuhu factory has commenced the operation and mass production of compressors in June 2025. We collaborate with Panasonic regarding the research and production of compressor, which is a core component for our products.

We have also commenced construction of a new factory in Ningbo to serve the expanding needs of our overseas markets. As of the Latest Practicable Date, we had obtained the relevant government approvals for the commencement of construction of this new facility and had commenced its construction.

No Material Adverse Change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our business, financial condition and results of operations since March 31, 2025, which is the end date of the periods reported on in the Accountants' Report in Appendix I to this prospectus, and there is no event since March 31, 2025 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

IMPACT OF COVID-19 ON OUR OPERATIONS

The outbreak of COVID-19, which was first reported in December 2019, quickly developed into a worldwide pandemic that materially and adversely affected the global economy and business environment. During 2019 to 2022, the outbreak of COVID-19 shifted consumer behaviors and impacted the market size of air conditioner industry both in China and global.

During the Track Record Period, we were occasionally exposed to certain global logistics congestion and temporary suspension of port terminals in the PRC due to COVID-19 pandemic, which prolonged the port dwell time of our products. For example, our finished goods in transit in inventories decreased from RMB405.2 million as of December 31, 2022 to RMB185.5 million as of December 31, 2023, primarily because we had more finished goods in transit as of December 31, 2022 due to the extended logistic transit period and advanced preparation for delivery during the pandemic. However, since we generally bear the costs and risks related to the shipment of ordered products before the products have been loaded on board and shipped out of the port for overseas sales, we are not exposed to risks from international transportation delays. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material delays in product delivery.

On the other hand, the pandemic has spurred consumers' greater emphasis on cost-effective products, leading to higher growth rate of the sales of household air conditioners in the mass market compared to the medium and high-end segments. The heightened consumer sensitivity to price and value during the pandemic was largely attributable to increased economic uncertainty and a shift in spending priorities. The sales volume of household air conditioners in the mass market in China increased from 24.1 million units in 2018 to 26.0 million units in 2024, representing a CAGR of 1.3%, and is expected to reach 29.7 million units in 2028, representing a CAGR of 3.6% from 2024 to 2028. Therefore, despite the challenges posed by COVID-19 to public at large, our affordable products have seen substantial growth in revenue and profitability during the Track Record Period.

Overall, while COVID-19 introduced operational challenges during its early stages, particularly related to logistics and customer demand fluctuations, we believe that COVID-19 did not have a material adverse effect on the Group's business, considering that (i) our revenue increased by 27.2% from RMB19,527.6 million in 2022 to RMB24,831.8 million in 2023, and further increased by 19.8% to RMB29,759.3 million in 2024. Our revenue increased by 27.0% from RMB7,362.6 million for the three months ended March 31, 2024 to RMB9,352.4 million for the three months ended March 31, 2025; and (ii) our business operations fully resumed as restrictive measures were gradually eased since December 2022.

DIVIDENDS

During the Track Record Period, dividend of approximately RMB3,793.5 million was declared and paid by Ningbo AUX Electric Co., Ltd. to its then shareholders. Our earnings per share attributable to ordinary equity holders of the parent were RMB1.11, RMB1.91, RMB2.23, RMB0.58 and RMB0.68 in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

Currently, we do not have a formal dividend policy or a fixed dividend payout ratio. Any future declarations and payments of dividends will be at the discretion of our Directors, subject to certain restrictions under Cayman Islands law, and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. As advised by our legal advisor as to Cayman Islands law, notwithstanding that our Company may have accumulated losses, our Company may declare dividend (a) out of profits of our Company if our Company has sufficient profits, realized or unrealized, unless such is contrary to the accounting principles adopted by our Company or (b) out of the share premium of our Company if, in each case, following the date on which the dividend is proposed to be paid, our Company is able to pay its debts as they fall due in the ordinary course of business. In determining whether to declare a dividend, our Board will need to be satisfied that the declaration of dividend is in the best interest of our Company and may make provision for losses.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. The PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends.

OFFERING STATISTICS

	Based on an Offer Price of HK$16.00 per Offer Share	Based on an Offer Price of HK$17.42 per Offer Share
Market capitalization of our Shares[(1)]	HK$24,914.6 million	HK$27,125.7 million
Unaudited pro forma adjusted consolidated net tangible assets per Offer Share[(2)]	HK$5.22	HK$5.40

Notes:

(1) The calculation of the market capitalization is based on 1,557,161,200 Shares expected to be in issue immediately after completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

(2) The unaudited pro forma adjusted consolidated net tangible assets per Offer Share has been arrived at after adjustments referred to "Appendix II — Unaudited Pro Forma Financial Information" and on the basis that 1,557,161,200 Shares were in issue at the respective Offer Price of HK$16.00 and HK$17.42, assuming that the Shares issued pursuant to the Global Offering were issued on March 31, 2025, which does not take into account (i) any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option, or (ii) any Share which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.

For further details, please refer to "Appendix II — Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets" to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$3,287.4 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$16.71 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus and that the Offer Size Adjustment Option and the Over-allotment Option are not exercised. We intend to use our proceeds from the Global Offering for the following purposes:

- approximately 20% of the net proceeds, or approximately HK$657.5 million, is expected to be used for our worldwide research and development efforts;

- approximately 50% of the net proceeds, or approximately HK$1,643.7 million, is expected to be used for upgrading our intelligent manufacturing system and supply chain management;

- approximately 20% of the net proceeds, or approximately HK$657.5 million, is expected to be used for enhancing our sales and distribution channels; and

- approximately 10% of the net proceeds, or approximately HK$328.7 million, is expected to be used for working capital and general corporate purposes.

See the section headed "Future Plans and Use of Proceeds" in this prospectus for further information relating to our future plans and use of proceeds from the Global Offering.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$174.2 million (assuming an Offer Price of HK$16.71 per Share, being the mid-point of the indicative Offer Price range of HK$16.00 to HK$17.42 per Share), representing approximately 5.3% of the estimated net proceeds from the Global Offering assuming no Shares are issued pursuant to the Offer Size Adjustment Option or the Over-allotment Option. The listing expenses consist of (i) underwriting-related expenses, including underwriting commission, of approximately HK$119.4 million, and (ii) non- underwriting-related expenses of approximately HK$54.8 million, comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK$41.2 million, and (b) other fees and expenses of approximately HK$13.6 million. During the Track Record Period, the listing expenses charged to our consolidated statements of profit or loss were RMB28.7 million (HK$31.5 million) and the issue costs, which were recognized as prepayments and are expected to be deducted from equity upon the Listing, were RMB5.2 million (HK$5.7 million). After the Track Record Period, approximately HK$22.4 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$114.6 million is expected to be accounted for as a deduction from equity upon the Listing. We do not believe any of the above fees or expenses are material or are unusually high for our Group. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

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

"Accountants' Report"	the accountants' report of our Company, the text of which is set out in Appendix I to this prospectus
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Anhui AUX"	Anhui AUX Intelligent Electric Co., Ltd. (安徽奧克斯智能電氣有限公司), a limited liability company established under the laws of the PRC on November 2, 2017, and a wholly-owned subsidiary of our Company
"Ao Tai"	Ao Tai Limited, a private limited company incorporated in Hong Kong and wholly owned by Mr. ZHENG Jianjiang as of the Latest Practicable Date
"Articles" or "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, a summary of which is set out in "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix IV to this prospectus
"Audit Committee"	the audit committee of our Board
"AUX Air Conditioner"	AUX Air Conditioner Co., Ltd. (奧克斯空調股份有限公司), a joint-stock company with limited liability established under the laws of the PRC on December 8, 2016, and a wholly-owned subsidiary of our Company
"AUX Group"	AUX Group Co., Ltd. (奧克斯集團有限公司), a limited liability company established under the laws of the PRC on June 23, 2001 and owned by Ningbo Yuanxing and Ningbo Yuanhe as to 65% and 35%, respectively, as of the Latest Practicable Date

"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
"AUX Home Appliances"	Ningbo AUX Home Appliances Sales Co., Ltd. (寧波奧克斯家電銷售有限公司), a limited liability company established under the laws of the PRC on February 28, 2012 and a wholly-owned subsidiary of our Company
"AUX Import & Export"	Ningbo AUX Import and Export Co., Ltd. (寧波奧克斯進出口有限公司), a limited liability company incorporated under the laws of the PRC on November 10, 1997, and a wholly-owned subsidiary of our Company
"AUX Information"	Ningbo AUX Information Technology Co., Ltd. (寧波奧克斯信息技術有限公司), a limited liability company established under the laws of the PRC on May 14, 2015, and a wholly-owned subsidiary of our Company
"Board," "Board of Directors" or "our Board"	the board of Directors of our Company
"business day" or "Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capital Market Intermediaries"	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented, or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"China," "mainland China" or "PRC"	the People's Republic of China excluding, unless the context requires otherwise, for the purposes of this prospectus only, the regions of Hong Kong, Macau and Taiwan of the People's Republic of China
"China Bloom"	China Bloom Industrial Co., Ltd., a business company with limited liability incorporated in the BVI on March 22, 2004, and a wholly-owned subsidiary of our Company
"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, as of the Latest Practicable Date, and one of our Controlling Shareholders
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," "our Company," or "the Company"	Aux Electric Co., Ltd. (奥克斯电气有限公司), an exempted company with limited liability incorporated in the Cayman Islands on October 23, 2024
"Compliance Advisor"	Somerley Capital Limited
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. ZHENG Jianjiang, Ze Hui, China Prosper and AUX Holdings, details of which are set out in the section headed "Relationship with Our Controlling Shareholders"
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company

"EIT"	the enterprise income tax
"EIT Law"	PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
"ESG"	environmental, social and governance
"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale with serious extreme and widespread impact, such as large-scale power outage, extensive flooding, major landslides and serious obstruction of public transport services
"FINI"	Fast Interface for New Issuance, an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, and an Independent Third Party
"F&S Report"	the report prepared by Frost & Sullivan
"FVTPL"	fair value through profit or loss
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group," "our Group," "the Group," "we," "us," or "our"	our Company and its subsidiaries from time to time, and where the context requires, the businesses operated by our Company and/or its subsidiaries and their predecessors (if any)
"Guide for New Listing Applicants"	the Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"HeCe"	HeCe Co., Ltd., a company incorporated in the BVI with limited liability on October 22, 2024, and a wholly-owned subsidiary of Ningbo HeCe
"HeChang"	HeChang Co., Ltd., a company incorporated in the BVI with limited liability on October 22, 2024, and a wholly-owned subsidiary of Ningbo HeChang

"HeTu"	Hetu Co., Ltd., a company incorporated in the BVI with limited liability on October 22, 2024, and a wholly-owned subsidiary of Ningbo HeTu
"HeYao"	Heyao Co., Ltd., a company incorporated in the BVI with limited liability on October 22, 2024, and a wholly-owned subsidiary of Ningbo HeYao
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the designated website at **www.hkeipo.hk**
"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
"**HKSCC**"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your **broker** or **custodian** who is an HKSCC Participant to submit **electronic application instructions** via FINI to apply for the Hong Kong Offer Shares on your behalf
"**HKSCC Nominees**"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

"**HKSCC Operational Procedures**"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"**HKSCC Participant**"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 10,358,200 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation and the Offer Size Adjustment Option as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Share Register"	the register of members of our Shares maintained by the Hong Kong Share Registrar
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated August 21, 2025 relating to the Hong Kong Public Offering, entered into by, among others, our Company, the Sole Sponsor-Overall Coordinator (for itself and behalf of the Hong Kong Underwriters), as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement" in this prospectus
"Huajie Trade"	Ningbo Huajie Trade Co. Ltd. (寧波驊頡貿易有限公司), a limited liability company established under the laws of the PRC on June 23, 2017, and a wholly-owned subsidiary of our Company

"Independent Third Party(ies)"	any entity or person, who, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning ascribed to it under the Listing Rules
"International Offer Shares"	the 196,803,000 Shares being offered for subscription under the International Offering, together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the US Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into by our Company and the International Underwriters on or about the Price Determination Date
"Jiahuikai"	Anhui Jiahuikai Intelligent Technology Co., Ltd. (安徽嘉匯凱智能科技股份有限公司), a joint-stock company with limited liability established under the laws of the PRC on August 27, 2018, and owned as to 90% by Mr. CHEN Guanghui (陳光輝), a cousin of Mr. ZHENG Jianjiang and Mr. ZHENG Jiang as of the Latest Practicable Date
"Jiahuikai Components Procurement Framework Agreement"	the components procurement framework agreement entered into between our Company (for itself and on behalf of its subsidiaries) and Jiahuikai on August 20, 2025, pursuant to which we agreed to procure certain structural components for manufacturing air conditioners from Jiahuikai

"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer
"Joint Bookrunners"	the joint bookrunners as named in the section headed "Directors and Parties Involved in the Global Offering" of this prospectus
"Joint Global Coordinators"	the joint global coordinators as named in the section headed "Directors and Parties Involved in the Global Offering" of this prospectus
"Joint Lead Managers"	the joint lead managers as named in the section headed "Directors and Parties Involved in the Global Offering" of this prospectus
"Joint Overall Coordinators"	the joint overall coordinators as named in the section headed "Directors and Parties Involved in the Global Offering" of this prospectus
"KOL(s)"	key opinion leader(s)
"Latest Practicable Date"	August 17, 2025, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about September 2, 2025, on which the Shares are to be listed and on which dealings in the Shares are to be first 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
"Longzhicheng"	Jiangxi Longzhicheng Industry Co., Ltd. (江西省龍之丞實業有限公司), a company established in the PRC with limited liability on September 19, 2010 and 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 as of the Latest Practicable Date

"Longzhicheng Components Procurement Framework Agreement"	the components procurement framework agreement entered into between our Company (for itself and on behalf of its subsidiaries) and Longzhicheng on August 20, 2025, pursuant to which we agreed to procure certain structural components for manufacturing air conditioners from Longzhicheng
"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
"Memorandum" or "Memorandum of Association"	the memorandum 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, a summary of which is set out in "Summary of the Constitution of our Company and Cayman Islands Company law" in Appendix IV to this prospectus
"Ministry of Finance" or "MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. ZHENG Jiang"	Mr. ZHENG Jiang (鄭江), a non-executive Director
"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
"Nanchang AUX"	Nanchang AUX Electric Manufacturing Co Ltd. (南昌市奧克斯電氣製造有限公司), a limited liability company established under the laws of the PRC on October 17, 2003, and a wholly-owned subsidiary of our Company as of the Latest Practicable Date
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	the National Equities Exchange and Quotation (全國中小企業股份轉讓系統), a PRC over-the-counter system for trading shares for unlisted public company

"Ningbo Aosheng"	Ningbo Aosheng Trading Co., Ltd. (寧波奧勝貿易有限公司) (previously known as Ningbo AUX Air Conditioner Co., Ltd. (寧波奧克斯空調有限公司)), a limited liability company established under the laws of the PRC on September 18, 1993 and a wholly-owned subsidiary of AUX Group as of the Latest Practicable Date
"Ningbo Aoyunshang"	Ningbo Aoyunshang Commercial Trading Co., Ltd. (寧波奧雲商商貿有限公司), a limited liability company established under the laws of the PRC on September 7, 2018, and a wholly-owned subsidiary of our Company as of the Latest Practicable Date
"Ningbo AUX Electric"	Ningbo AUX Electric Co., Ltd. (寧波奧克斯電氣有限公司), a limited liability company established under the laws of the PRC on June 24, 2003, and a wholly-owned subsidiary of our Company as of the Latest Practicable Date
"Ningbo Fenghe"	Ningbo AUX Fenghe Investment Co., Ltd. (寧波奧克斯豐和投資有限公司), a limited liability company established under the laws of the PRC on May 16, 2003, a wholly-owned subsidiary of Ningbo Sanxing prior to the completion of the Pre-IPO Reorganization and a wholly-owned subsidiary of AUX Group as of the Latest Practicable Date
"Ningbo Gaochuang"	Ningbo Gaochuang Commercial Management Partnership Enterprise (Limited Partnership) (寧波高創商業管理合夥企業(有限合夥)) (previously known as Ningbo Gaochuang Equity Investment Management Partnership (Limited Partnership) (寧波高創股權投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 8, 2015, and one of the Pre-reorganization Shareholding Platforms
"Ningbo Gaohui"	Ningbo Gaohui Commercial Management Partnership Enterprise (Limited Partnership) (寧波高匯商業管理合夥企業(有限合夥)) (previously known as Ningbo Gaohui Equity Investment Management Partnership (Limited Partnership) (寧波高匯股權投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 8, 2015, and one of the Pre-reorganization Shareholding Platforms

"Ningbo HeCe"	Ningbo HeCe Enterprise Management Partnership (Limited Partnership) (寧波合策企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 24, 2024, indirectly holding 23,910,750 Shares through HeCe, its wholly-owned BVI incorporated investment holding company
"Ningbo HeChang"	Ningbo HeChang Enterprise Management Partnership (Limited Partnership) (寧波合暢企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 24, 2024, indirectly holding 9,258,250 Shares through HeChang, its wholly-owned BVI incorporated investment holding company
"Ningbo HeTu"	Ningbo HeTu Enterprise Management Partnership (Limited Partnership) (寧波合途企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 24, 2024, indirectly holding 11,020,750 Shares through HeTu, its wholly-owned BVI incorporated investment holding company
"Ningbo HeYao"	Ningbo HeYao Enterprise Management Partnership (Limited Partnership) (寧波合耀企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 24, 2024, indirectly holding 4,889,000 Shares through HeYao, its wholly-owned BVI incorporated investment holding company
"Ningbo Hutssom"	Ningbo Hutssom Electric Co., Ltd. (寧波華蒜電氣有限公司), a limited liability company established under the laws of the PRC on August 17, 2018, and a wholly-owned subsidiary of our Company as of the Latest Practicable Date
"Ningbo Sanxing"	Ningbo Sanxing Technology Co., Ltd. (寧波三星科技有限公司), a limited liability company established under the laws of the PRC on May 13, 1999, and a wholly-owned subsidiary of our Company as of the Latest Practicable Date
"Ningbo Yuanhe"	Ningbo Yuanhe Electric Appliance Technology Co., Ltd. (寧波元和電器科技有限公司), a limited liability company established under the laws of the PRC on June 17, 1999 and owned by Mr. ZHENG Jianjiang, Mr. ZHENG Jiang and Mr. HE Xiwan as to 85%, 10% and 5%, respectively, as of the Latest Practicable Date

"Ningbo Yuanxing"	Ningbo Yuanxing Industrial Investment Co., Ltd. (寧波元興實業投資有限公司), a limited liability company established under the laws of the PRC on May 18, 2000 and owned by Mr. ZHENG Jianjiang, Mr. ZHENG Jiang and Mr. HE Xiwan as to 85%, 10% and 5%, respectively, as of the Latest Practicable Date
"Ningbo Zhongmei"	Ningbo Zhongmei Commercial Management Partnership Enterprise (Limited Partnership) (寧波眾美商業管理合夥企業(有限合夥)) (previously known as Ningbo Zhongmei Equity Investment Management Partnership (Limited Partnership) (寧波眾美股權投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 9, 2015, and one of the Pre-reorganization Shareholding Platforms
"Ningbo Zhongrui"	Ningbo Zhongrui Enterprise Management Partnership Enterprise (Limited Partnership) (寧波眾瑞企業管理合夥企業(有限合夥)) (previously known as Ningbo Zhongrui Equity Investment Management Partnership (Limited Partnership) (寧波眾瑞股權投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC November 9, 2015, and one of the Pre-reorganization Shareholding Platforms
"Nomination Committee"	the nomination committee of our Board
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option

"Offer Size Adjustment Option"	the option under the Hong Kong Underwriting Agreement, exercisable by the Company with the prior written agreement between the Company and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) on or before the execution of the Price Determination Agreement, pursuant to which the Company may issue and allot up to an aggregate of 31,074,000 additional Shares (representing in aggregate approximately 15.0% of the Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover additional market demand, as described in "Structure of the Global Offering — Offer Size Adjustment Option"
"Offshore Shareholding Platforms"	Ningbo HeCe, Ningbo HeTu, Ningbo HeChang and Ningbo HeYao
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Sponsor-Overall Coordinator (for itself and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, to require our Company to allot and issue up to 31,074,000 additional Shares (assuming the Offer Size Adjustment Option is not exercised at all) or up to 35,735,200 additional Shares (assuming the Offer Size Adjustment Option is exercised in full), at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering — Over-allotment Option" in this prospectus
"PRC Legal Advisors"	Jingtian & Gongcheng, PRC legal advisors to our Company
"Pre-IPO Reorganization"	the corporate reorganization of our Group in preparation for the Listing, particulars of which are set out in the section headed "History, Reorganization and Corporate Structure" in this prospectus
"Pre-reorganization Shareholding Platforms"	Ningbo Gaohui, Ningbo Gaochuang, Ningbo Zhongrui and Ningbo Zhongmei

"Price Determination Date"	the date, expected to be on or about August 29, 2025 and in any event no later than 12:00 noon on August 29, 2025, on which the Offer Price is to be fixed for the purposes of the Global Offering
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"QIB(s)"	qualified institutional buyer(s) within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Sanxing Medical"	Ningbo Sanxing Medical Electric Co., Ltd. (寧波三星醫療電氣股份有限公司), a joint-stock company with limited liability established under the laws of the PRC on February 1, 2007, the shares of which are listed on the Shanghai Stock Exchange (stock code: 601567)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital our Company with a nominal value of US$0.000005 each
"Shareholder(s)"	holder(s) of our Share(s)
"Shuyi Property"	Shuyi Property Service Co., Ltd. (曙一物業服務有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of AUX International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 2080)

"Sole Sponsor" or "Sole Sponsor-Overall Coordinator"	China International Capital Corporation Hong Kong Securities Limited
"SPV"	special purpose vehicle
"STA"	the State Taxation Administration (國家稅務總局)
"Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Takeovers Code"	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2025
"Transfer Pricing Advisor"	Ernst & Young (China) Advisory Limited, our advisor as to transfer pricing assessment
"Treasury Share(s)"	the Share(s) repurchased and held by our Company in treasury, if any
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars," "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"UAE"	United Arab Emirates
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"VAT"	value-added tax
"Wenbang"	Ningbo Wenbang Electronics Co., Ltd. (寧波文邦電子有限公司), a company established in the PRC with limited liability on January 11, 2013 and 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 as of the Latest Practicable Date
"Wenbang Components Procurement Framework Agreement"	the components procurement framework agreement entered into between our Company (for itself and on behalf of its subsidiaries) and Wenbang on August 20, 2025, pursuant to which we agreed to procure certain structural components for manufacturing air conditioners from Wenbang
"Xtron Thailand"	Xtron Air-conditioning Manufacture (Thailand) Co., Ltd., a limited liability company established in Thailand on September 24, 2018, and a wholly-owned subsidiary of our Company
"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 Kai"	Ze Kai Limited, a limited company incorporated in Hong Kong on August 5, 2011, a wholly owned subsidiary of our Company
"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 (何錫萬)
"Zhuhai Tuoxin"	Zhuhai Tuoxin Technology Co., Ltd. (珠海拓芯科技有限公司), a limited liability company established under the laws of the PRC on June 29, 2016, and a wholly-owned subsidiary of our Company

"%"	per cent

In this prospectus, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," "controlling shareholder," and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

"**5G**"	the fifth-generation technology standard for cellular networks in telecommunications
"**AGV**"	automated guided vehicle, a self-guided automated vehicle designed to autonomously transport materials in industrial manufacturing
"**B2B**"	business-to-business
"**B2C**"	business-to-consumer
"**CAGR**"	compound annual growth rate
"**CFD**"	computational fluid dynamics, a method using computer simulations to analyze and predict the behavior of fluids, including liquid and gas flows under various conditions
"**CNC**"	PC and PLC numerical control technology, a precise automation technology that controls devices through a sequence of pre-programmed control instructions executed by a computer, which completes product processing and improves the accuracy and efficiency of the manufacturing process
"**CQC**"	China Quality Certification Centre
"**e-commerce**"	commercial transactions conducted electronically on the internet
"**GFA**"	gross floor area
"**HVAC**"	heating, ventilation, and air conditioning
"**Industrial Internet Platform**"	a platform encompassing a set of integrated software capabilities

"**IoT**"	Internet of Things, the collective network of connected devices and the technology that facilitates communication between devices and the cloud, as well as between devices themselves
"**IT**"	information technology
"**Lights-Out Factory**"	an advanced manufacturing facility relying on automation to minimize or eliminate human intervention
"**mass-market**"	air conditioners market with selling prices to end consumers under RMB2,500
"**NFC**"	near field communication, a set of communication protocols that enables two electronic devices or one electronic device and an NFC tag to communicate with each other
"**OBM**"	original brand manufacturer, a company that sells its manufactured products under its own brands
"**ODM**"	original design manufacturer, a company that designs and manufactures products that will eventually be sold under third-party brands
"**OEM**"	original equipment manufacturer, a company that manufactures products eventually be sold under third-party brands
"**online retail model** (網批新零售模式) "	an integrated online and offline distribution model firstly introduced by us in the industry in 2017, which creates a flatter distribution structure empowered by our self-developed online management systems. For details, see "Business — Sales and Marketing — Our Sales Networks — Online Retail Model and "Hello AUX (小奧直賣)" — Mixed Model Integrates Online and Offline Advantages"
"**photovoltaic**"	a non-mechanical device that converts sunlight directly into electricity

"**PLC**"	a Programmable Logic Controller, a digital computer specifically designed for use in industrial environments, which performs multi-axis servo control, logical operations, sequential control, timing, and counting tasks during the control process
"**R&D**"	research and development
"**RFID**"	Radio-Frequency Identification, a technology that utilizes radio waves for non-contact data transmission and reading, enabling the automatic identification and tracking of tags attached to objects
"**VRF**"	a single outdoor unit serves multiple indoor units, automatically adjusting cooling or heating output based on indoor load to allow independent temperature and airflow control in different zones, offering energy efficiency, comfort, and flexible control

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "might," "ought to," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our mission, goals and strategies;
- our future business development, financial conditions and results of operations;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with customers, business partners, suppliers and other partners;
- changes in the macro environment, regional and global economy;
- our ability to adequately protect our reputation and brand image, as well as our intellectual property rights;
- our ability to obtain adequate capital resources to fund future development plans;
- our ability to control costs, as well as to achieve and maintain operational efficiency;
- our ability to attract and retain qualified personnel;
- competition in the industry and markets in which we operate or into which we intend to expand;
- our proposed use of proceeds;
- rapid developments in technology and our ability to successfully keep up with technological advancement;
- changes in currency exchange rates;

- relevant government policies and regulations relating to industries which we operate in;
- certain statements in this prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management;
- change of volatility in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other statements in this prospectus that are not historical facts.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

An investment in the Offer Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before deciding to invest in the Offer Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such event, the market price of the Offer Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our growth and profitability depend on economic conditions and the level of consumer spending in our key markets.

Our results of operations depend significantly on economic conditions and durable goods consumption in our key markets, particularly in China. We derived 57.1%, 58.1%, 50.7%, 49.7% and 42.9% of our revenues from China in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively. Durable goods consumption is affected by a number of economic factors. Economic changes and related factors exacerbating negative trends in consumer and business spending may cause certain customers to postpone, cancel or refrain from placing orders for our products.

Worldwide and regional economic conditions could have a material adverse effect on the customer demand for our products. Demand also could differ materially from our expectations as a result of currency fluctuations. Other factors that could influence worldwide or regional demand include availabilities of supporting regulations and subsidies, changes in fuel and other energy costs, fluctuations in interest rates, conditions in the real estate and mortgage markets, unemployment, labor costs, access to credit, consumer confidence, corporate willingness to invest or spend, and other macroeconomic factors affecting the spending behavior of consumers and corporates. These and other economic factors could materially and adversely affect demand for our products and therefore adversely affect our business, results of operations and financial condition.

We operate in a highly competitive environment, and failure to compete successfully would adversely affect our market position, business and financial results.

We face significant competition in our air conditioner business both in China and the overseas markets. Competition in the global air conditioner market is based on a number of factors, including product pricing, product features and design, quality, performance, product update, innovation, reputation, energy efficiency, distribution and financial incentives, such as cooperative advertising, co-marketing funds, salesforce incentives and sales discounts, after-sales services. In addition, the global air conditioner market is a relatively mature sector characterized by intense price competition, frequent introduction of new products, rapid adoption of technological and product advancements by competitors, and the individual preferences of end customers. Significant new competitors or increased competition from existing competitors may adversely affect our business, results of operations and financial condition.

Our competitors primarily include large Chinese and multinational air conditioner companies. We have a variety of local and overseas competitors in each region. We compete with our competitors in a variety of aspects including market experience, sales and distribution, brand recognition, portfolio breadth, product features, pricing, manufacturing scale, cost efficiencies, marketing, manufacturing, R&D or technological resources. Furthermore, due to rapid technological advancements, shortened product update cycles and ease of imitation, it is becoming increasingly difficult for us to take advantage of the higher selling prices typically associated with new products and technologies while having to invest more in R&D. Some of our competitors may also be willing to reduce prices and accept lower profit margins to compete with us. In addition, further increase in market concentration of the air conditioner industry may result in stronger competition for us, and any price competition from time to time may result in declined average selling prices and profit margins, which could adversely affect our business and financial results.

There can be no assurance that we will be able to compete successfully and failure to do so would have an adverse effect on our business, results of operations and financial condition.

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.

Our long-term success in the competitive environment depends on our ability to develop and commercialize a continuing stream of innovative products. As a result, we continue to invest significant resources in our infrastructure, R&D and other areas in order to remain competitive in our businesses and operations, as well as to explore new growth strategies and introduce new high-quality products. However, our investments in innovations and new technologies, which may be significant, may not increase our competitiveness or generate financial returns in the short term, or at all, and we may not be successful in adopting and implementing new technologies. New product development and commercialization efforts, including efforts to enter markets or product categories in which we have limited or no prior experience, have inherent risks. These risks include the costs involved, such as development and commercialization, product development or launch delays and the failure of new products to achieve anticipated levels of market acceptance or growth in sales or operating income. We also face the risk that our competitors will introduce innovative products that compete with our products and thereby divert demand for our products to such competitors' products. In addition, sales generated by new products could cause a decline in sales of our existing products. If new product development and commercialization efforts are not successful, our business, financial condition and results of operations could be adversely affected.

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.

Our business depends significantly on the strength of our brands and their reputation. Each of these brands have their specific market positioning in their primary market and are at different stages of development. Therefore, developing, maintaining and enhancing the recognition, image and acceptance of our brands is critical to our ability to differentiate our products from, and to compete effectively with, our competitors. The success of our brands depends on our design and marketing efforts, including advertising and customer campaigns, and on product innovation. We intend to continue making investments in these areas in order to develop, maintain and enhance our brand image. As a result, costs associated with maintaining our brand image can be significant, and we may further incur substantial expenses to establish our brand image in new markets we have decided to or will enter. However, we cannot assure you that our investments in these areas would be successful, and expenses related to maintaining our brand image may have an adverse impact on our results of operations and financial condition if they do not yield the expected results. The ability of each brand to successfully target its designated market and customer group is also important in minimizing risks of cannibalization among our own products.

Our brands, reputation and product sales could be harmed if, for example, our products fail to meet expectations of our customers or contain defects or fail. See "— 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." If we provide poor or ineffective customer services or are subject to product liability claims, our brands and reputation could be adversely affected. Given the association of our individual products with our overall brands, an issue with one of our products could negatively affect demand for other products of ours or the reputation of us as a whole, which could have an adverse impact on the business, results of operations and financial condition of us.

We entered into brand authorization agreements which authorize the licensees to use our brand name for a range of kitchen appliances and other small home appliances. There is no guarantee that these licensees will successfully maintain the reputation and/or brand image of our Aux brand. If these licensees cannot maintain the reputation and/or brand image of our Aux brand, any negative publicity or consumer disputes and complaints regarding these licensees may harm the value of our brand, and our business, financial and results of operation may be negatively affected as well. We also engage distributors to distribute our products and authorize them to use our trade name, brand name and images in their course of sales for our products. Our brand and reputation may be damaged by distributors' improper conduct, counterfeit of our products, product defects, product liability claims, consumer complaints, negative rumors, negative media coverage or any other form of negative publicity. In addition, adverse publicity about regulatory or legal action against us could damage our reputation and brand image, undermine customer confidence in us and reduce long-term demand for our products.

Further, our success in maintaining and improving our brand image depends on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. Negative posts or comments about us on social networking platforms and other websites that spread rapidly through such forums could seriously damage our reputation and brand image. In order to attract and retain customers, we may need to substantially increase our expenditures for creating and maintaining brand loyalty. As a result, our sales and marketing related expenses may increase significantly.

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 have established a robust sales network, both directly and through distributors. If we fail to maintain or expand our sales network, our sales revenue will decline and our business, results of operations and prospects may be materially and adversely affected. If our distributors fail to perform or fail to fit our sales and marketing strategy, we may need to adjust the number of our distributors and the footprint they cover. This may affect the width and depth of our sales network which would in turn affect end customers' access to our products. If we fail to renew our agreements with our existing distributors or enter into new agreements on favorable terms or at all, or if they reduce, delay or cancel their orders from us or enter into relationships with our competitors, our revenue and our market share and growth opportunities could suffer, which would negatively impact on our business, financial condition, results of operations and cash flows.

We review the performance of our distributors from time to time. However, our ability to manage the activities of our distributors is relatively limited. We mainly rely on our distribution agreements, policies and measures we have in place to monitor and govern our relationships with distributors, including their compliance with laws, rules, regulations and our policies and implementation of anti-trust, anti-corruption and anti-bribery measures. If our distributors fail to adequately promote our products, or fails to provide proper training to their staff, thereby affecting the quality of services they provide, our reputation and brand image may be damaged.

We cannot assure you that our distributors will comply with our distributor agreements and policies. For example, we cannot assure you that they will comply with our pricing policies at all times and will not compete using aggressive discounts, which could lead to negative customer perception of the products we sell among our sales channels. In addition, we cannot assure you that we can independently audit or verify the sales performance and other financial information made available to us via our platforms. As such, we may not have a true picture of the sales performance of our distributors and whether or not they have complied with our distributor agreements, policies or the demand that our customers have for our product offerings. Given our limited ability to monitor the sales performance of our distributors and the sub-distributors they may sell to, we cannot assure you that they will not make decisions or take actions that are not in our best interests, thereby harming our business and reputation. Similarly, we cannot assure you that each of our distributors will fully comply with the distributor agreements with us or the policies we require them to adhere to or that we have accurate and up-to-date information to assess our distributors' performance.

We may not be able to effectively manage any overlap or potential competition among our different sales channels.

During the Track Record Period, we sold our products through our omni-channel sales network, which covers various offline and online channels. We cannot assure you that measures we have implemented to manage overlap or potential competition among our sales channels will be effective. As a result, the expansion of our sales network may not lead to proportionate expansion of our sales revenue. Furthermore, adverse competition or cannibalization, such as cross-region sales in contravention of contractual obligations of distributors, among our sales channels may have a negative impact on the stability of our sales network, which may have a material and adverse effect on our profitability, business, financial condition and results of operations.

In addition, our distributors may further enter into agreements with their sub-distributors, and we normally do not enter into distributorship agreements or directly establish relationships with the sub-distributors. Accordingly, we generally rely on our distributors to manage and control the sub-distributors. In the event our distributors fail to effectively manage their sub-distributors, competition among such sub-distributors may result in cannibalization within our sales channels, which may have an adverse effect on our business, results of operations and financial condition.

If we fail to grow or retain our customer base, or if customer satisfaction declines, our business and operating results may be adversely affected.

The size of our customer base and the level of satisfaction are critical to our success. Our business has been depending and will continue to depend on our customers and their loyalty in and level of satisfaction with our products. If customers no longer view our products as useful and attractive as compared to competing offerings, we may not be able to increase or maintain our customer base and the level of satisfaction. A number of factors could negatively affect customer growth, retention and satisfaction, including:

- despite our continual research, monitoring and analysis of customer needs, we may be unable to identify and meet evolving customer demands;

- we may not be able to timely develop and introduce new or updated products, or the new or updated products we introduce may not be favorably received by customers;

- we may fail to update existing technology or develop new technology in time to stay ahead or abreast of market advances;

- we may not be able to continue to successfully drive organic growth of customer base, which may require us to devote more additional resources to acquire customers;

- we may be unable to prevent or combat inappropriate use of our products, which may lead to negative public perception of us and damage our brand or reputation;

- we may encounter technical or other problems that prevent our products from operating in a smooth and reliable manner or otherwise adversely affect customer experience;

- our competitors may launch or develop similar or disruptive products with better customer experience or lower price, which may result in loss of existing customers or decline in new customers growth;

- we may fail to address customer concerns related to privacy and communication, data safety, security or other factors; and

- we may be compelled to modify our products to address requirements imposed by legislation, regulations, government policies or requests from government authorities in manners that may compromise user experience.

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.

We cannot assure you that our quality control measures will be as effective as we expect. There can be no assurance that we will be able to detect and fix all defects in our products. We may face the risk of significant monetary exposure to claims if we fail to implement and maintain our quality control steps and our products do not perform as expected or contain design and/or manufacturing defects or malfunctions.

If our products are defective, the sale of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties who are subject to such injury or damage may bring claims or legal proceedings against us. Certain product liability claims may be the result of defects from components and parts purchased from our suppliers. Attempting to enforce our rights against such suppliers and manufacturers may be expensive, time-consuming and ultimately futile. Such suppliers and manufacturers may not be able to indemnify us for the losses resulting from such defects and product liability claims in full or at all. Further, our insurance coverage might be insufficient to fully cover all damages sought and the claiming process might be prolonged. As a result, any material product liability claims or litigation could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation. Further, a product liability claim could generate substantial negative publicity about our products and brands, which would have a material adverse effect on our business prospects and financial condition.

We adhere to our product return policies and generally do not allow our distributors to return products other than due to product quality issues, which is in line with customary industry practice. For our collaboration with certain leading e-commerce platforms in mainland China, we may agree to accept returns for unconditional returns initiated by consumers. However, we may be required by law to adopt new or amend existing return and exchange policies from time to time. Should we be the ultimate responsible party for the costs and losses associated with return and exchange, our results of operations may be materially and adversely affected. If our return and exchange policy is misused by a significant number of customers, our costs may increase significantly and our results of operations may be adversely affected. If we adopt more customer-friendly return and exchange policies, these policies also subject us to additional costs and expenses which we may not recoup through increased revenue, which may negatively affect our results of operations. If we adopt less customer-friendly return and exchange policies to reduce such costs and expenses, our users may be dissatisfied, which may result in loss of existing users or failure to acquire new customers at a desirable pace, which may adversely affect our results of operations.

Our operating results depend upon our ability to obtain raw materials, components and products in sufficient quantities on commercially reasonable terms from third-party suppliers, and any disruption in their supply or significant increase in their prices will negatively affect our business.

Raw materials and components are the largest component of our total cost of sales. The raw materials and components that we mainly use in our products are copper, aluminum, steel, plastic, compressors and motors. The prices of these materials and components containing those materials are susceptible to significant fluctuations due to supply and demand trends in the commodities markets, transportation costs, government regulations and tariffs, geopolitical events, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. Our supply agreements for raw materials may allow pricing adjustments depending on the contract. Our results of operations could be adversely affected if we were unable to obtain adequate supplies of high-quality raw materials or components in a timely manner at reasonable prices or make alternative arrangements for such supplies, or if there were significant increases in the costs of raw materials or components that we could not pass on in full.

We rely on the timely supply of raw materials, components and products, including key components such as compressors, in order to carry out our production plans as scheduled. The R&D process is time-intensive, and we cannot assure that our R&D progress and outcomes and the cost-effectiveness of our in-house production of such key raw materials will meet our expectations. Any delays or disruptions in such supplies from our suppliers, may have a material and adverse impact on our ability to meet the market demands and our marketing and sale of our products. In addition, any natural or man-made disasters or other unanticipated catastrophic events, including adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of pandemics could impair the operations of our suppliers and/or disrupt our transportation channels, and impede our ability to manufacture and deliver our products to customers in a timely manner.

Raw materials, components and products required for production and operations, including those that are available from multiple sources, may be subject to supply shortages and significant commodity pricing fluctuations. There can be no assurance that we will be able to extend or renew the agreements that we have entered into for the supply of many raw materials, components and products on commercially acceptable terms, or at all. Some suppliers of raw materials, components and products may suffer from poor financial conditions, which can lead to business failure for the supplier or consolidation within a particular industry, further limiting our ability to obtain sufficient quantities of raw materials, components and products on commercially reasonable terms. The effects of global or regional economic conditions on our suppliers could also affect our ability to obtain raw materials, components and products. Although we have entered hedging transactions to lock the prices for some of the bulk materials required for manufacturing, we remain subject to significant risks of supply shortages and price increases, which may adversely affect our business, results of operations and financial condition.

If our third-party service providers fail to provide reliable or standardized services, our business, financial condition and results of operations may be adversely affected, and our reputation may be harmed.

We procure services, such as transportation and logistics services as well as installation services, from third-party service providers over whom we do not have control. To a much lesser extent, we also engage third-party service providers for commissioned processing of immaterial components of our products. These third-party service providers may encounter disruptions in their operations due to factors such as equipment breakdowns, IT system failures, commercial disputes, labor shortages or strikes, natural disasters, non-compliance issues, or other economic, business, labor, environmental, public health, or social issues. In addition, we may not be able to identify substitute third-party service providers on terms that are commercially acceptable to us, or at all. Any failure of our third-party service providers to provide reliable, efficient and high-quality services may result in disruptions to the supply and distribution of our products. Such disruptions could adversely affect our business operations, financial condition, and results of operations, and may also harm our reputation in the market.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

Our inventory primarily includes finished goods, finished goods in transit, raw materials and work in progress products. Our inventories decreased from RMB2,841.9 million as of December 31, 2022 to RMB2,707.9 million as of December 31, 2023, mainly because finished goods in transit were higher at the end of 2022 due to extended logistics delays and advanced delivery preparations during the COVID-19 pandemic. As logistics recovered in 2023, finished goods in transit declined. Our inventories increased significantly from RMB2,707.9 million as of December 31, 2023 to RMB5,878.8 million as of December 31, 2024, primarily due to stocking up inventory for overseas sales in response to rising overseas demand. Our inventory plan was based on confirmed and projected customer orders. For instance, as of December 31, 2024, we have secured contracts with overseas customers totaling an order value of RMB13,072.6 million. Additionally, we adjusted production schedules to increase output by the end of 2024 to optimize capacity and prepare for 2025 orders. Our inventories then decreased to RMB5,227.4 million as of March 31, 2025, mainly due to a reduction in finished goods after the peak shipping season in the first quarter. Our inventory turnover days were 62.1 days, 52.2 days, 66.6 days and 67.8 days in 2022, 2023, 2024 and the three months ended March 31, 2025, respectively. The decrease in our inventory turnover days from 62.1 days in 2022 to 52.2 days in 2023 was primarily because of the improved efficiency in our logistics and warehousing management as we refined our inventory management. The increase in our inventory turnover days from 52.2 days in 2023 to 66.6 days in 2024 was primarily because we stock up inventory for overseas sales at the end of 2024. Our inventory turnover days remained relatively stable at 67.8 days for the three months ended March 31, 2025.

We may not be able to accurately track our inventory level or to identify any excessive build-up or insufficient stock of inventory at various levels of our global network. We may misjudge market demand. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs, and the sale of excess inventory at discounted prices or in less preferred sales and distribution channels could impair the image of our brands and harm our gross margin; but if we underestimate the demand for our products, insufficient stock could result in delays in the shipment of our products, thereby impacting our ability to generate sales and cause damage to our reputation and relationships with our customers and distribution partners. Therefore, failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales, which could adversely impact our business, financial condition and results of operations.

Our sales and results of operations are subject to seasonal variations.

Our air conditioner business can be affected by weather due to the nature of the products. Changes in weather or average temperature may cause fluctuations in demand for our products. In addition, there are also certain seasonal patterns for purchases of our products due to other factors such as holiday-driven promotions and deliver periods for overseas sales. We expect the impact of seasonality on our business to remain in the future. As a result of these seasonal variations, we believe that comparisons of our operational results between different quarters within a single fiscal year or across different fiscal years are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of our future performance.

Our imports and exported products may be adversely affected by trade barriers, including tariffs, antidumping measures, countervailing duties or quotas.

We have been and may continue to be adversely affected by trade barriers, including tariffs, quotas, antidumping measures, and countervailing duties imposed on goods that include our products exported to our overseas markets, which could materially adversely affect our exports to those regions and, in turn, our results of operations and financial position.

Further, international market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs of the jurisdictions in which we operate, or the perception that these changes could occur, could adversely affect the financial and economic conditions of the jurisdictions in which we operate, and subsequently our financial condition and results of operations. Although we have (i) actively discussed and cooperated with our suppliers and customers to reduce the impacts from tariffs, (ii) increased our production efficiency to offset such impacts on our cost of sales as a whole, and (iii) potentially expanded our supplies resources to other countries, we cannot guarantee that these measures are sufficient to mitigate such impacts on our results of operations. Non-tariff trade barriers, such as potential restrictions on transfer of technology or intellectual property rights, may adversely affect the technology know-how we may rely on for the development of and the innovation in our products. If any of such situations happens, our business, results of operations and financial conditions may be adversely affected.

We conduct operations worldwide and are exposed to legal, regulatory, political, economic, commercial and other risks in each country in which we operate.

As of the Latest Practicable Date, our products were sold in over 150 countries and areas. As a result of our global footprint, we are subject to legal, regulatory, political, economic, commercial and other risks associated with cross-border business, including:

- fluctuations in foreign currency exchange rates. For further information, please see "— Risks Relating to Financial, Accounting and Tax Matters — Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment;"

- increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as develop and maintain an effective marketing and distribution presence;

- difficulty in providing efficient customer service and support in markets abroad;

- risks associated with dealing with regulatory regimes, regulatory bodies and government policies with which we might be unfamiliar, in order to obtain overseas permits, licenses and approvals necessary to manufacture or import, market and sell products in or to overseas regions;

- high costs relating to compliance with the commercial and legal requirements of overseas markets, including those relating to labor, environmental and industry-specific regulations;

- risks associated with local unions and employment disputes, including allegations of discrimination, harassment, violation of collective bargaining agreements, wrongful termination, among others;

- difficulty in obtaining or enforcing intellectual property rights;

- strict foreign exchange controls and cash repatriation restrictions;

- unanticipated changes in prevailing economic conditions and regulatory requirements;

- political instability and civil unrest, cultural and religious conflicts, and acts of terrorism;

- risks associated with compliance with local tax laws and regulations including but not limited to timely filing of tax returns, tax payment, and disputes or disagreements with local tax authorities with respect to matters including but not limited to calculation of tax liabilities and preferential tax treatments;

- risks associated with disputes with local tax authorities on the judgement of transfer pricing arising out of our intragroup transactions, which may result in reallocation or adjustment of our taxable income and a different tax amount payable;

- difficulties in enforcing agreements and collecting overdue receivables through local legal systems; and

- trade barriers such as export requirements, sanctions, tariffs and other restrictions and expenses.

As part of our future plans, we intend to set up new manufacturing facilities in the Middle East, the Americas, and other appropriate locations. Although these regions are not entirely new operating areas for us, as we already have established sales networks and business activities there, building new manufacturing facilities may nonetheless expose us to additional risks. These include significant capital expenditures and ongoing operating costs, as well as the possibility of project delays or cost overruns. We may also face strong competition from both local and international manufacturers in these markets, which could require greater investment in marketing and distribution. In addition, the economic and regulatory environments in the Middle East, the Americas, and other locations differ from our existing markets, and changes in local policies, tariffs, or approval processes may impact the viability and profitability of our planned operations.

Our overall success as a global business depends, in part, on our ability to succeed in managing such risks. The risks and their potential impact on us or our business partners vary from country to country and are difficult to predict with any degree of accuracy. We may not be able to develop and implement policies and strategies that address these risks effectively in each location in which we conduct business, and there can be no assurance that our exposure to such risks, which may become greater as we expand our international operations, will not adversely affect our reputation, business, results of operations and financial condition or otherwise divert our resources in handling any lawsuits, legal proceedings or complaints.

We are subject to applicable antitrust and competition laws in the jurisdictions in which we operate, and we may be subject to certain regulatory scrutiny procedures and investigations, from time to time, by antitrust or competition regulatory authorities relating to claims of infringement of antitrust or competition laws, or civil lawsuits and criminal proceedings with respect to anti-competitive behaviors, in certain of these jurisdictions. Such regulatory scrutiny procedures and investigations, may be carried out by the relevant antitrust or competition regulatory authorities on an individual entity or a group of entities within an industry or a segment of an industry and may relate to a range of activities including acquisitions, pricing and other behaviors. These investigations and scrutiny procedures may be carried out by antitrust or competition regulatory authorities in confidence and we may not become aware of the details of such scrutiny procedures or investigations until we are formally notified of the outcome. In addition, our competitors may resort to making allegations or complaints against us to regulators without our knowledge which may give rise to further scrutiny and investigations. Such scrutiny procedures, investigations, lawsuits and proceedings may result in fines, civil liability or criminal liabilities or may result in a change in the way we operate. Further, there can be no assurance that our business, results of operations and financial condition will not be adversely affected by the introduction of new antitrust or competition laws in the jurisdictions in which we operate, the interpretation of existing antitrust or competition laws, or the enforcement of existing antitrust or competition laws by competent regulatory authorities or civil antitrust litigation by private parties against us or our subsidiaries.

We have operations in a large number of jurisdictions. Exports of our products must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to certain countries or regions, governments, and persons targeted by U.S. sanctions. European Union sanctions also have similar regime to prohibit the provision of products and services to countries or regions, governments and persons on their respective target list. We take precautions to prevent our products from being provided to any target of these sanctions. However, we cannot assure you that our products would not be provided to those targets through independent distributors despite such precautions. Any such provision could have negative consequences, including government investigations, penalties and reputational harm. We could be subject to future enforcement action with respect to compliance with governmental economic sanctions and export controls laws that result in penalties and costs that could have a material effect on our business and operating results.

In addition, economic sanctions programs do and will continue to restrict our ability to engage in business dealings with certain sanctioned countries or regions. Sanctions programs moreover evolve over time and it is difficult for us to predict the interpretation, implementation or enforcement of governmental policies or sanctions with respect to our activities, currently or in the future or whether U.S. sanctions in particular will expand in ways that impair and restrict our business. Our policies, procedures and controls may not be able to react timely or comprehensively to such changes. There is no assurance that our activities in any particular country or region will not result in negative media attention or reputational damage.

Government policies affecting international trade and investment, such as capital regulations, economic or trade sanctions, export regulations, tariffs or foreign investment filings and approvals, may affect the demand for our products, impact the competitive position of our products, or it may affect our sales of products in certain countries or regions. If any new tariffs, legislation, or regulations are implemented (including those imposing economic or trade sanctions, export or outbound investments supervision), or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations.

In recent years, there have been heightened complexity in international relations. Such tensions could reduce levels of international trade, investment, technological exchange, and other economic activities, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our and our customers' business, prospects, financial condition, and results of operations. In addition, as our business, to some extent, depends on markets and supplies located overseas, economic sanctions and trade restriction measures (including tariffs) taken by government authorities or other trade tensions or unfavorable trade policies may affect the costs and/or marketability of our products, and our ability to continue to sell to global customers and further grow our customer base.

Changes in international trade policies and tariffs may adversely impact our business and operating results.

Significant political, trade, or regulatory developments in the jurisdictions in which we operate, such as those stemming from the current U.S. government, are difficult to predict and may have a material adverse effect on us. Changes to international trade policy implemented by the U.S. government have impacted and may in the future impact, among other things, the U.S. and global economy, international trade relations and other areas.

Our business may also be impacted by the imposition of tariffs by the U.S. and any resulting adjustment tariffs in the countries in which we operate. During the course of February and April 2025, the U.S. government implemented tariffs on several major trading partners, including Canada, China, the EU and Mexico, with a baseline of tariffs on all countries and an additional individualized reciprocal higher tariff on the countries with which the U.S. has large trade deficits ("**U.S. Reciprocal Tariffs**"). In response to the U.S. Reciprocal Tariffs, China adopted a series of trade measures including raising its tariffs on U.S. goods. On April 9, 2025, President Trump announced that the U.S. Reciprocal Tariffs would be paused for 90 days on trading partners who did not retaliate after such policy took effect, but the 10% baseline tariff would apply to nearly all other U.S. trading partners. On May 12, 2025, China and the U.S. agreed to temporarily lower tariffs on each other's goods, which became effective from May 14, 2025. China removed the additional tariffs it announced since April 4, 2025, and suspended its initial 34% tariff on the U.S. it announced on April 4, 2025 for 90 days, but retained a 10% tariff during the period of the pause. These tariffs as well as their scope of application remain subject to further negotiations and adjustments. There is also substantial uncertainty in relation to the interpretation, implementation and administration of the tariffs. Existing bilateral or multilateral trade agreements between the U.S. and other countries may also affect the scope of application of the U.S. Reciprocal Tariffs.

During the Track Record Period, our revenue generated from the U.S. and our supply chain exposure to the U.S. were not significant, and the impacts of the increased tariffs by the U.S. and the countermeasures taken by China on us are limited as of the Latest Practicable Date. However, the uncertainty surrounding potential changes in U.S. trade policies could adversely affect our business operations and financial performance. Any substantial increases in tariffs or trade restrictions implemented by the U.S. administration could lead to retaliatory measures by affected countries, potentially disrupting global supply chains. If we are unable to successfully manage the impact and the increased costs resulting from the increased tariffs, our business, financial condition and results of operations could be materially and adversely affected.

Our business and prospects may be harmed if we cannot adequately protect our intellectual property rights and litigation to protect our intellectual property rights may be costly and may not be resolved in our favor.

Our success in maintaining our competitive position depends on our ability to obtain and enforce intellectual property rights worldwide. We seek to protect our intellectual property and proprietary rights primarily through intellectual property laws, relying on a combination of patents, trade secrets, trade name, trademarks, copyrights and similar protections. With respect to proprietary know-how that is not patentable and production processes for which patents are difficult to enforce, we rely on trade secret protections and confidentiality agreements to safeguard its interests.

Steps taken by us to protect our intellectual property and proprietary information may not be adequate to prevent misappropriation of our technology as the existence of laws or contracts prohibiting such actions may not always serve as sufficient deterrents, and policing the unauthorized use of our intellectual property may be expensive and time consuming. Pending patent applications or patents already issued to us may become subject to dispute, which could be resolved against us, thereby causing such patents to be invalid or unenforceable. Reverse engineering, unauthorized copying or other misappropriation of our intellectual property and proprietary technologies could enable third parties to benefit from our technologies without paying us for doing so, and we may be unable to determine the extent of any unauthorized use of our intellectual property. Our competitors may also independently develop substantially equivalent technologies, or otherwise gain access to our proprietary technologies, and obtain patents for such intellectual properties in other jurisdictions where our products are sold.

In order to protect our intellectual property rights and maintain our competitive position, we may file suits against parties that we believe infringe our intellectual property. Such litigation may divert management's attention and resources from the operation of our business. We may also have to bring suits in foreign jurisdictions, in which case we would be subject to additional risks as to the result of the proceedings and the amount of damages that we can recover. Some countries in which we conduct our business may have weaker capabilities in protecting intellectual property rights, and effective patent, copyright and trade secret protection may be unavailable or limited. In addition, depending on the jurisdiction, statutory differences in patentable subject matter may affect the protection we can obtain under a patent. Our competitive position may be undermined if we do not adequately protect our intellectual property rights, which may have a material adverse effect on our business, results of operations and financial condition.

Claims by third parties that we are infringing their intellectual property and other litigation could adversely affect our business.

Intellectual property rights, such as patents, trade name, trademarks, copyrights, domain names, know-how, and proprietary technologies protect brand images, product formulations and other valuable rights. Our competitors or other third parties may have intellectual property rights and interests which could potentially conflict with ours. If any patents or know-how infringement or other intellectual property claims against us are successful, we may not have a legal right to continue to use or sell products that are adjudicated to have infringed third parties' intellectual property rights. We may be legally required to expend significant resources to review and revise our business and operations so that they do not infringe third parties' intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. Intellectual property litigation against us could significantly disrupt our business, divert our management's attention or consume much of our financial resources.

For example, we have been involved in several intellectual property litigations as the defendant or a co-defendant. While we have successfully defended some cases through non-infringement findings or successful invalidation of plaintiffs' patents through our counterclaims, there have been certain instances where courts determined that we infringed third parties' intellectual property rights and thus we were subject to compensatory payments. We have updated certain design of our products to avoid further infringement, and implemented comprehensive improvements to our intellectual property protection system. For details, see "Business — Intellectual Property." However, no assurance can be given that these measures will be effective in protecting us against intellectual property litigation risks. In addition, during the Track Record Period, our Group was a co-defendant in a litigation related to a trade secrets and intellectual property infringement proceeding, and as of the Latest Practicable Date, an appeal had been filed by the other defendant. For details, see "Business — Legal Proceedings and Compliance."

We are subject to a broad range of regulations and may be subject to fines or impacts that could cause our operations to be interrupted.

We are subject to a broad range of involving laws and regulations relating to, among other areas, the environment, occupational health and safety and labor practices, both in China and in other jurisdictions in which we operate. Compliance with such regulations may result in an increase in our cost of compliance, and failure to comply could subject us to legal liability, fines and other sanctions.

In the area of environmental regulation, we are required to comply with laws and regulations relating to air emissions, discharges into water, noise pollution, toxic chemicals, waste treatment, and the energy efficiency of certain products, among other things. We are also subject to periodic monitoring by environmental protection authorities in various jurisdictions. Any failure on our part to comply with any present or future environmental regulations could result in the assessment of damages or imposition of fines against us, suspension of production or a loss of license to operate certain facilities. In addition, new environmental regulations could require us to acquire costly equipment or to incur other significant compliance expenses that may adversely affect our business, results of operations and financial condition.

In addition, we may in the future be subject to potentially material liability relating to the investigation and clean-up of contaminated areas, including groundwater, at properties owned or formerly owned, operated or used by us and to claims alleging personal injury or damage to natural resources. There can be no assurance that we will not incur environmental liability beyond the limits, or outside the coverage, of any insurance or that our provisions for environmental remediation will be sufficient to cover the ultimate loss or expenditure.

Further, we may be required to make additional investments and change our product design and manufacturing processes to meet energy efficiency standards necessary to market such products in certain jurisdictions.

Finally, there is a growing global focus on the labor and environmental practices of manufacturers, particularly in low-cost countries. Additional, more stringent social responsibility laws and regulations may be adopted in the future, which may result in an increase in our cost of compliance. In addition, if we fail to comply with such laws and regulations, we may be subject to fines, penalties, legal judgements or other costs, which may adversely affect our operating results and financial condition. In addition, a finding of noncompliance, or the perception that we have not responded appropriately to growing consumer concern for issues relating to social responsibility, whether or not we are legally required to do so, may adversely affect our reputation, and consequently our operating results and financial condition.

Our business is subject to a variety of local and overseas laws, rules, policies and other obligations regarding data protection. Any losses or unauthorized access to or releases of confidential information and personal data could subject us to significant reputational, financial, legal and operational consequences.

Our business requires us to use and store information, including, among other things, personally identifiable information and other personal information with respect to our customers and employees. We are subject to local and overseas laws relating to the collection, use, retention, security and transfer of personal information. In many cases, these laws apply not only to third-party transactions, but also may affect transfers of personal information among us and our overseas sales companies. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional requirements. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing overseas requirements may cause us to incur substantial costs or require us to change our business practices. Non-compliance could result in significant penalties or legal liability.

To ensure our compliance with these laws and regulations relating to the collection, use, retention, security and transfer of personal information, we have established relevant protocols and mechanisms with respect to how we collect, store, process and use user personal data and information. For example, we notify customers the information collected and the purpose of collecting the information, explain to them what, how and why the personal information may be shared with third parties and also obtain consent from relevant users or other basis of legitimacy. Any failure by us to comply with these public statements or with other local or overseas privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others. In addition to reputational impacts, penalties could include ongoing audit requirements and significant legal liability. We have implemented systems and processes intended to secure our IT systems and prevent unauthorized access to or loss of sensitive data, including through the use of encryption and authentication technologies. As with all companies, these security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities. For example, third parties may attempt to fraudulently induce employees or users into disclosing user names, passwords or other sensitive information, which may in turn be used to access our IT systems. To help protect customers and ourselves, we monitor our services and systems for unusual activity and may freeze accounts under suspicious circumstances, which, among other things, may result in the delay or loss of customer orders or impede customer access to our products.

We may face increasing acquisition and leasing costs with respect to warehouses at suitable locations, and may not be able to find suitable locations for warehouses on commercially acceptable terms, if at all.

Performance of our business depends on the location of our warehouses. Given our inventory levels and shipping demands, the strategic placement of our warehouses is crucial. During the Track Record Period, our warehouses are primarily on lease terms. If any of our warehouses experiences a material incident or our prevention measures are not adequately implemented in the future, we may lose the goods stored therein, and incur significant costs and expenses to restore or to relocate such warehouses.

The supply of suitable locations for warehouses is limited, and competition for these locations is intense. Therefore, we may face increasing cost in acquiring or leasing these prime locations for our warehouses. Furthermore, there can be no assurance that we will be able to identify and lease or acquire suitable locations on terms commercially acceptable to us or at all. In the event that we encounter difficulties in securing suitable large-scale warehouses sites in regions where we operate or plan to expand, our business, financial conditions and results of operations could be adversely affected.

We rely on certain utilities such as electricity and water in our manufacturing process, and any failure or shortage in the supply of such utilities may adversely affect our business.

Our manufacturing process is dependent on certain utilities, such as electricity and water. Any shortage or interruption in the supply of utilities could disrupt our operations and increase our cost of production or result in delays in the shipment of products to customers. For example, although we have secured long-term supply contracts for key utilities, there can be no assurance that we will not experience any unexpected disruptions in utility supply in future. Moreover, the price of various kinds of utilities may fluctuate and we cannot predict future price trends or the degree of any price volatility. In most cases, local governments regulate tariffs for industrial enterprises such as us, and we cannot predict whether the local governments will raise tariffs in the future. Any significant increase in the prices of utilities, any shortage or government-imposed curtailment on utilities usage or any interruption in utilities supply could increase our cost of sales and/or cause disruptions to our operations. This, in turn, may adversely affect our business, results of operations and financial condition.

RISKS RELATING TO FINANCIAL, ACCOUNTING AND TAX MATTERS

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

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. Through other income and gains, we incurred net foreign exchange income of RMB114.0 million, RMB97.9 million and RMB86.0 million in 2022, 2023 and 2024, respectively. We incurred net foreign exchange losses of RMB2.5 million and RMB28.7 million for the three months ended March 31, 2024 and 2025, respectively. This is primarily due to the continued appreciation of the U.S. dollar in the fourth quarter in 2024, which led to increased expected losses on forward foreign exchange contracts. In response to foreign exchange risks, we have established effective measures to eliminate potential risks. For details, see "Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Positions — Derivative Financial Instruments." We cannot guarantee that future fluctuations of exchange rates would not have a material adverse impact on our financial condition and results of operations.

Changes in the value of foreign currencies could increase our RMB costs for, or reduce our RMB revenues from, our foreign operations. The fluctuation of foreign exchange rates also affects the value of our monetary and other assets and liabilities denominated in foreign currencies. We cannot guarantee that future fluctuations of exchange rates would not have a material adverse impact on our financial condition and results of operations.

During the Track Record Period, we have maintained certain hedging policies, such as leveraging certain derivative instruments, in an effort to reduce our exposure to foreign exchange risks, and we may maintain, or further enhance, our hedging policies in the future. Our derivative financial instruments mainly include, among others, forward currency contracts and swaps. However, the availability and effectiveness of our hedging measures may be limited, and we may not be able to adequately cover our exposure or not be able to fully cover all the risks.

It is difficult to predict how external factors may impact the exchange rate of RMB to foreign currencies in the future. There can be no assurance that such exchange rate will remain stable against USD or other foreign currencies in the market. Any appreciation of RMB against foreign currencies may affect our overseas operations. Conversely, if we decide to convert our RMB into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, any depreciation of RMB against the Hong Kong dollar would have a negative effect on the value of, and any dividends payable on, our Shares.

We will have significant capital requirements in connection with our business strategy and if capital resources are not available on a timely, adequate and matched basis, we may not be able to implement our strategy and future plans.

We incurred significant expenditure during the Track Record Period in connection with our strategy to expand into new geographic markets and enhance our global presences. We may continue incur additional capital expenditures in the future. In the event of adverse market conditions, or if our actual expenditures significantly exceed our planned expenditures, our external financing activities consolidated with our internal sources of liquidity may not be sufficient to implement our current and future operational plans.

To the extent that our existing sources of capital are not sufficient to satisfy our needs, we may have to seek external sources, including through the issuance of additional equity or debt securities in the domestic or international capital markets or additional bank borrowings. Our ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including:

- the liquidity and volatility of the Chinese and international capital markets;
- the PRC government's policies regarding Renminbi and foreign currency borrowings;
- our future financial condition, results of operations and cash flows;
- our ability to obtain the necessary regulatory approvals on a timely basis;
- any tightening of credit markets and general market conditions for debt and equity raising activities by financial institutions;

- foreign exchange regulations; and
- economic, political and social conditions in the geographical markets in which we operate and elsewhere.

There is no assurance that we will be able to obtain additional capital in a timely manner or on acceptable terms, if at all. The failure to obtain sufficient financing on commercially reasonable terms could delay or derail our ability to pursue our business strategy, which could adversely affect our product development, business and results of operations. Future debt financing could include terms that restrict our financial flexibility or restrict our ability to manage our business. If we are not able to issue shares in the future, we may need to explore other avenues of raising capital.

We are exposed to changes in our receivables at fair value through other comprehensive income. Fluctuations in their values would affect our results of operations and financial condition.

We recorded receivables at fair value through other comprehensive income ("**FVTOCI**") of RMB155.9 million, RMB670.6 million, RMB964.8 million and RMB1,905.4 million as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively. Fair values of receivables at FVTOCI are determined based on quoted prices in active markets, significant market-observable inputs, or significant unobservable inputs using valuation techniques. See Note 42 to the Accountants' Report in Appendix I to this prospectus for more details.

For receivables at FVTOCI, factors beyond our control can significantly influence and cause adverse changes to the market-observable inputs that we use and thereby affect the fair value of such financial assets and receivables. These factors include, but are not limited to, general economic condition, changes in market interest rates, stability of the capital markets, shifts in our creditworthiness and other market-driven variables. Any of these factors, as well as others, could cause the fair values to fluctuate or our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. Additionally, judgement and estimation are required in establishing the relevant valuation techniques where market-observable data for certain financial assets are not readily available, which inherently involve a certain degree of uncertainty. Changes in assumptions relating to our valuation could result in the material adjustments to the fair value of such financial assets, which may in turn have a material adverse effect on our financial position and results of operations.

In addition to receivables at FVTOCI, we recorded financial assets at amortized cost. Our financial assets at amortized cost primarily consist of constant return financial products, which mainly include term bank deposits with initial terms over one year, custom deposits and non-transferable certificates of deposits deposited in financial institutions, which were subsequently measured using the effective interest method. These financial assets at amortized cost are subject to credit risks. We perform impairment assessment on these financial assets by considering the risk of default of the counterparties with reference to credit ratings assigned by international credit-rating agencies. Any failure or distress of banks or financial institutions with which we have a commercial relationship, or any events involving limited liquidity, defaults, non-performance or other adverse developments that affect the financial services industry in general (or any concerns or rumors about events of these kinds) may cause a substantial decrease in the value of our other financial assets at amortized cost, which may in turn adversely affect our results of operations and financial condition.

The amount of our deferred tax assets is subject to uncertainties of accounting estimates.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. We believe that the amount of our deferred tax asset is subject to the uncertainties of accounting estimates.

As of December 31, 2022, 2023 and 2024 and March 31, 2025 our deferred tax assets amounted to RMB576.7 million, RMB480.3 million, RMB498.7 million and RMB535.1 million, respectively. Based on our accounting policies, significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Where the actual or expected tax position of the relevant companies of our Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

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

The EIT Law imposes a tax rate of 25% on business enterprises. Some of our subsidiaries are entitled to preferential tax treatment. For example, certain of our subsidiaries in China were approved as High-tech Enterprises, and they were subject to a preferential corporate income tax rate of 15% during the Track Record Period. See "Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Income Tax Expenses" in this prospectus. To the extent there are any adjustments in the laws and regulations governing preferential tax treatment, or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with China tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to China tax laws and regulations and tax penalties or fines could affect our businesses, financial condition and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. See "Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Income Tax Expenses" in this prospectus. Due to the fact that the tax environment can be different in different jurisdictions and that the regulations regarding various taxes, including but not limited to corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our results of operations.

We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected. In addition, some of the jurisdictions in which we operate have rules on transfer pricing that require intra-group transactions to be conducted on arm's length terms. We have engaged the Transfer Pricing Advisor to conduct a transfer pricing review and benchmarking studies on our primary international intra-group transactions during the Track Record Period. The Transfer Pricing Advisor conducted an independent analysis and considers the transfer pricing arrangements of the reviewed international intra-group transactions to be compliant with the arm's length principle in accordance with the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations issued by Organization for Economic Co-Operation and Development, an intergovernmental organization promulgating world trade policies, during the Track Record Period. For details, see "Business — Our Global Footprint — Transfer Pricing Arrangement." However, there can be no assurance that tax authorities in these jurisdictions will not challenge our transfer pricing arrangements, which could result in additional taxes, interests, or penalties imposed on us. Such challenges could have a material adverse effect on our financial condition, results of operations and prospects.

We have historically received financial incentives, such as government grants, and we may not continue to receive such incentives in the future.

We have historically received government grants in the form of subsidies for certain of our investment schemes, the purchase of property, plant and equipment, and certain R&D projects. For further details of our government grants, see "Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Other Income and Gains." Moreover, our growth has also been supported by favorable government policies. The timing, amount and criteria of government grants and other favorable policies are determined by the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide from time to time to reduce or eliminate such grants or policies. Our eligibility for government grants and other favorable policies is dependent on a variety of factors, including the assessment of our improvement on existing technologies, relevant government policies, the availability of funding at different granting authorities and the R&D progress made by other peer companies. In addition, some of the government grants and policies are on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. In addition, the policies under which we historically received government grants may be adjusted or changed. We cannot assure you of the continued availability of government grants and other favorable policies currently enjoyed by us. Any reduction or elimination of such government grants and other policies would materially adversely affect our business, financial condition, results of operations and prospects.

We are subject to credit risk in collecting trade and bills receivables due from the customers.

During the Track Record Period, a majority of our trade and bills receivables were outstanding for less than 6 months. For a substantial portion of our sales of products in China, we generally require full payment before delivery of goods. Depending on the credit history of our overseas customers and their transaction amounts with us, we generally collect a certain amount of deposits from them. We generally allow flexibility by offering a credit period of 30 to 120 days for the remaining amount. During the Track Record Period, our trade and bills receivables turnover days were 25.2 days, 24.8 days, 30.3 days and 37.4 days in 2022, 2023, 2024 and the three months ended March 31, 2025, respectively. As of December 31, 2022, 2023 and 2024 and March 31, 2025, we recorded trade and bills receivables of RMB1,427.5 million, RMB1,944.9 million, RMB3,003.4 million and RMB4,764.6 million, respectively. There is no assurance that all such amounts due to our Group will be settled on time or at all, and we are subject to credit risk in collecting the trade and note receivables due from the customers. Our performance, liquidity and profitability will be adversely affected if significant amounts due to us are not settled on time. The bankruptcy or deterioration of the credit condition of any of our major customers could also adversely affect our business.

Our operations may be restricted by our current and future debt covenants, failure to comply with the terms of our indebtedness could result in acceleration of debt, and our leverage could make it difficult for us to operate our business.

Under the terms of our principal bank loans and under any debt financing arrangement that we may enter into in the future, we are, and may in the future be, subject to covenants that could, among other things, restrict the business and operations of our Group and/or one or more of our subsidiaries. If we breach any of these covenants, our lenders and the holders of our debt securities will be entitled to accelerate our debt obligations. Any default under our debt obligations could require that we repay these debts prior to maturity as well as limit our ability to obtain additional financing, which in turn may have a material adverse effect on our cash flow and liquidity. Furthermore, our indebtedness may be accelerated if our lenders conclude that we are at risk of not being able to repay the indebtedness. If our indebtedness is accelerated or declared default, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing. Our Directors confirm that we had neither material defaults in payment of loans and borrowings, nor any breach of financial covenants during the Track Record Period.

Our leverage could have important consequences for our business and operations, including making it more difficult for us to satisfy our obligations under our financing arrangements; increasing our vulnerability to a downturn in our business or general economic and industry conditions; requiring us to dedicate a portion of our cash flow from operations to payments on our debt and reducing the availability of our cash flow to fund internal growth through capital expenditures and for other general corporate purposes; negatively impacting credit terms with our creditors; and limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional capital.

We recorded net current liabilities during the Track Record Period. We cannot assure you that we will not experience net current liabilities in the future, which could expose us to liquidity risks.

We recorded net current liabilities of RMB3,190.0 million, RMB2,029.4 million, RMB2,469.6 million and RMB790.1 million as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively. Our net current liability position was primarily attributable to our trade and bills payables and other payable and accruals. However, there can be no assurance that we will not experience liquidity problems in the future. The net current liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, results of operations and financial condition could be materially and adversely affected.

Fluctuations in interest rates may have an adverse effect on our results of operations.

Certain of our long-term interest-bearing borrowings are subject to variable interest rates. Interest rate risks primarily arise from long-term loans that bear interest. Any borrowings at floating interest rates expose us to cash flow interest rate risks. In addition, any borrowings at fixed interest rates expose us to fair value interest rate risk.

We are constantly monitoring interest rate levels, as any increase will directly elevate the costs of any borrowings under the floating rate or have a significant impact on our financial performance. In order to hedge against cash flow fluctuations caused by changes in market interest rates, we seek to manage interest rate risk through certain interest rate swap contracts. We also seek to manage the impact of interest rate risk fluctuations by balancing fixed and floating interest rate exposures based on market conditions. However, no assurance can be given that these measures will be effective in protecting us against interest rate risk and a failure to manage this risk could have an adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO OUR OPERATIONS

Any interruption in the operation throughout our entire operation process for an extended period may have an adverse impact on our business.

Our operation process covers from R&D through production, storage, logistics, marketing and sales to after-sales services. Any interruption or failure in the operation process, which involves use of raw materials, parts and components supplied by third-party vendors, could result in product quality or safety problems and other regulatory or environmental risks that may have an adverse impact on our business. Our operation process may be disrupted by fire, flood, earthquake, power outage, telecommunications failure, security breach, and other incidents that are beyond our control. Any interruption in the operation may render us unable to fulfil the orders placed with us in a timely manner and/or design and manufacture products to the customer's satisfaction or at all. In addition, the use of the more advanced, complex and costly technologies and equipment may further increase our exposure to operational risks and the difficulty in timely repair or replacement. Any interruption in the operation throughout our entire operation process for an extended period could cause us to suffer financial loss and reputational harm, which may adversely affect our business, results of operations and financial condition.

Our success depends largely on the continued service of our senior management and key technical personnel and our ability to recruit, train or retain qualified personnel or sufficient workforce while controlling our labor costs.

Much of our future success depends on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers, our senior management team and other highly skilled employees could harm our business. Competition for qualified talent is intense. Our future success depends on our ability to attract a large number of qualified employees and retain existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected.

We intend to hire additional qualified employees to support our business operations and planned expansion. Our future success depends, to a significant extent, on our ability to recruit, train or retain qualified personnel, particularly technical, marketing and other operational personnel with experience in the relevant industry. Our experienced mid-level managers are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our managerial and operating systems also depends on the hard work and quality performance of our management and employees. Since our industry is characterized by high demand and intense competition for talent and labor, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth on a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

Labor shortages or increased labor costs may slow down our growth rate and reduce our profitability.

Experienced professional staff and other labor are important for the operation of our businesses, and therefore, our success depends in part on our ability to attract, retain and motivate a sufficient number of our R&D personnel and staff for our production work. Qualified individuals in the relevant industries are in short supply and competition for workers is intense. In addition, competition for qualified individuals or workers may require us to pay higher wages, which could result in higher labor costs.

If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

Our business has continued to grow in recent years, so has our business network and number of employees. In addition, as we expand our product portfolio, customer base and geographical markets, we will need to work with a larger number of suppliers and partners efficiently and maintain and expand mutually beneficial relationships with our existing and new suppliers and partners. We also need to continuously enhance and upgrade our infrastructure and technology, improve control over our operational, financial and management aspects, strengthen our supplier and sales network management, refine our reporting systems and procedures, and expand, train and manage our growing employee base. All these efforts will require significant managerial, financial and human resources. We cannot assure you that such efforts will reach our expected success. We cannot assure you that we will be able to effectively manage our growth, that our current infrastructure, systems, procedures and controls or any new measures to enhance them will be adequate and successful to support our expanding operations or that our strategies and new business initiatives will be executed successfully. In addition, changes and developments taking place in industries that we operate in may also require us to re-evaluate our business model and adopt material changes to our long-term strategies and business plans. Our failure to innovate and adapt to these changes and developments may have a materially adverse effect on our business, financial condition and results of operations. Even if we innovate and adapt to these changes and developments, we may nevertheless fail to realize the anticipated benefits of changes adopted to our long-term strategies and business plans or even harm our profitability as a result.

Our business may suffer as a result of adverse outcomes of current or future litigation and regulatory actions, including with respect to anti-competitive practices.

We face the risk of litigation and regulatory proceedings in different countries in the ordinary course of our business. Legal proceedings, including regulatory actions, may seek to recover large indeterminate amounts or to limit our operations, and the possibility that they may arise, and their magnitude may remain unknown for substantial periods of time. In particular, legal proceedings, including regulatory actions, may result from product defects, antitrust scrutiny, as well as disputes related to customer payments and product quality, both in the PRC and in other jurisdictions. For example, as we expand our operations globally, antitrust or competition regulatory authorities in certain jurisdictions may find our cooperation with other entities, or our conduct of business with other entities in a coordinated way, is not compliant with certain antitrust or competition laws and regulations. Consequently, we may be subject to certain antitrust investigations, lawsuits or regulatory proceedings, and may be subject to fines, civil liability or criminal liability. Further, the nature of our business and operations is such that we are subject to product liability claims relating to personal injury or property damage. Third parties who are subject to such injury or damage may bring claims or legal proceedings against us. Certain product liability claims may be the result of defects from components and parts purchased from our suppliers. Such claims, including the damages being sought, whether or not they have any basis, may be substantial and could extend beyond the direct losses suffered by our counterparties. A substantial legal liability or adverse regulatory outcome and the substantial cost of defending litigation or regulatory proceedings may have an adverse effect on our business, results of operations, financial condition, cash flows and reputation. Further, such lawsuits, regulatory proceedings and investigations could also divert significant resources from our normal operations.

We may be the subject of anti-competitive, harassing, or other detrimental conduct by third parties including complaints to regulatory agencies, negative social media postings, and the public dissemination of malicious assessments of our business that could harm our reputation and cause us to lose market share, customers and revenues.

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted online by anyone, whether or not related to us, on an anonymous basis. Customers value readily available information concerning distributors, retailers, manufacturers, and their products and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media is virtually immediate, as is its impact. Social media immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our reputation, business operations and financial performance. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

We may suffer losses caused by the occurrence of extraordinary events, including natural disasters or outbreaks of contagious diseases, and these losses may not be fully covered by insurance.

Our business may be adversely affected by the occurrence of typhoons, severe storms, earthquakes, floods, wildfires or other natural disasters or similar events in the areas where we operate. In addition, any outbreak of a contagious disease, such as severe acute respiratory syndrome (SARS), Middle East respiratory syndrome, avian influenza or novel coronavirus disease (COVID-19), could disrupt our operations in terms of our global supply chain, production, delivery as well as sales. Such events could decrease demand for our products, impact the productivity of our workforce, make it difficult or impossible for us to make and deliver products to our customers, or to receive components or products from our suppliers, and create delays and inefficiencies in our supply chain. While our suppliers are required to maintain safe working environments and operations, an industrial accident could occur and could result in disruption to our business and harm to our reputation. Should major public health issues, including pandemics, arise, we could be adversely affected by more stringent employee travel requirements, additional requirements in freight services, relevant policy affecting the movement of products between regions, delays in production ramps of new products and disruptions in the operations of our suppliers. In the event of a natural disaster, we could incur significant losses, require substantial recovery time and experience significant expenditures in order to resume operations.

Our limited insurance coverage may not cover all losses, which may increase our operational costs.

We currently have insurance coverage for our properties and fixed assets, plant and equipment and inventories, which we consider to be exposed to major business risks. We also maintain third-party insurance policies covering certain potential risks and liabilities including product liability and property liability. We do not, however, carry insurance in respect of certain risks that we believe are not insured under customary industry practice in China, or which are uninsurable on commercially acceptable terms, if at all, such as those caused by war, nuclear contamination, tsunami, pollution, acts of terrorism and civil disorder. Accordingly, there may be circumstances in which we will not be covered or compensated, in part or at all, for specific losses, damages and liabilities. We cannot guarantee that our insurance coverage is sufficient to cover potential losses. Any damage to our properties, fixed assets, plant, and equipment inventories that are not covered by insurance will result in substantial losses for us. Nevertheless, we would remain obliged for any bank borrowings or other financial obligations related to the property.

In addition, we are subject to the risks of losses arising from the misappropriation of cash or other assets by our employees or third parties, which losses may not be sufficiently covered by our insurance policies. Any risk that is not adequately covered by insurance may have an adverse effect on our business, results of operations and financial condition.

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

We may be exposed to fraud or other misconduct committed by our employees, customers, suppliers or other third parties that could affect our reputation and subject us to litigation, financial losses and sanctions imposed by governmental authorities. Such misconduct could include:

- hiding unauthorized or unlawful activities, such as money laundering, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts or failing to perform necessary due diligence procedures designed to identify potential risks that are material to our decision to make or dispose of investments and to engage in certain projects;
- improperly using or disclosing confidential information;
- engaging in improper activities such as offering bribes to, or receiving bribes from, counterparties in return for any type of benefit or gain;
- misappropriating funds;
- conducting transactions that exceed authorized limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;
- engaging in unauthorized or excessive transactions to the detriment of our customers; or
- otherwise failing to comply with applicable laws or our internal policies and procedures.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, such internal control procedures may be unable to identify all instances of non-compliance or suspicious transactions in a timely manner, if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct and the precautions we take to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may result in negative publicity for us.

Any negative publicity or misconduct regarding our brand ambassador that promotes our products could adversely affect our business.

We partner with our brand ambassador to promote our brand and market our products through both online and offline media. However, we cannot assure you that our brand ambassador's endorsements or advertisements will remain effective and compatible with the messages that our brand and products aim to convey. Neither can we assure you that our brand ambassador will remain popular or any of the images of our brand ambassador will remain positive. Any of our brand ambassador's deterioration of image or misconduct or inappropriate speech, would have a significant impact on our brand images and subsequently the sales of our products. Where we need to replace our brand ambassador, we may not be able to find suitable candidates in a timely manner or at all. In addition, we may have to dispose relevant packaging materials, removing advertising and marketing materials, which may incur additional expenses. Furthermore, our marketing plans may be disrupted or fail as we may require more time to prepare new market materials and may therefore miss special events. If any of these situations occurs, our business, financial condition and results of operations could be materially and adversely affected.

Our leased properties may be subject to non-compliances or challenges that could potentially affect our future use of them.

We own and lease properties in the PRC primarily for industrial use, dormitories, factories and offices. For details, see "Business — Properties — Owned Properties" and "Business — Properties — Leased Properties."

For some of our leased properties in the PRC, the lessors may not be able to provide documents evidencing the authorization or consent from the property owners for subleasing. In such case, our rights in relation to such properties might not be entirely protected. Any claim or disputes related to the title of the properties leased by us may affect our ability to continue to lease such properties and may result in relocation. We cannot guarantee that the legality of our use and occupation of the relevant buildings will not be challenged. In addition, the actual usages of certain leased properties were used for purposes inconsistent with their respective permitted usage, which may also challenge or interrupt our use and occupation of the relevant properties. If we have to find alternative properties, additional relocation costs will be incurred, and our business operations may be disrupted, any of which may have an adverse effect on our business, financial condition and results of operations. Furthermore, under PRC law certain leases are required to be registered with the PRC government. We have several leases that have not been registered with the relevant PRC governmental authorities. Although non-registration of lease agreements will not affect the validity of such lease agreements, we may be subject to penalties and may result in adverse effects on our results of operations, financial position or prospects. For details, see "Business — Properties — Leased Properties."

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

The property valuation report prepared by JLL, an independent property valuer, set out in the Property Valuation Report set out as Appendix III to this prospectus with respect to the appraised value of our property is based on various assumptions, which are subjective and uncertain in nature. The assumptions that JLL used in the property valuation report include that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest. Certain of the assumptions used by JLL in reaching the appraised value of our property may be inaccurate or unreasonable. In addition, unforeseeable changes in general and local economic conditions or other factors beyond our control may affect the value of our property. As a result, the appraised value of our property may differ materially from the price we could receive in an actual sale of the property in the market and should not be taken as their actual realizable value or an estimation of their realizable value. You should not place undue reliance on such values attributable to the property as appraised by JLL.

Our compliance and risk management systems may not be sufficient to prevent us from the effects of credit, market, liquidity, operation and other risks.

In connection with our worldwide business operations, we must comply with a broad range of legal and regulatory requirements in numerous jurisdictions and local operational business processes, particularly relating to sales of products. While we have established compliance and risk management systems that support our operational business processes, help address compliance with legislative provisions and, where necessary, initiate appropriate countermeasures to misconduct, there can be no assurance that our internal controls and compliance systems are adequate to address all applicable risks in every jurisdiction. Similarly, we can provide no assurance that such controls and systems of joint ventures and other partnering arrangements can be aligned with our own, and we may have to rely on their controls and systems for compliance with respect to their business practices.

The policies we have put in place to prevent direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, breaches of sanctions, fraud, deception, tax evasion and other criminal or otherwise unacceptable conduct may be insufficient to prevent all non-compliance in these areas.

The materialization of any of these risks may result in reputational loss and materially adverse legal consequences, such as debarment, the imposition of fines or sanctions and penalties on us or the members of our governing bodies or employees and could lead to the assertion of damages claims by third parties or to other detrimental legal consequences, including civil and criminal penalties. If any of these risks were to materialize, this could also have a material adverse effect on our business, financial condition and results of operations, reputation or prospects.

Our operations rely on complex IT systems and networks and our business and reputation may be impacted by IT system failures, network disruptions or cybersecurity breaches.

We rely extensively on IT systems, some of which are supported by third party vendors including cloud-based systems and managed service providers, to manage and operate our business. We invest in new IT systems designed to improve our operations. We may have failures of these systems in the future. If these systems cease to function properly, if these systems experience security breaches or disruptions or if these systems do not provide the anticipated benefits, our ability to manage our operations could be impaired, which could have a material adverse impact on our results of operations, financial condition, and cash flows. If the software installed on the computers used by us and our employees is not properly authorized or licensed, we may be subject to claims or litigations from software vendors.

We may be subject to IT system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could adversely impact our business by, among other things, preventing access to our internet services, interfering with customer transactions or impeding the assembling and shipping of our products. These events could materially and adversely affect our reputation, financial condition and operating results.

Our IT systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized access attempts, phishing and other cyberattacks. We continue to assess potential threats and make investments seeking to address and prevent these threats, including monitoring of our networks and systems and upgrading skills, employee training and security policies for us and our third-party providers. However, because the techniques used in these cyberattacks change frequently and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures. To date, we have seen no material impact on our business or operations from these attacks; however, we cannot guarantee that our security efforts will prevent breaches or breakdowns to our or our third-party providers' databases or systems. If the IT systems, networks or service providers we rely upon fail to function properly or if we or one of our third-party providers suffer a loss, significant unavailability of or disclosure of our business or stakeholder information and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action, including administrative fines. The costs and operational consequences of responding to breaches and implementing remediation measures could be significant.

Differences embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses still needs further clarification. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards, which may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims.

Furthermore, many of the legal systems in the geographic markets where we operate are based in part on their respective government policies and internal interpretations, some of which are published from time to time and may have retroactive effects. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention depending on the complexity of the cases.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Developments in current laws or regulations or the imposition of new laws and regulations in our geographic markets may affect the growth of our industries and affect our business, financial condition and results of operations.

You may experience difficulties in effecting service of process upon or enforcing foreign judgments against us or our Directors or officers.

Most of our assets are situated in the PRC and most of our directors and officers reside in the PRC. Therefore, there remains the possibility that it may be difficult to effect service of process outside the PRC upon most of our directors and officers, including with respect to matters arising under applicable securities laws. The PRC does not have treaties providing for the reciprocal recognition and enforcement of civil case judgments of courts with the United States and many other countries. Consequently, you may experience difficulties in enforcing against us or our directors or officers in the PRC any judgments obtained from courts outside of the PRC.

Pursuant to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, which was entered into on July 14, 2006, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in mainland China. Similarly, a party with a final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. On January 18, 2019, the Supreme People's Court and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), which came into effect on January 29, 2024 and superseded the Arrangement, or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and mainland China. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. After the New Arrangement became effective, a judgment rendered by a Hong Kong court can generally be recognized and enforced in the PRC even if the parties in the dispute do not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgments made by Hong Kong courts will be recognized and enforced in the PRC, as whether a specific judgment will be recognized and enforced is still subject to a case-by-case examination by the relevant court in accordance with the New Arrangement.

RISKS RELATING TO GOVERNMENT REGULATIONS

Developments in social and economic policies, as well as the interpretation and enforcement of laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

A substantial portion of our operations are based in the PRC, our business, financial condition, results of operations and prospects may be affected by economic, social and legal developments in China. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources; however, we cannot guarantee the extent to which our business operations will be able to benefit from such measures, if at all. In addition, laws, rules and regulations may also be amended from time to time, and the application, interpretation and enforcement of such evolving laws, rules and regulations may affect our business operations. Any of the foregoing may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, and our income may be subject to PRC tax under the relevant PRC laws.

Under the Corporate Income Tax Law of the PRC (the "CIT Law"), an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it will be treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. Under the Circular of the State Taxation Administration (the "STA") on Issues Concerning the Identification of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the "Circular 82") issued by the STA on April 22, 2009 and partially abolished in December 2017, provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, the criteria set forth in the Circular 82 may reflect the STA's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. Under Circular 82, an offshore enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management and their work location is in the PRC; (ii) decisions relating to the enterprise's financial and human resources matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC. On July 27, 2011, the STA issued Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) (the "Bulletin 45"), which became effective on September 1, 2011 and as amended or partially abolished in 2015, 2016 and 2018, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status, including which the competent tax authorities are responsible for determining offshore incorporated PRC resident enterprise status, as well as post-determination administration.

Despite the foregoing, the STA may take the view that the determining criteria set forth in Circular 82 and Bulletin 45 reflect the general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. Additional implementing regulations or guidance may be issued determining that we or any of our subsidiaries incorporated out of the PRC is a "resident enterprise" for PRC enterprise income tax purposes. If the PRC tax authorities determine that we or any of our subsidiaries incorporated out of the PRC is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable tax consequences could follow. First, we and our non-PRC subsidiaries may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. Second, although under the CIT Law and its implementing rules, Circular 82 and Bulletin 45 dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by PRC enterprise would qualify as tax-exempted income, we cannot assure that dividends paid by our PRC subsidiaries to us will not be subject to any withholding tax. Finally, the CIT Law and its implementing rules issued by PRC tax authorities provide that dividends paid by us to our non-PRC shareholders and, while subject to further clarification, capital gains recognized by them with respect to the sale of our Shares may be subject to tax of 10% for non-PRC resident enterprise shareholders and 20% for non-PRC resident individual shareholders. In the case of dividend payments, such PRC tax may be withheld at source.

We are subject to governmental regulations on currency exchange.

The convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency into and out of China are subject to PRC foreign exchange regulations. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "Circular 75"), which became effective as of November 1, 2005, and was further supplemented by an implementing notice issued on November 24, 2005. Under the Circular 75, domestic residents must register with the relevant local counterparts of the SAFE prior to their establishment or control of an offshore entity established for the purpose of overseas equity financing involving onshore assets or equity interests held by them, and must also make filings with SAFE thereafter upon the occurrence of certain material capital changes. The Circular 75 was replaced by the Circular of the SAFE on Foreign Exchange Administration of Equity Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "Circular 37"), which was promulgated by the SAFE in July 2014. The term "domestic residents" under Circular 37 is defined as PRC legal entities, other economic organizations, PRC citizens holding PRC ID or non-PRC citizens habitually residing in China due to economic interests. The Circular 37 requires domestic residents to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as changes of the offshore special purpose vehicle's name and operational term, or any significant changes with respect to the PRC individual shareholder, such as the increase or decrease of capital contributions, share transfer or exchange, or mergers or divisions. Circular 37 is applicable to our shareholders who are domestic residents. If our shareholders who are domestic residents fail to make the required registration or to update the previously filed registration, our PRC subsidiaries may be prohibited from distributing their profits or the proceeds from any capital reduction, share transfer or liquidation to us, and we may also be prohibited from making additional capital contributions into our PRC subsidiaries. In February 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "Notice 13"), effective from June 2015, and further amended by SAFE on December 30, 2019. Under the Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under the Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE. We cannot assure you that all our Shareholders will at all times comply with the registration procedures as required under these regulations. The failure or inability of the relevant shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

PRC regulations on loans and direct investment by offshore holding companies to PRC entities may affect us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.

Any loans provided by our offshore holding companies to our PRC subsidiaries are subject to PRC regulations and such loans must be registered with the local branch of the SAFE. Additionally, if we finance such subsidiary by means of additional capital contributions, these capital contributions must be registered, reported or filed with certain government authorities, including the Ministry of Commerce (the "MOFCOM"), the State Administration for Market Regulation (the "SAMR") and the SAFE or their local counterparts. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material adverse effect on our business, financial condition and results of operations.

We may rely on dividends and other distributions on equity paid by our subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business or financial condition.

We are a holding company incorporated in the Cayman Islands, and we may rely on dividends and other distributions on equity that may be paid by our subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our Shares and service any debt we may incur. If any of our subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends.

Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends to our investors or other obligations to our suppliers, or otherwise fund and conduct our business.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In 2012, the SAFE, promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures, unless certain exceptions are available. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or non-PRC citizens living in China for a continuous period of not less than one year and have been granted options will be subject to these regulations when our Company becomes an overseas-listed company upon the completion of the Global Offering. Failure to complete SAFE registrations may subject them or us to fines or supervision measures, which could affect our ability to adopt additional incentive plans for our directors, executive officers and employees.

In addition, the STA, has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiary has obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes for those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

We are subject to filings and other requirements from the CSRC or other PRC regulatory authorities for any further capital raising activities.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures have comprehensively improved and reformed the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities. Any such domestic company that is deemed to conduct overseas offering and listing activities, including any further capital raising, shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

We will file with the CSRC within the specific time limit as required by the Overseas Listing Trial Measures. In addition, it is uncertain whether we can or how long it will take us to complete the CSRC filing. Any failure to complete the CSRC filing may affect the relevant capital raising and may subject us to sanctions by the CSRC. Furthermore, such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial condition.

Failure to comply with PRC labor laws and regulations including regulations in relation to social insurance and housing fund contributions for our employees, could subject us to fines and other legal or administrative sanctions.

We are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund on behalf of our employees in China.

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for certain of our employees as required by relevant PRC laws and regulations. According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), a PRC enterprise is required to set up housing provident fund accounts (住房公積金賬戶) and pay the housing provident fund in time and in full for its employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), a

PRC enterprise is required to complete social insurance registration for its employees and to pay the social insurance contributions in time and in full. Although we had not been subject to any administrative penalties in connection with our contribution of social insurance plans during the Track Record Period, there is no assurance that our historical and current practice with respect to the contribution of social insurance plans will at all times be deemed in full compliance with relevant PRC laws and regulations by PRC government authorities mainly due to the evolving interpretation and implementation of these laws and regulations. In the event of any such non- compliance, we may be required to pay any shortfall in social insurance contributions within a prescribed time period and to pay penalties if we fail to do so.

In addition to the above, if we fail to comply with any other relevant PRC labor laws and regulations, we may be exposed to penalties or be required to pay damages to employees. For example, if any of our PRC subsidiaries engaging in manufacturing fails to comply with the relevant laws on prevention and treatment of occupational diseases, then such subsidiary may be subject to fines and other administrative penalties, and also, any employees who are deemed to suffer from occupational diseases may have rights to seek compensation from us. Compliance with the relevant PRC labor laws and regulations could substantially increase our labor costs. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition and results of operations. In particular, an increase in labor costs in China could increase our production costs in the future and we might not be able to pass these increases on to our consumers due to competitive pricing pressure.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our Shares on the Hong Kong Stock Exchange might not develop or be sustained and market price of our Shares may be volatile.

Following the completion of the Global Offering, we cannot assure you that an active trading market for our Shares on the Hong Kong Stock Exchange will develop or be sustained. The Offer Price of our Shares is the result of negotiations between our Company and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following the completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

Our Controlling Shareholders may exert substantial influence over our operations and may not always be aligned with interests of the independent Shareholders.

Immediately following the Global Offering, without taking into account the exercise of the Offer Size Adjustment Option or the Over-allotment Option, our Controlling Shareholders will beneficially own 83.54% of the Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders may be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders may have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of Directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider our interests or the interests of our other Shareholders.

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Global Offering.

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and as a result investors in our Shares may incur substantial losses.

Subscribers and purchasers of our Shares under the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our Shares is higher than our net tangible assets value per Share immediately prior to the Global Offering. Therefore, subscribers and purchasers of our Shares under the Global Offering will experience an immediate dilution in pro forma net tangible assets value per Share. In order to expand our business, we may consider offering and issuing additional Shares in the future or to raise additional funds in the future to finance our business expansion, for existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per share, (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders and/or (iii) subscribers and purchasers of our Shares may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

Future sale or major divestment of Shares by any of our substantial Shareholders could adversely affect the prevailing market price of our Shares.

The Shares held by certain Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed "Underwriting" of this prospectus. However, we cannot give any assurance that after the restrictions of the lock-up periods expire, these Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

The market price of the Shares when trading begins could be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be a few Business Days after the expected Price Determination Date. Investors may not be able to sell or otherwise deal in the Shares during that period. As a result, holders of the Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur during that period.

Investors should not place undue reliance on facts, forecasts, estimates and other statistics in this prospectus relating to the economy and our industry obtained from official government sources.

Facts, forecasts, estimates and other statistics in this prospectus relating to the economy and the industry in which we operate our business on have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information. The information and statistics from official government sources have not been independently verified by our Group, our Directors, the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy.

Neither we or any of our respective affiliates or advisors, nor the Underwriters or any of its affiliates or advisors, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts, estimates and statistics while making investment decisions.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We may incur increased costs as a result of becoming a listed company.

As a result of the Global Offering, we may face enhanced administrative and compliance requirements, which may result in substantial costs.

In addition, since we are becoming a public company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities and investor relationships issues. As a public company, our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner. Failure to effectively manage these new demands could adversely impact our operational efficiency and financial health, affecting our business and market perception.

We may not be able to pay any dividends to our Shareholders.

We cannot guarantee when and in what form dividends will be paid on our Offer Shares following the Global Offering. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Investors may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability, and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, as amended from time to time, the Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors reside. In particular, the Cayman Islands has a less developed body of securities laws. As a result of all of the above, Shareholders may have more difficulty in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

We have significant discretion as to how we use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return. For details of our intended use of proceeds, see "Future Plans and Use of Proceeds" in this prospectus. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

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

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, such as the profit estimate information. You should rely solely upon the information contained in this prospectus and any formal announcements made by us in Hong Kong in making your investment decision regarding the Global Offering. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any estimates, views or opinions expressed by the press or other media regarding the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions whether to invest in the Global Offering. Prospective investors in the Global Offering are reminded that, in making their decisions as to whether to purchase our Offer Shares, they should rely only on the financial, operational and other information included in this prospectus. By applying to purchase our Offer Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

Forward-looking information contained in this prospectus is subject to risks and uncertainties.

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

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our headquarters and most of our business operations are based, managed and conducted outside Hong Kong. As our executive Directors play very important roles in our business operation, it is in our best interest for them to be based in the places where our Group has significant operations. We consider it practicably difficult and commercially unreasonable for us to arrange for two executive Directors to ordinarily reside in Hong Kong, either by means of relocation of our executive Directors to Hong Kong or appointment of additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is a regular and effective communication between the Stock Exchange and us by way of the following arrangements:

(a) both of our Company's authorized representatives, Mr. XIN Ning (忻寧), our executive Director, and Ms. LAU Yee Wa (劉綺華) ("**Ms. Lau**"), one of our joint company secretaries, will act as our Company's principal channels of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone and email to promptly deal with enquiries from the Stock Exchange;

(b) each of the authorized representatives of our Company has means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;

(c) each Director has provided their mobile phone number, office phone number, fax number (if any) and e-mail address to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, they will provide the phone number of the place of their accommodation to the authorized representatives;

(d) each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time;

(e) we have appointed Somerley Capital Limited as our Compliance Advisor, in compliance with Rule 3A.19 of the Listing Rules, who will also act as an additional channel of communication with the Stock Exchange from the Listing Date to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately following the Listing Date. We will ensure that the Compliance Advisor will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that our authorized representatives, Directors and other officers will provide promptly such information and assistance as the Compliance Advisor may need or may reasonably require in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized representatives, our Directors, and other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between us and the Stock Exchange;

(f) any meeting between the Stock Exchange and our Directors will be arranged through the authorized representatives or the Compliance Advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and/or our Compliance Advisor; and

(g) we will also retain legal advisors to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the Listing.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Chartered Governance Institute; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Note 2 to Rule 3.28 of the Listing Rules further sets out that in assessing "relevant experience," the Stock Exchange will consider the individual's: (i) length of employment with the issuer and other listed companies and the roles he/she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures

Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

Pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

(a) whether the issuer has principal business activities primarily outside Hong Kong;

(b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) nor Relevant Experience (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) as a company secretary; and

(c) why the directors consider the individual to be suitable to act as the issuer's company secretary.

Further, pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time (the "**Waiver Period**") and on the following conditions:

(a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and

(b) the waiver will be revoked if there are material breaches of the Listing Rules by the issuer.

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulation in Hong Kong, they also need to have experience relevant to our Company's operations, nexus to our Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a member of the senior management for a period of time and is familiar with our Company's business and affairs as a company secretary.

We have appointed Mr. ZHANG Bo (張波) ("**Mr. Zhang**") as one of our joint company secretaries. His biographical information is set out in "Directors and Senior Management." Since Mr. Zhang does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Zhang as our joint company secretary. In order to provide support to Mr. Zhang, we have appointed Ms. Lau, 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, who meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, as a joint company secretary to provide assistance to Mr. Zhang, for a three-year period from the Listing Date so as to enable him to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge his duties.

Pursuant to Chapter 3.10 of the Guide for New Listing Applicants, such waiver has been granted on the conditions that:

(a) Ms. Lau is appointed as a joint company secretary to assist Mr. Zhang in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules;

(b) our Company will further ensure that Mr. Zhang has access to the relevant training and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange. Our Company's Hong Kong legal advisor has provided training to Mr. Zhang on the principal requirements of the Listing Rules and the Hong Kong laws and regulations applicable to our Company after the Listing. In addition, Mr. Zhang will endeavor to familiarize himself with the Listing Rules, including any updates thereto, during the three-year period from the Listing Date;

(c) Mr. Zhang has confirmed that he will attend no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investor relations as well as the functions and duties of a company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;

(d) prior to the expiration of the initial three-year period, the qualifications and experience of Mr. Zhang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Stock Exchange to enable it to assess whether Mr. Zhang, having benefited from the assistance of Ms. Lau for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary; and

(e) this waiver will be revoked immediately if and when Ms. Lau ceases to provide such assistance during the three-year period, and we undertake to re-apply to the Stock Exchange for a waiver in the event that Ms. Lau ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary of our Company. In addition, this waiver is subject to revocation in the event of any material breaches of the Listing Rules by our Company. Before the end of the three-year period, the Company will demonstrate to the Stock Exchange and seek the Stock Exchange's confirmation that Mr. Zhang, having had the benefit of Ms. Lau's assistance during the initial three-year period, has attained the relevant experience and is capable of discharging the functions of company secretary under Rule 3.28 of the Listing Rules so that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

For further information regarding the qualifications of Mr. Zhang and Ms. Lau, see "Directors and Senior Management."

CONNECTED TRANSACTIONS

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to certain partially-exempt continuing connected transactions. For further details, please refer to the section headed "Connected Transactions."

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

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

Paragraph 1B of the Appendix F1 to the Listing Rules states that "connected client" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

As further described in the section headed "Cornerstone Investors" in this prospectus, CICC Financial Trading Limited ("**CICC FT**") has entered into a cornerstone investment agreement with the Company and China International Capital Corporation Hong Kong Securities Limited ("**CICCHKS**"). CICC FT and China International Capital Corporation Limited ("**CICCL**") will enter into a series of cross border delta-one OTC swap transactions (the "**OTC Swaps**") with each other and the ultimate clients (the "**CICC FT Ultimate Clients (Longrising)**"), respectively, pursuant to which CICC FT will hold the Offer Shares on a non-discretionary basis to hedge the OTC Swaps, while the economic risks and returns of the underlying Offer Shares are passed to the CICC FT Ultimate Clients (Longrising). CICC FT and CICCHKS, the Sole Sponsor, Sole Sponsor-Overall Coordinator and a Underwriter of the Global Offering, are members of the same group of companies. Accordingly, CICC FT is a connected client of CICCHKS.

We have applied for, and the Stock Exchange has granted, a consent under paragraph 1C(1) of Appendix F1 to the Listing Rules to permit CICC FT (the "**Connected Client Cornerstone Investor**") to participate in the Global Offering as a cornerstone investor on the following basis and conditions as set out in Paragraph 6 of Chapter 4.15 of the Guide for New Listing Applicants:

(a) any Offer Shares to be allocated to the Connected Client Cornerstone Investor will be held on behalf of independent third parties;

(b) the cornerstone investment agreement of the Connected Client Cornerstone Investor does not contain any material terms which are more favorable to them (as the case may be) than those in other cornerstone investment agreements;

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

CSRC FILING

We have completed filing with the CSRC for the Global Offering on the Stock Exchange. The CSRC confirmed completion of such filing on July 14, 2025 by granting the filing notice to our Company. In granting such filing notice, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus. As advised by our PRC Legal Advisors, our Company has completed all necessary filings with the CSRC in the PRC in relation to the Global Offering and the Listing.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applications under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, and the Underwriters, any of our or their respective directors, officers, employees, agents, advisors or representatives or any other persons or parties involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Sponsor-Overall Coordinator. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters and subject to the terms and conditions of the International Underwriting Agreement. For further details on the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale, delivery, subscription or acquisition made in connection with the Offer Shares shall, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any date subsequent to the date of this prospectus.

For details of the structure of the Global Offering, including its conditions and the arrangements relating to the Offer Size Adjustment Option, the Over-allotment Option and stabilization, please refer to the section headed "Structure of the Global Offering" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed "Structure of the Global Offering" in this prospectus.

RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Offer Shares to, confirms that they are aware of the restrictions on offers for the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

Persons applying for or purchasing Offer Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates of any of our Directors or existing Shareholders or a nominee of any of the foregoing.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, (a) the Shares in issue; and (b) the Shares to be issued pursuant to the Global Offering (including the Offer Size Adjustment Option and the Over-allotment Option).

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, September 2, 2025. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong Share Register of our Company in order to enable them to be traded on the Stock Exchange.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Settlement Day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisors for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands. Our Hong Kong Share Register of Members will be maintained by the Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong Share Register of Members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong Share Register of Members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares or exercising any rights attached to them. It is emphasized that none of our Company, the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, and the Underwriters, any of our or their respective directors, officers, employees, agents, advisors or representatives or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding, disposal of or dealing in the Shares or exercising any rights attached to them.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand, one million or hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent.

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates. Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rates:

RMB0.91054 to HK$1.00

RMB7.13710 to US$1.00

HK$7.83832 to US$1.00

The RMB to HK$ and RMB to US$ exchange rates are quoted by the PBOC for foreign exchange transactions prevailing on August 15, 2025 (being the last business day before the Latest Practicable Date).

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. ZHENG Jianjiang (鄭堅江)(1)(2)	No. 52, Group 18, Hengcun Village Longguan Township Yinzhou District Ningbo, Zhejiang Province PRC	Chinese
Mr. XIN Ning (忻寧)	Room 404, No. 63, Block 25 Shui Xiang Neighborhood Garden Fuming Street Yinzhou District Ningbo, Zhejiang Province PRC	Chinese
Non-executive Directors		
Mr. ZHENG Jiang (鄭江)(1)	No. 11-15 Zhengjia Village, Zhangshui Town Haishu District Ningbo, Zhejiang Province PRC	Chinese
Mr. HE Xiwan (何錫萬)(2)	Room 404, Building 4 Fenghuang New Village Zhonghe Street Yinzhou District Ningbo, Zhejiang Province PRC	Chinese
Ms. LI Jian (李健)	Room 304, No. 20-2 Ningxu Road Yinzhou District Ningbo, Zhejiang Province PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. XIANG Wei (項偉)	Room 605, No. 16 Block 6, Zhen'an New Village Yinzhou District Ningbo, Zhejiang Province PRC	Chinese
Dr. JING Xian (荊嫻)	7-5-3, 360-5 Daxi Road Shenhe District Shenyang, Liaoning Province PRC	Chinese
Mr. TAO Shengwen (陶勝文)	Room 504, No. 44, Lane 15 Jingjia Road Yinzhou District Ningbo, Zhejiang Province PRC	Chinese

Notes:

(1) Mr. ZHENG Jianjiang and Mr. ZHENG Jiang are brothers.

(2) Mr. HE Xiwan is a brother-in-law of Mr. ZHENG Jianjiang.

For further details of our Directors, see the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor and Sole Sponsor-Overall Coordinator	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Center 1 Harbor View Street Central Hong Kong
Joint Overall Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Center 1 Harbor View Street Central Hong Kong **Orient Securities (Hong Kong) Limited** 28th and 29th Floor 100 Queen's Road Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Center 1 Harbor View Street Central Hong Kong **Orient Securities (Hong Kong) Limited** 28th and 29th Floor 100 Queen's Road Central Hong Kong **ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Central Hong Kong

Joint Bookrunners	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Center 1 Harbor View Street Central Hong Kong
	Orient Securities (Hong Kong) Limited 28th and 29th Floor 100 Queen's Road Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Central Hong Kong
	ICBC International Securities Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
	Futu Securities International (Hong Kong) Limited 34/F, United Centre No. 95 Queensway Admiralty Hong Kong
Joint Lead Managers	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Center 1 Harbor View Street Central Hong Kong

Orient Securities (Hong Kong) Limited
28th and 29th Floor
100 Queen's Road Central
Hong Kong

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

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Capital Market Intermediaries

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

Orient Securities (Hong Kong) Limited
28th and 29th Floor
100 Queen's Road Central
Hong Kong

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

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

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Legal Advisors to Our Company

As to Hong Kong and U.S. laws:

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

As to PRC law (including as to PRC data compliance):

Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

	As to Cayman Islands law: **Maples and Calder (Hong Kong) LLP** 26th Floor, Central Plaza 18 Harbor Road Wanchai Hong Kong
Legal Advisors to the Sole Sponsor and Underwriters	*As to Hong Kong and U.S. laws:* **Freshfields** 55th Floor, One Island East Taikoo Place Quarry Bay Hong Kong *As to PRC law:* **AllBright Law Offices** 11, 12/F, Shanghai Tower 501 Yincheng Middle Road Pudong New Area Shanghai PRC
Reporting Accountants and Auditor	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Transfer Pricing Advisor	**Ernst & Young (China) Advisory Limited** 50/F, Shanghai World Financial Center 100 Century Avenue Pudong New Area Shanghai PRC

Industry Consultant	**Frost & Sullivan (Beijing) Inc.,** **Shanghai Branch Co.** Room 2504, Wheelock Square 1717 West Nanjing Road Jing'an District Shanghai PRC
Independent Property Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7/F One Taikoo Place No. 979 King's Road Quarry Bay Hong Kong
Compliance Advisor	**Somerley Capital Limited** 20/F China Building 29 Queen's Road Central Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road 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	Room 1912, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	www.aux-home.com *(Information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	**Mr. ZHANG Bo (張波)** No. 1166 Mingguang North Road Jiangshan Town Yinzhou District, Ningbo Zhejiang Province PRC **Ms. LAU Yee Wa (劉綺華)** *(an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* Room 1912, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorized Representatives	Mr. XIN Ning (忻寧) Ms. LAU Yee Wa (劉綺華)

Audit Committee	Mr. XIANG Wei (項偉) *(Chairperson)* Dr. JING Xian (荊嫺) Ms. LI Jian (李健)
Remuneration Committee	Mr. XIANG Wei (項偉) *(Chairperson)* Ms. LI Jian (李健) Mr. TAO Shengwen (陶勝文)
Nomination Committee	Dr. JING Xian (荊嫺) *(Chairperson)* Ms. LI Jian (李健) Mr. TAO Shengwen (陶勝文)
Principal Share Registrar and Transfer Office	**Maples Fund Services (Cayman) Limited** PO Box 1093 Boundary Hall Cricket Square KY1-1102 Cayman Islands
Hong Kong Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal Banks	**Agricultural Bank of China, Ningbo Yinzhou Branch** 188 Huifeng East Road, Yinzhou District Ningbo, Zhejiang Province PRC **China Minsheng Bank, Ningbo Mingzhou Sub-branch** 280 Zhonggongmiao Road, Yinzhou District Ningbo, Zhejiang Province PRC

This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics set forth in this section and other sections of this prospectus have been extracted from the F&S Report issued by Frost & Sullivan, an independent market research agency, which we commissioned, and from various official government publications and other publicly available publications. The information from official government has not been independently verified by us, the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering (excluding Frost & Sullivan), and no representation is given as to its accuracy or completeness of such information and statistics.

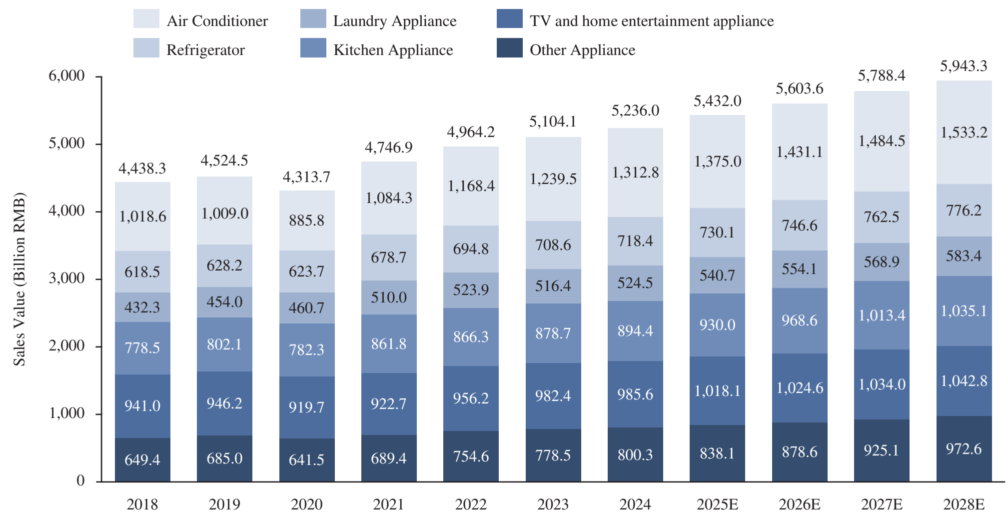
OVERVIEW OF GLOBAL HOME APPLIANCE INDUSTRY

Global Market Size by Category in terms of Sales Value

The home appliance market encompasses several key product categories, such as air conditioners, refrigerators, laundry appliances, kitchen appliances, and TV/home entertainment systems. Amongst these product categories, the sales value growth of air conditioners has demonstrated a particularly notable acceleration, outpacing the average growth rate of the global home appliance market as a whole. Specifically, the global market size of air conditioner, in terms of sales value, grew from RMB1,018.6 billion in 2018 to RMB1,312.8 billion in 2024 with a CAGR of 4.3%, and is expected to reach RMB1,533.2 billion in 2028, representing a CAGR of 4.0% from 2024 to 2028. The growth of air conditioners market could be driven by the increasing penetration rate in less developed countries and the development of innovative products. The chart below illustrates the growth of global sales value of home appliance with a breakdown by category.

Sales Value of Home Appliance Market by Category (Global), 2018-2028E

CAGR	*Total*	*Air Conditioner*	*Refrigerator*	*Laundry Appliance*	*Kitchen Appliance*	*TV and Home Entertainment Appliance*	*Other Appliance*
2018-2024	**2.8%**	**4.3%**	**2.5%**	**3.3%**	**2.3%**	**0.8%**	**3.5%**
2024-2028E	**3.2%**	**4.0%**	**2.0%**	**2.7%**	**3.7%**	**1.4%**	**5.0%**



Note: Air conditioner includes both household air conditioner and central air conditioner

Source: US Census Bureau, China Household Electrical Appliances Association, F&S Report

Definition and Classification of Air Conditioner

Air conditioner is a system used to control the humidity, ventilation, and temperature in a housing or commercial unit, mainly to cool the atmosphere in warm conditions, and also offer heating for year-round comfort. Air conditioners are generally categorized into two main types, namely household air conditioners and central air conditioners.

Household air conditioner is a type of air conditioner unit designed for residential use, providing both cooling and heating for individual households. There are several popular types of household air conditioners, including wall-mounted, cabinet-style and mobile units. Central air conditioners comprise VRF systems, packaged units, heat pumps, chillers, screw chiller units, centrifugal chiller units and terminal devices. Central air conditioners come in both residential and commercial types.

OVERVIEW OF GLOBAL AIR CONDITIONER INDUSTRY

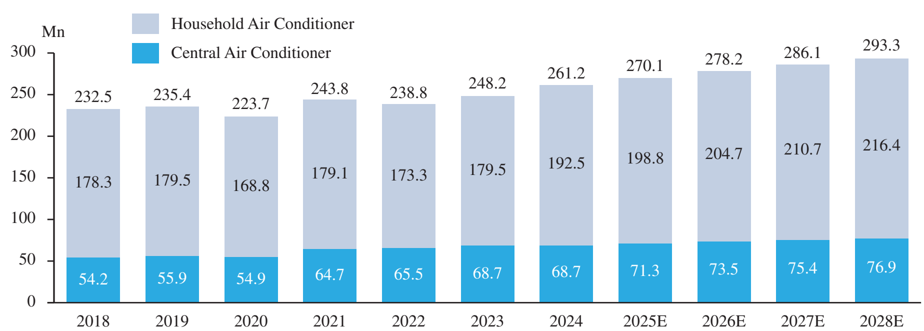
Global Market Size in Terms of Sales Volume

The global air conditioner market has experienced steady growth in recent years, with sales volume increased from 232.5 million units in 2018 to 261.2 million units in 2024, representing a CAGR of 2.0%. Household air conditioners accounted for a significant 73.7%

of the total market in 2024 and have shown stable performance. In addition, the sales volume of central air conditioners increased more rapidly, particularly in emerging markets, achieving a 4.0% CAGR from 2018 to 2024. The global air conditioner market is expected to maintain steady growth, driven by replacement demand in developed countries and regions and China, as well as new demands from emerging markets. The global sales volume of air conditioners is expected to reach 293.3 million units in 2028, representing a CAGR of 2.9% from 2024 to 2028, with central air conditioners anticipated to continue growing at a faster pace compared to household models. The chart below illustrates the growth of global sales volume of air conditioners with a breakdown by category.

Sales Volume Breakdown of Air Conditioner by Category (Global), 2018-2028E

CAGR	*Total*	*Household Air Conditioner*	*Central Air Conditioner*
2018-2024	**2.0%**	1.3%	4.0%
2024-2028E	**2.9%**	3.0%	2.9%



Source: Japan Refrigeration and Air Conditioning Industry Association, F&S Report

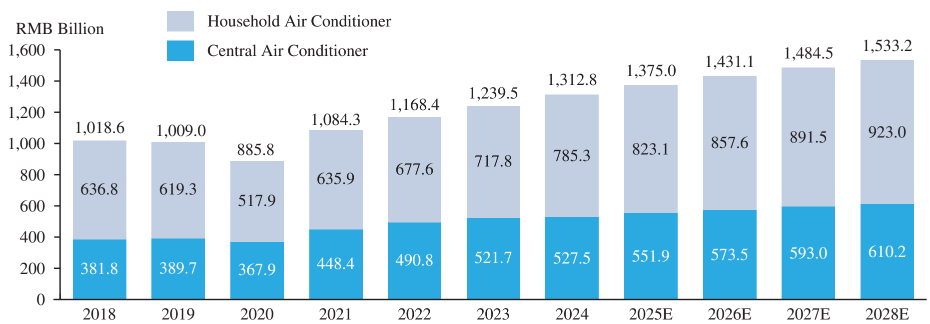
Global Market Size in Terms of Sales Value

The global air conditioner market, in terms of sales value, has shown consistent growth during the past years, driven by various factors such as the expansion of central air conditioners in emerging markets and increasing demand across different regions. The global market size of air conditioners, in terms of sales value, increased from RMB1,018.6 billion in 2018 to RMB1,312.8 billion in 2024, representing a CAGR of 4.3%, and is expected to reach RMB1,533.2 billion in 2028, representing a CAGR of 4.0% from 2024 to 2028. Among which, the global market size of household air conditioners, in terms of sales value, grew from RMB636.8 billion in 2018 to RMB785.3 billion in 2024, representing a CAGR of 3.6%, while the global market size of central air conditioners, in terms of sales value, experienced stronger growth, rising from RMB381.8 billion in 2018 to RMB527.5 billion in 2024, representing a CAGR of 5.5%.

Going forward, the global market size of household air conditioners, in terms of sales value, is expected to reach RMB923.0 billion in 2028, representing a CAGR of 4.1% from 2024 to 2028. Meanwhile, the global market size of central air conditioners, in terms of sales value, is expected to reach RMB610.2 billion in 2028, representing a CAGR of 3.7% from 2024 to 2028. The chart below illustrates the growth of global sales value of air conditioners with a breakdown by category.

Sales Value Breakdown of Air Conditioner by Category (Global), 2018-2028E

CAGR	*Total*	*Household Air Conditioner*	*Central Air Conditioner*
2018-2024	**4.3%**	3.6%	5.5%
2024-2028E	**4.0%**	4.1%	3.7%



Source: Japan Refrigeration and Air Conditioning Industry Association, F&S Report

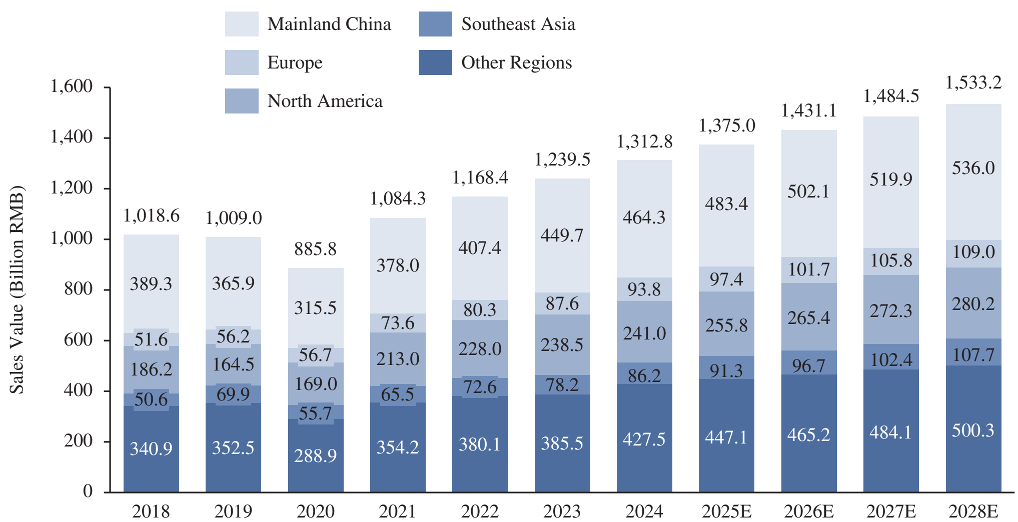
Global Market Size of Air Conditioner by Region in Terms of Sales Value

China, North America, Europe and Southeast Asia are the four largest markets for air conditioner in terms of sales value, together accounting for over 67.4% of the total global air conditioner sales value in 2024. These key regional markets are expected to continue growing at a robust pace, with expected CAGRs of 3.7% for China, 3.8% for North America, 3.8% for Europe and 5.7% for Southeast Asia from 2024 to 2028. In particular, China is the largest single air conditioner market, with sales value of RMB464.3 billion in 2024, accounting for 35.3% of the global market during the same period.

The increasing disposable income level and urbanization rate, particularly in emerging markets, are expected to further drive the growth of the global air conditioner market. The chart below illustrates the growth of global sales value of air conditioners with a breakdown by major region.

Sales Value Breakdown of Air Conditioner by Region (Global), 2018-2028E

CAGR	Global	Mainland China	North America	Europe	Southeast Asia	Other Regions
2018-2024	4.3%	3.0%	4.4%	10.5%	9.3%	3.8%
2024-2028E	4.0%	3.7%	3.8%	3.8%	5.7%	4.0%



Note: Other regions include Middle East, Africa, South America and etc.

Source: Japan Refrigeration and Air Conditioning Industry Association, F&S Report

OVERVIEW OF CHINA AIR CONDITIONER INDUSTRY

China Market Size in Terms of Sales Volume

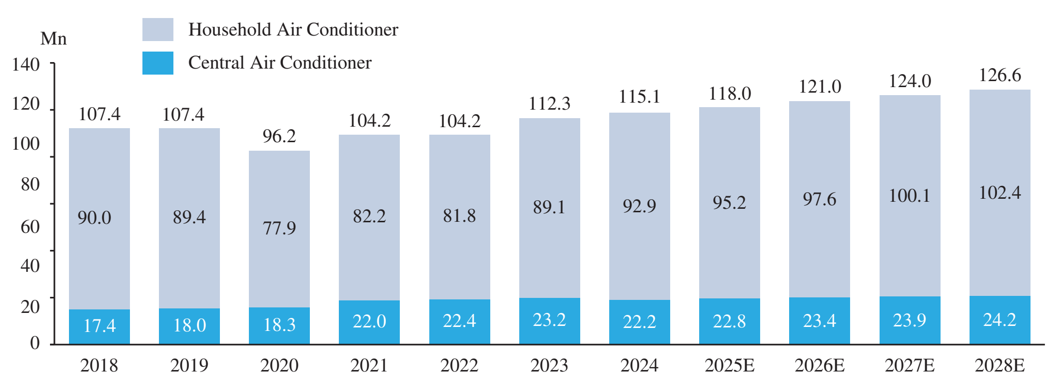
China's air conditioner market has demonstrated steady growth in recent years. The sales volume of air conditioners in China grew from 107.4 million units in 2018 to 115.1 million units in 2024, representing a CAGR of 1.2%, and is expected to reach 126.6 million units in 2028, representing a CAGR of 2.4% from 2024 to 2028. Air conditioner sales in China are expected to continue growing, driven by factors such as steady replacement demand, increased penetration in lower-tier markets, and government stimulus for appliance upgrades.

The household air conditioner market in China is relatively mature, with growth primarily driven by replacement demand and increased penetration in lower-tier markets. The sales volume of household air conditioners in China increased from 90.0 million units in 2018 to 92.9 million units in 2024, mostly driven by government subsidies and increasing replacement demand. In the future, driven by factors such as recovered consumption needs and government subsidies for air conditioner trade-in, the sales volume of household air conditioners in China is expected to reach 102.4 million units in 2028, representing a CAGR of 2.5% from 2024 to 2028. In addition, the sales of central air conditioners in China remain in a growth phase in line with the rising adoption of central air conditioners in residential households and various industrial sectors. The sales volume of central air conditioners in China increased from 17.4 million units in 2018 to 22.2 million units in 2024, representing a CAGR of 4.1%, and is expected to reach 24.2 million units in 2028, representing a CAGR of 2.2% from 2024 to 2028.

The chart below illustrates the growth of sales volume of air conditioners in China with a breakdown by category.

Sales Volume Breakdown of Air Conditioner by Category (China), 2018-2028E

CAGR	*Total*	*Household Air Conditioner*	*Central Air Conditioner*
2018-2024	**1.2%**	0.5%	4.1%
2024-2028E	**2.4%**	2.5%	2.2%



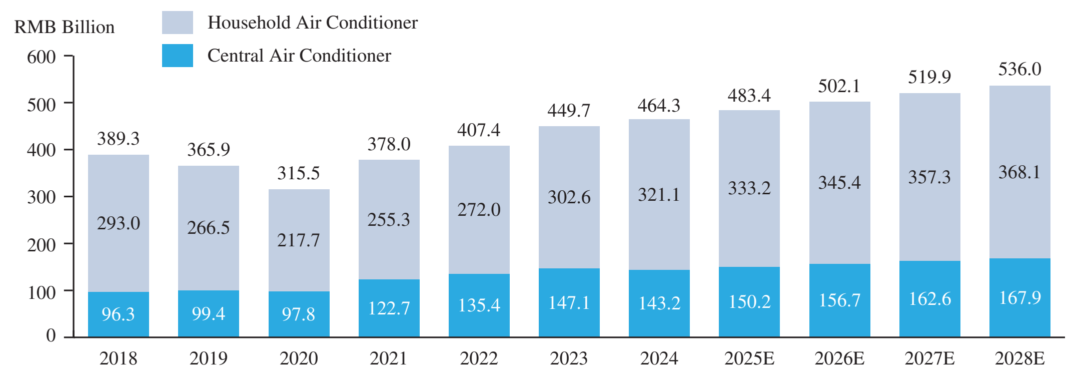
Source: China Household Electrical Appliances Association, F&S Report

China Market Size in Terms of Sales Value

The market size of air conditioners in China, in terms of sales value, grew from RMB389.3 billion in 2018 to RMB464.3 billion in 2024, representing a CAGR of 3.0%, and is expected to reach RMB536.0 billion in 2028, representing a CAGR of 3.7% from 2024 to 2028. The chart below illustrates the growth of sales value of air conditioners in China with a breakdown by category.

Sales Value Breakdown of Air Conditioner by Category (China), 2018-2028E

CAGR	*Total*	*Household Air Conditioner*	*Central Air Conditioner*
2018-2024	**3.0%**	1.5%	6.8%
2024-2028E	**3.7%**	3.5%	4.1%



Source: China Household Electrical Appliances Association, F&S Report

China Market Size in Terms of Sales Volume by Price

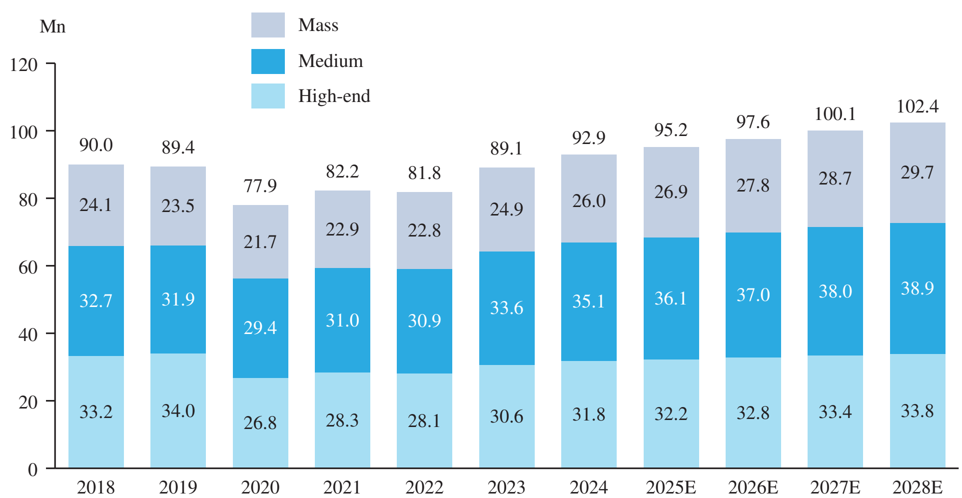
The household air conditioner market in China can be primarily segmented into three price-based sub-markets in terms of selling prices to end consumers, including the mass market (units priced below RMB2,500), the medium market (units priced greater than or equal to RMB2,500 and less than RMB3,500), and the high-end market (units priced at RMB3,500 or above).

The sales volume performance across these segments has varied, among which the mass market segment experienced the strongest performance from 2018 to 2024. As consumers place greater emphasis on affordable products, the sales volume of household air conditioners in the mass market has outpaced that in the medium and high-end segments. The sales volume of household air conditioners in the mass market increased from 24.1 million units to 26.0 million units, representing a CAGR of 1.3%. As such trend is expected to continue, the mass market segment is expected to see the most robust growth going forward and is expected to continue outpace the overall industry growth. In contrast, the medium and high-end segments are expected to experience more moderate expansion over the same period. The sales volume of household air conditioners in the mass market is expected to reach 29.7 million units in 2028, representing a CAGR of 3.4% from 2024 to 2028.

The chart below illustrates the growth of sales volume of household air conditioners in China with a breakdown by price-based sub-market.

Sales Volume Breakdown of Household Air Conditioner (China), by Price, 2018-2028E

CAGR	*Total*	*Mass*	*Medium*	*High-end*
2018-2024	**0.5%**	1.3%	1.2%	-0.7%
2024-2028E	**2.5%**	3.4%	2.6%	1.5%



Source: F&S Report

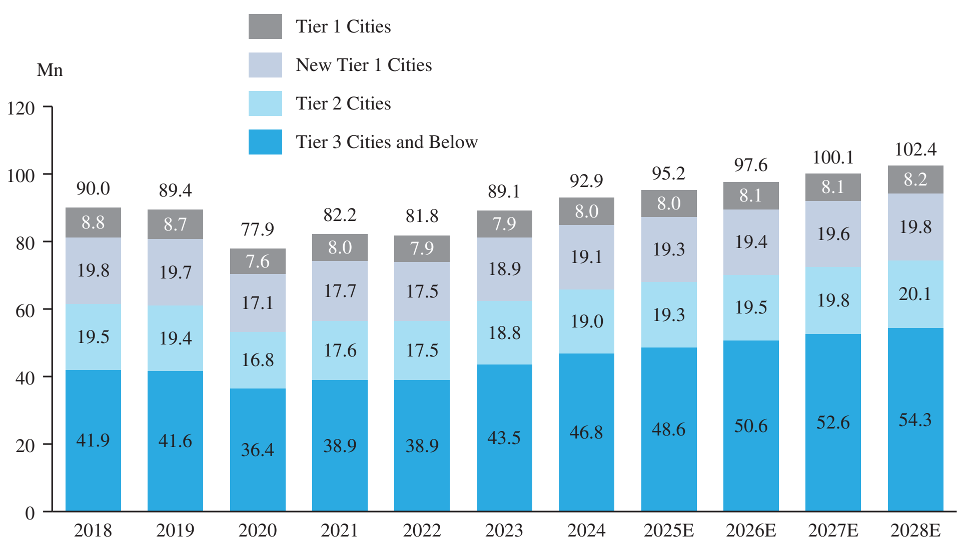
China Market Size in Terms of Sales Volume by City Tier

Tier 3 and below cities represent the largest market for household air conditioners in China. The sales of household air conditioner in these areas accounted for 50.4% of total household air conditioner sales in China in 2024, primarily because these lower tier cities have substantial populations and the relatively low market penetration of air conditioners, leading to strong and growing demand. The sales volume of air conditioners in tier 3 and below cities in China increased from 41.9 million units in 2018 to 46.8 million units in 2024, representing a CAGR of 1.9%, notably higher than the overall industry CAGR of 0.5%. Going forward, the household air conditioner market in tier 3 and below cities in China is expected to experience steady growth, supported by factors, such as increasing disposable income level and urbanization rate, replacement sales and rising demand for trade-ins. The sales volume of air conditioners in tier 3 and below cities in China is expected to reach 54.3 million units in 2028, representing a CAGR of 3.8% from 2024.

The chart below illustrates the growth of sales volume of household air conditioners in China with a breakdown by city tier.

Sales Volume Breakdown of Household Air Conditioner, by City Tier (China), 2018-2028E

CAGR	*Total*	*Tier 1 Cities*	*New Tier 1 Cities*	*Tier 2 Cities*	*Tier 3 Cities or Below*
2018-2024	0.5%	-1.6%	-0.6%	-0.4%	1.9%
2024-2028E	2.5%	0.6%	0.9%	1.4%	3.8%



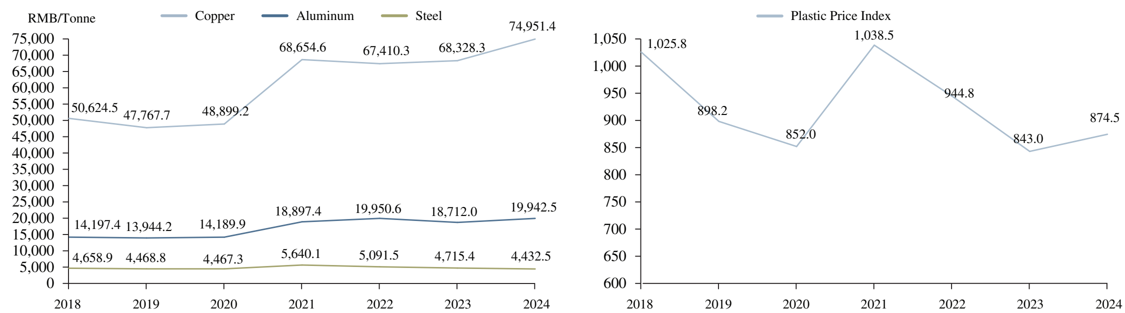
Source: F&S Report

Cost Analysis

The major raw materials used in the production of air conditioners primarily include copper, aluminum, steel and plastic. From 2018 to 2020, the prices of copper, aluminum and steel remained relatively stable. However, in 2021, prices of these materials experienced a sharp increase due to an imbalance between supply and demand, primarily as a result of a rebound largely associated with the recovery of China's manufacturing sectors. From 2021 to 2023, prices of these materials remained relatively stable. The price of copper experienced further increases in 2024, reaching RMB74,951.4 per tonne. Plastic is also a major raw material for air conditioners, with the plastic price index fluctuating around 1,000 over the past seven years.

The increase in raw material costs has posed and will continue to pose challenges for air conditioner companies. However, leading brands can leverage their superior product structure and operational capabilities to mitigate the impact of raw material price pressure. Furthermore, leading brands with stronger bargaining power are better able to offset some of the pressure from rising raw material prices by implementing price adjustments. As a result, leading brands hold a competitive advantage over smaller and medium-sized competitors.

Prices of Raw Materials for Air Conditioner, 2018-2024



Source: London Metal Exchange, China Plastics, F&S Report

COMPETITIVE LANDSCAPE

In 2024, the number of market players in global air conditioner industry was more than 100. We were the fifth largest air conditioner company in global market in terms of sales volume in 2024, with a market share of 7.1%. In terms of the sales volume CAGR from 2022 to 2024, we have grown with the highest growth rate among the top five air conditioner companies in global market.

Top 5 Air Conditioner Company by Sales Volume (Global), 2024

Rank	Company	Identities or Background	Market Share (%) 2024	CAGR (%) 2022-2024
1	Company A	*Company A is a public company that mainly offers smart home solutions, commercial and industrial solutions. Company A is one of the Fortune Global 500 companies in 2024, with over 190,000 employees worldwide.*	27.5%	~11.0%
2	Company B	*Company B is a public home appliance company that mainly produces air conditioners and also produces electric fans, water dispensers, heaters, rice cookers, air purifiers, water kettles, humidifiers and induction cookers, and other products. Company B has over 72,000 employees worldwide.*	17.5%	~4.0%
3	Company C	*Company C is a public industrial company primarily engaged in the manufacturing and sales of air conditioning systems, including household air conditioners, commercial HVAC systems, and other related products. Company C employed over 90,000 individuals globally.*	12.3%	~9.0%
4	Company D	*Company D is a public home appliance company that primarily engages in the manufacturing and sales of refrigerators, washing machines, air conditioners, kitchen appliances and small appliances. Company D is one of the Fortune Global 500 companies in 2024, with over 100,000 employees worldwide.*	7.5%	~13.0%
5	**Our Group**	/	**7.1%**	**30.0%**

Note: The numbers above including the sales volume of OEM/ODM products.

Source: F&S Report

In 2024, the number of market players in China's air conditioner industry was more than 50. We were the fourth largest air conditioner company in China in terms of sales volume in 2024, with a market share of 7.3%.

Top 5 Air Conditioner Company by Sales Volume (China), 2024

Rank	Company	Background	Market Share (%) 2024	CAGR (%) 2022-2024
1	Company B	*Company B is a public home appliance company that mainly produces air conditioners and also produces electric fans, water dispensers, heaters, rice cookers, air purifiers, water kettles, humidifiers and induction cookers, and other products. Company B has over 72,000 employees worldwide.*	31.5%	~1.0%
2	Company A	*Company A is a public company that mainly offers smart home solutions, commercial and industrial solutions. Company A is one of the Fortune Global 500 companies in 2024, with over 190,000 employees worldwide.*	29.2%	~6.0%
3	Company D	*Company D is a public home appliance company that primarily engages in the manufacturing and sales of refrigerators, washing machines, air conditioners, kitchen appliances and small appliances. Company D is one of the Fortune Global 500 companies in 2024, with over 100,000 employees worldwide.*	13.1%	~9.0%
4	**Our Group**	/	**7.3%**	**22.9%**
5	Company E	*Company E is a public home appliance company that mainly offers air conditioners, refrigerators, freezers, beverage coolers and other home appliances. Company E has about 49,000 employees worldwide.*	7.0%	~4.0%

Note: The numbers above including the sales volume of OEM/ODM products.

Source: F&S Report

We are the fourth largest household air conditioner company in global market in terms of sales volume in 2024.

Top 5 Household Air Conditioner Company by Sales Volume (Global), 2024

Rank	Company	Identities or Background	Market Share (%) 2024	CAGR (%) 2022-2024
1	Company A	*Company A is a public company that mainly offers smart home solutions, commercial and industrial solutions. Company A is one of the Fortune Global 500 companies in 2024, with over 190,000 employees worldwide.*	32.9%	~11.0%
2	Company B	*Company B is a public home appliance company that mainly produces air conditioners and also produces electric fans, water dispensers, heaters, rice cookers, air purifiers, water kettles, humidifiers and induction cookers, and other products. Company B has over 72,000 employees worldwide.*	19.1%	~4.0%
3	Company D	*Company D is a public home appliance company that primarily engages in the manufacturing and sales of refrigerators, washing machines, air conditioners, kitchen appliances and small appliances. Company D is one of the Fortune Global 500 companies in 2024, with over 100,000 employees worldwide.*	9.0%	~15.0%
4	**Our Group**	/	**8.9%**	**29.5%**
5	Company C	*Company C is a public industrial company primarily engaged in the manufacturing and sales of air conditioning systems, including household air conditioners, commercial HVAC systems, and other related products. Company C employed over 90,000 individuals globally.*	4.8%	~9.0%

Note: The numbers above including the sales volume of OEM/ODM products.

Source: F&S Report

In China's household air conditioner industry, the mass market experienced the fastest growth. This growth is driven by consumers placing greater emphasis on products with cost effectiveness, as more consumers seek budget-friendly while reliable air conditioning solutions. The mass market is expected to continue its strong upward trajectory, further expanding the overall household air conditioner market in China. We ranked first in household air conditioner mass-market in China in 2024, with a 25.7% market share in terms of sales volume.

MARKET DRIVERS AND FUTURE TRENDS

Market Drivers of Global and China Air Conditioner Industry

Population Growth and Improved Living Standards: The population growth and urbanization has amplified the global demand for air conditioners, as the concentration of people in urban areas drives the need for improved living conditions. As more individuals transition to city life, enhanced living standards and expectations for comfort make air conditioner a vital component of modern living spaces. This trend is especially pronounced in developing regions and lower-tier markets, where rapid urbanization is coupled with rising disposable incomes, creating an expanding market for air conditioners as households prioritize comfort and climate control. According to the National Bureau of Statistics, the number of air conditioners per 100 households in rural areas is 105.7 units, which is significantly lower than the 171.7 units per 100 households in urban areas. This gap presents substantial growth potential for the market.

Expansion of Central Air Conditioner Applications: The growing demand from both industrial and residential customers is fueling the expansion of the central air conditioner market. The application areas for central air conditioners are rapidly expanding, driven by increasing demand across various sectors. These specialized industries require advanced and often customized air conditioning solutions to meet their unique operational needs, which is fostering innovation and exploring the potential of traditional market offerings. In addition, central air conditioners are also becoming more widely adopted in residential homes. Central air conditioning systems are specifically designed to provide a consistent and even cooling experience throughout an entire house. Homeowners are attracted to the benefits, such as filtered air, consistent temperature and reduced humidity, and are increasingly choosing central air conditioners in their homes.

Growth Potential in Overseas Markets: In many emerging countries, the penetration of air conditioners remains relatively low, signaling significant growth potential. As these markets undergo economic development and face the impacts of changing climate conditions, the demand for air conditioners is expected to rise substantially. Even in some developed countries, such as those in Europe, the penetration rate of air conditioners remains relatively low as a result of historical climate environment and consumer habit. However, as climate change intensifies worldwide, marked by the increasing occurrence of drastic temperature fluctuations, the demand for air conditioning solutions is growing at an unprecedented rate, particularly in regions that previously enjoyed milder climates.

Technological Upgrades Driven by ESG: The global shift towards carbon neutrality and the growing emphasis on Environmental, Social, and Governance (ESG) standards are catalyzing technological advancements in the air conditioner industry. With a heightened focus on energy efficiency, reducing emissions, and incorporating sustainable materials, manufacturers are innovating to meet both regulatory demands and consumer preferences for eco-friendly products. These technological upgrades are not only driven by compliance with stricter environmental regulations but also by the increasing market demand for greener solutions. As sustainability becomes a core priority, this trend is poised to reshape the future of the industry, with cutting-edge technology playing a pivotal role in achieving long-term environmental goals and reducing the industry's carbon footprint.

Supportive Government Policies: Various government authorities have adopted and are continuing adopt policies to encourage consumer goods trade-in programs. For example, in July 2022, the Ministry of Commerce and other authorities jointly issued "the Several Measures to Promote the Consumption of Green and Smart Home Appliances" (《關於促進綠色智能家電消費的若干措施》), which played an active role in stabilizing the overall consumption of home appliances and releasing the consumption potential of green smart home appliances. In July 2024, the NDRC and the MOF issued the "Several Measures on Strengthening Support for Large-Scale Equipment Renewal and Consumer Goods Trade-in" (《關於加力支持大規模設備更新和消費品以舊換新的若干措施》), which mentioned that a trade-in subsidy is provided to individual consumers for purchasing eight types of household appliances, including air conditioners, that meet Level 2 or higher or Level 1 or higher energy or water efficiency standards. These initiatives promote the adoption of energy-efficient products while making them more affordable for consumers. Internationally, similar initiatives have been introduced from time to time to align economic incentives with sustainability goals.

Future Trends and Opportunities of Global and China Air Conditioner Industry

Increased Demand for Efficiency, Comfort, and Health: Consumers' demand for energy-efficient, comfortable and health-focused air conditioners is rising, driven by environmental awareness and rising energy costs. For example, in China, the penetration rate of air conditioners with Level 2 or higher energy efficiency reached approximately 80% in 2024. Additionally, the desire for enhanced comfort is leading to a growing preference for products with precise temperature control, low noise levels, and improved air quality. Health-related features, such as air purification and humidity control, are also gaining importance as consumers prioritize creating healthier indoor environments. These evolving preferences are shaping the development of the air conditioner market, pushing manufacturers to innovate and offer products that meet both environmental and health-focused demands. In addition, consumers are increasingly prioritizing affordable products.

Rapid Growth of Smart Products: The rapid growth of smart air conditioners is driven by technological advancements and evolving consumer preferences. Smart features such as voice control and multi-directional airflow are becoming popular, improving energy efficiency and convenience. China's intelligent voice-controlled air conditioner penetration is low, accounting for less than 5% in 2024, indicating significant untapped potential as smart home integration expands.

Increased Concentration and Influence of Leading Enterprises: The air conditioner market is consolidating, with leading enterprises expanding control across the supply chain. Leveraging vertical integration and advanced technologies, these top players are enhancing competitiveness and poised to further dominate the market.

Upstream Integration and Supply Chain Stability: Air conditioner companies are integrating upstream, securing core components such as compressors. This approach allows companies to secure essential technological resources, reduce dependency on external suppliers, control costs, and enhance product performance, which in turn strengthens their overall competitiveness. Given demands for supply chain stability and green policies, in-house component production will be critical.

Challenges of Global and China Air Conditioner Industry

Impact of Slowing Real Estate Growth: The slowdown in the real estate market is having a direct impact on the demand for air conditioner products. With fewer new property projects due to the deceleration of the real estate market, the demand for additional air conditioners has decreased. To mitigate the effects of this slowdown, air conditioner companies need to explore alternative growth opportunities. These include capitalizing on the rising demand for smart air conditioner products and expanding their presence in the after-sales market, offering maintenance, repair, and upgrades to extend the product lifecycle. Diversifying into these areas can help air conditioner companies maintain growth and profitability despite the challenges in the real estate sector.

Global Economic Uncertainty: Global economic uncertainty, including changes in international trade policies and geopolitical risks, presents challenges to the air conditioner market. Variations in trade policies, such as tariff adjustments and trade barriers, can affect the export and import costs of air conditioner products. Geopolitical instability may lead to supply chain disruptions or increased market uncertainty, posing risks for companies reliant on global supply chains and export markets. Air conditioner companies need to closely monitor international economic conditions and adjust their strategies flexibly to address potential economic fluctuations and policy changes.

Intensifying Industry Competition: Competition in the air conditioner market is becoming increasingly fierce, particularly in terms of technological innovation and market share acquisition. Companies are required continuously improve product performance and enhance technological capabilities in order to sustain their competitive advantage. Companies within the industry will compete by leveraging various factors, such as technological innovation, marketing strategies, price competitiveness and product differentiation. These competitive dynamics will in turn drive the industry competition to become even more intense. To navigate this competitive landscape, air conditioner companies need to continually optimize their product lines and enhance brand value.

Rising Costs and Raw Material Price Fluctuations: One of the primary challenges facing the air conditioner industry is the rising cost and volatility of raw material prices. Essential materials like copper, aluminum, steel and plastics, which are critical for air conditioner production, are experiencing significant price fluctuations due to shifts in global market supply and demand. These fluctuations directly elevate production costs, creating pressure on companies to implement more robust cost control strategies. In addition to material costs, increasing transportation and labor expenses are further compounding the overall cost pressures. To maintain market competitiveness and protect profit margins, air conditioner companies must adopt effective cost management practices and optimize their supply chains, ensuring more resilient and efficient operations amidst an unpredictable cost environment.

Entry Barrier

Capital and Scale Barriers: In the air conditioner industry, significant upfront investments are required at the initial stage of industry players' business operations on manufacturing capacity and product R&D. On the one hand, players need to invest heavily on establishing and continuously expanding manufacturing capacity to meet customer demands. Such investment may not yield any meaningful return until after the manufacturing facilities are constructed and ramped up, which could take a significant amount of time. On the other hand, players need to invest heavily on the R&D of technologies and products to ensure they can launch competitive products which can stay ahead of the latest development in industry trends and market demands.

Brand Barriers: Consumer awareness and brand loyalty is highly important for air conditioner as it relates to health and everyday use. Successful air conditioner brands typically employ distinctive product design, engage in proactive brand promotion, and prioritize enhancing product quality to bolster brand awareness. While they prioritize product quality, price competitiveness is also highly important. Well-established air conditioner brands have built strong reputations, fostering customer loyalty. New entrants will face a challenge to convince customers of their product's quality compared to well-known brands and may not be competitively positioned in terms of pricing.

Technology R&D Barriers: The air conditioner industry requires cutting-edge technology and expertise in fields like thermodynamics and software. Industry leaders have accumulated core technologies and technical personnel, while new entrants face significant challenges in achieving independent R&D, due to both technological hurdles and a shortage of relevant technical personnel.

Distribution Barriers: With the development and changes in the air conditioner market, consumers have multiple channels to choose air conditioners, such as offline stores and e-commerce platforms. This necessitates the establishment of large-scale, widely covered, and influential sales and distribution channels by companies. Building a complete sales network is time-consuming and requires a lot of resources and an experienced management team to form and maintain a long-term stable and reliable cooperation at all levels. It is difficult for new entrants to establish a mature network of marketing and distribution channels without significant time and capital investment.

Manufacturing and Supply Chain Barriers: Establishing mass-production capabilities requires substantial investment in advanced machinery and technology. Industry leaders often have vertical integration and benefit from industrial clusters for better efficiency. The Chinese air conditioner industry relies on highly integrated supply chains, with leading companies forming long-term supplier partnerships. Replicating such an extensive system poses significant barriers for new entrants.

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, a market research and consulting company and an independent third party, to conduct an analysis of, and to report on global and China air conditioner market. The report prepared by Frost & Sullivan for us is referred to in the prospectus as the F&S Report. The F&S Report has been prepared by Frost & Sullivan independent of our influence. The fee payable to Frost & Sullivan for preparing the F&S Report is RMB0.4 million which we believe reflects market rates for similar services. Founded in 1961, Frost & Sullivan has over 45 global offices with more than 3,000 industry consultants, market research analysts, technology analysts and economists. Our Directors confirm, to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the F&S report and up to the Latest Practicable Date which may qualify, contradict or have an impact on the information set out in this section.

During the preparation of the F&S Report, Frost & Sullivan collected, analysed, assessed and validated the information and statistics using its in-house analysis models and techniques. Primary research was conducted via discussions and interviews with industry participants and industry experts. Secondary research involved analysis of market statistics obtained from several publicly available data sources, such as releases from the governments of the research countries, company reports, independent research reports and Frost & Sullivan's own internal database. The methodology applied by Frost & Sullivan is based on information and statistics gathered from multiple levels and allows such information and statistics to be cross-referenced for accuracy.

The F&S Report contains a series of market projections which were produced based on the following assumptions, without limitations: (i) China's and global economy is likely to maintain steady growth in the next decade; and (ii) China's and global social, economic, and political environment is likely to remain stable from 2024 to 2028.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE PRC

Laws and Regulations Relating to Company Establishment and Foreign Investment

Company Law of the PRC (《中華人民共和國公司法》)

Pursuant to the PRC Company Law (《中華人民共和國公司法》) promulgated by the Standing Committee of the National People's Congress, (the "**SCNPC**") on December 29, 1993, which was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018, and December 29, 2023 respectively and the latest amendment came into effect on July 1, 2024, the Company Law shall apply to all companies established in the PRC. The Company Law, which regulates the establishment, corporate structure and management of companies, also applies to foreign-invested companies. The major amendments of the latest PRC Company Law, which came into effect on 1 July 2024, include improving the company establishment and exit regime, optimizing the organizational structures of companies, improving the capital system of companies, strengthening the responsibilities of controlling shareholder and management, and reinforcing the social responsibilities of companies, among others.

Foreign Investment Law of the PRC and its Implementation Regulations (《中華人民共和國外商投資法》及其實施條例)

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**"), which was promulgated by the National People's Congress (the "**NPC**") on March 15, 2019, and came into effect on January 1, 2020, provides that the "foreign investment" refers to the investment activities in China carried out directly or indirectly by foreign individuals, enterprises or other organizations (the "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The FIL further adopts the management system of pre-establishment national treatment and negative list for foreign investment. The "pre-establishment national treatment" refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the "negative list" refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The FIL granted national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council.

In December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Rules**") which came into effect in January 1, 2020. The Implementation

Rules further clarified that the state shall encourage and promote foreign investment, protect the lawful rights and interests in foreign investments, regulate foreign investment administration, continue to optimize foreign investment environment, and advance a higher-level opening.

Special Management Measures for Access of Foreign Investment ("Negative List") (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》)

Foreign investors in the PRC are subject to certain restrictions regarding the types of industries they can invest in. The Special Management Measures for Access of Foreign Investment (Negative List) (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) was promulgated by the Ministry of Commerce of the People's Republic of China (the "**MOFCOM**") and the National Development and Reform Commission (the "**NDRC**") on September 6, 2024 and came into effect on November 1, 2024. The Negative List set out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. Any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

The Catalogue of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》)

The latest Catalogue of Encouraged Industries for Foreign Investment (《鼓勵外商投資產業目錄(2022年版)》) was jointly promulgated by the MOFCOM and NDRC on October 26, 2022 and took effect on January 1, 2023, whereby the Catalogue of Industries for Encouraging Foreign Investment (2020 Version) was simultaneously repealed. The catalogue stipulated the encouraged foreign investment projects.

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》)

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) was released by the MOFCOM and the State Administration for Market Regulation (the "**SAMR**") on December 30, 2019, and became effective on January 1, 2020. Foreign investors directly or indirectly conducting investment activities within the territory of China shall submit the investment information through submission of initial reports, change reports, deregistration reports, annual reports etc. to the competent commerce authorities in accordance with The Measures on Reporting of Foreign Investment Information. When submitting an annual report, a foreign-invested enterprise shall submit the basic information on the enterprise, the information on the investors and their actual controlling party, the enterprise's operation and asset and liabilities information etc, and where the foreign investment admission special administrative measures are involved, the foreign investment enterprise shall also submit the relevant industry licensing information.

The Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》)

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020 and became effective on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof.

The Provisions on the Takeover of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)

Pursuant to the Provisions on the Takeover of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) or the M&A Rules, which were jointly promulgated by six regulatory authorities including the CSRC on August 8, 2006, came into effect on September 8, 2006, and were last amended on June 22, 2009, mergers and acquisitions of a domestic enterprise by foreign investors shall mean that (i) foreign investors purchase equity interest from shareholders of domestic enterprise with no foreign investment or subscribe to the increase in the registered capital of the domestic company with the result that such domestic company changes into a foreign investment enterprise; or (ii) the foreign investors establish a foreign investment enterprise and then, through such enterprise, purchase the assets of a domestic enterprise by agreement and operate such assets, or (iii) the foreign investors purchase the assets of a domestic enterprise by agreement and use such assets as investment to establish a foreign investment enterprise to operate such assets. The parties to a takeover shall determine the transaction price on the basis of the assessment result of the equities to be transferred or of the assets to be sold, which is given by an asset assessment institution. It is prohibited to divert any capital abroad in any disguised form by transferring any equities or selling assets at a price which is obviously lower than the assessment result.

Laws and Regulations Relating to Product Quality

Product Quality Law of the PRC (《中華人民共和國產品質量法》)

Products made in mainland China are subject to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), which was promulgated on February 22, 1993, amended on July 8, 2000, August 27, 2009 and December 29, 2018. According to the Product Quality Law, a manufacturer of a product is responsible to compensate for the damages to any person or property caused by the defect of such a product, unless the manufacturer is able to prove that: (i) it has not circulated the product; (ii) the defect did not exist at the time when the product was circulated; or (iii) scientific or technological knowledge at the time when the product was circulated was not such that it allowed the defect to be discovered.

Civil Code of the PRC (《中華人民共和國民法典》)

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

The Consumer Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》)

The Consumer Rights and Interests Protection Law of the People's Republic of China (《中華人民共和國消費者權益保護法》) (the "**Consumers Protection Law**") was promulgated on October 31, 1993 and became effective on January 1, 1994. The Consumers Protection Law has been further revised on August 27, 2009 and October 25, 2013. According to the Consumers Protection Law, consumers shall have the right to require business operators to provide commodities and services meeting the requirements for personal and property safety. Business operators shall guarantee that their provided commodities or services meet the requirements on personal and property safety. For commodities and services which may endanger personal or property safety, business operators shall provide consumers with true explanations and clear warnings, explaining and indicating the correct methods of using commodities or receiving services and the methods for preventing damage. And business operators who fail to fulfil the security obligations and causes harm to consumers shall bear tort liability.

Regulations on Cybersecurity and Data Protection

The National Security Law of the PRC (《中華人民共和國國家安全法》)

On July 1, 2015, the SCNPC promulgated the National Security Law of the PRC (《中華人民共和國國家安全法》), which became effective on the same day, pursuant to which the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investments, key technologies, internet and IT products and services, and other important activities that are likely to impact the national security of the PRC.

The SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》)

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**"), which became effective on June 1, 2017 and is applied to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the

Cybersecurity Law, network operators shall comply with laws and regulations and fulfill the obligations to safeguard the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data, and network operators shall not collect the personal information irrelevant to the services provided, or collect or use the personal information in violation of the provisions of laws or agreements between both parties.

The Data Security Law of PRC (《中華人民共和國數據安全法》)

On June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**"), which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding the establishment of basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency response system. In addition, the Data Security Law clarifies the data security protection obligations of organizations and individuals carrying out data activities and implements data security protection responsibilities.

The Personal Information Protection Law of PRC (《中華人民共和國個人信息保護法》)

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of PRC (《中華人民共和國個人信息保護法》), which came into effect on November 1, 2021. The Personal Information Protection Law aims to protect the rights and interests of personal information, regulate the processing of personal information, safeguard the orderly and free flow of personal information in accordance with the law, and promote the rational use of personal information. The Personal Information Protection Law establishes a comprehensive system of rules for the processing of personal information, including that the processing of personal information shall have a clear and reasonable purpose, that the processing of sensitive information is subject to additional protection, that the provision of personal information to outsiders and the entrusted processing of personal information requires the signing of a special agreement to ensure security, that the preservation, deletion, disclosure and automated decision-making of personal information should comply with special rules, and that processors of personal information should have appropriate organizational, institutional and technical measures in place.

The Regulations on Protecting the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》)

On July 30, 2021, the State Council promulgated the Critical Information Infrastructure Protection Regulations (《關鍵信息基礎設施安全保護條例》), which came into effect on September 1, 2021. Pursuant to the Critical Information Infrastructure Protection Regulations, critical information infrastructure means any network facilities and information systems in important industries and fields, such as public communication and information services, energy, transportation, water conservancy, finance, public services, e-government, and science, technology and industry for national defense, that may seriously endanger national security, national economy and people's livelihood, and public interests in the event that they are damaged or their data are leaked. The Critical Information Infrastructure Protection Regulations stipulate that the aforementioned competent authorities and supervision and administration authorities of important industries and fields are the authorities responsible for critical information infrastructure security protection. Such agencies shall be responsible for organizing the determination of critical information infrastructure in the industry and field concerned according to the determination rules, inform the operators of the determination results in a timely manner, and notify the public security department under the State Council of the same. An operator shall assume strict operator responsibilities after being recognized as a critical information infrastructure operator.

The Network Data Regulation (《網絡數據安全管理條例》)

On September 24, 2024, the State Council released the Network Data Regulation (《網絡數據安全管理條例》) (the "**Network Data Regulation**"), which came into force on January 1, 2025. The Network Data Regulation introduces several key obligations, including requiring network data handlers to specify the purpose and method of personal information processing, as well as the types of personal information involved, before any personal information is handled. It also clarifies definitions for important data, outlines the obligations of those handling important data, establishes broader contractual requirements for data sharing between data handlers, and introduces a new exemption for regulatory obligations regarding cross-border data transfers.

The Measures for Cybersecurity Review (《網絡安全審查辦法》)

On December 28, 2021, the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) (the "**CAC**") and other thirteen PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which became effective on February 15, 2022. The Cybersecurity Review Measures provides that, among others, (i) critical information infrastructure operators that purchase network products and services or network platform operators that engage in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) network platform operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office; and (iii) the relevant regulatory authorities may initiate cybersecurity review if such regulatory authorities determine that the enterprise's network products or services, or data processing activities affect or may affect national security.

The Provisions on Facilitating and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》)

On March 22, 2024, the Cyberspace Administration of China (the "**CAC**") promulgated the Provisions on Facilitating and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》), which came into effect on the date of publication. The Provisions on Facilitating and Regulating Cross-Border Data Flows update the Measures for Cross-border Data Transfer Security Assessment and the Measures for the Standard Contract for the Cross-border Transfer of Personal Information previously implemented by the CAC. This provision first specifies the criteria for declaring important data for cross-border transfer security assessment. Secondly, it specifies the conditions for data cross-border transfer that are exempted from declaring the security assessment of cross-border data transfer, signing and filing a Standard Contract for the Cross-border Transfer of Personal Information, and applying for Personal Information Protection Certification. Third, it establishes a negative list system for pilot free trade zones. Fourth, adjusting the conditions for data cross-border transfer that should be declared for the security assessment of cross-border data transfer, signing and filing a Standard Contract for the Cross-border Transfer of Personal Information, and applying for Personal Information Protection Certification. Fifth, the validity period of the results of the security assessment of cross-border data transfer should be extended, and the provision that data processors may apply for an extension of the validity period of the assessment results should be made.

Laws and Regulations on E-commerce and Online Transaction

The E-Commerce Law of the PRC (《中華人民共和國電子商務法》)

According to the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), which was promulgated by the SCNPC on August 31, 2018 and came into effect on January 1, 2019, E-Commerce refers to business activities of sale of goods or provision of services through Internet and other information network while E-commerce business operators refer to natural persons, legal persons and other non-legal-person organisations that engage in business activities of sale of goods or provision of services through Internet and other information network. E-commerce operators shall complete the market entity registration (unless no such registration is required by laws and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which are required by law to obtain administrative licenses.

Commodities sold or services offered by e-commerce operators shall meet the requirements to protect personal and property safety and the environmental protection requirements, and e-commerce operators shall not sell or provide any commodity or service prohibited by laws and administrative regulations. E-commerce platform operators who know or should have known that the goods sold or services provided by the operators within the platform do not meet the requirements for ensuring personal and property safety, or if there are other acts that infringe upon the legitimate rights and interests of consumers, and have not taken necessary measures, shall bear joint and several liabilities with those operators. The authorities may order these e-commerce platform operators to rectify within a specified period or to suspend business operations, and may impose a fine of up to RMB2,000,000.

The Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》)

The Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》), enacted by the SAMR on March 15, 2021, and amended on March 18, 2025 with the amendments effective from May 1, 2025, regulate all business activities involving sales of commodities or provision of services through the internet and other information networks as well as the supervision and administration thereof by market regulatory departments within the territory of mainland China. No online transaction business may engage in business operations without a license or permit in violation of any law, regulation or decision of the State Council. Except under the circumstances where registration is not required as prescribed in Article 10 of the E-Commerce Law of the PRC, an online transaction business shall undergo market entity registration in accordance with the law. In addition, an online transaction business shall disclose commodity or service information in a comprehensive, truthful, accurate and timely manner, and protect consumers' right to know and right to choose.

The Administrative Provisions on Internet Live-Streaming Services (《互聯網直播服務管理規定》)

On November 4, 2016, the CAC issued Administrative Provisions on Internet Live Streaming Services (《互聯網直播服務管理規定》), which became effective on December 1, 2016. Under the Administrative Provisions on Internet Live Streaming Services, "internet live streaming" refers to the activities of continuously releasing real-time information to the public based on the internet in forms such as video, audio, images and texts, and "internet live-streaming service providers" refers to the operators that provide internet live-streaming platform services. In addition, the internet live-streaming service providers shall take various measures when operating its services, such as examining and verifying the authenticity of the identification information and file this information for record.

Guiding Opinions of the State Administration for Market Regulation on Strengthening the Supervision of Live Streaming Marketing Activities (《市場監管總局關於加強網絡直播營銷活動監管的指導意見》)

On November 5, 2020, the SAMR issued Guiding Opinions of the State Administration for Market Regulation on Strengthening the Supervision of Live Streaming Marketing Activities (《市場監管總局關於加強網絡直播營銷活動監管的指導意見》) (the "**Guiding Opinions on the Supervision of Live Streaming Marketing Activities**"), which came into effect on the same day. According to the Guiding Opinions on the Supervision of Live Streaming Marketing Activities, the legal responsibilities of relevant entities shall be specified, the conduct of live streaming marketing shall be strictly regulated, and the illegal acts in live streaming marketing shall be investigated and punished.

The Measures for the Administration of Live Streaming Marketing (for Trial Implementation) (《網絡直播營銷管理辦法(試行)》)

On April 16, 2021, the CAC, Ministry of Public Security, the Ministry of Commerce, Ministry of Culture and Tourism, the State Taxation Administration, the SAMR, the National Radio and Television Administration jointly issued the Measures for the Administration of Live Streaming Marketing (for Trial Implementation) (《網絡直播營銷管理辦法(試行)》) ("**Administration of Live Streaming Marketing (for Trial Implementation)**"), which came into effect on May 25, 2021. The Administration of Live Streaming Marketing (for Trial Implementation) shall apply to commercial activities of marketing in the form of live streaming by video, live streaming by audio, live streaming with photos and words or a combination of multiple live streaming forms through Internet websites, applications, and mini programs, among others, within the territory of the PRC. Whoever engages in live streaming marketing activities shall abide by laws and regulations, follow public order and good morals, observe business ethics, adhere to correct orientation, and carry forward socialist core values, so as to create a sound network ecology.

Laws and Regulations Relating to Import and Export Goods

Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》)

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the "**Foreign Trade Law**") promulgated by the SCNPC on May 12, 1994, and subsequently amended on April 6, 2004, November 7, 2016 and December 30, 2022, foreign trade business operators engaging in the import or export of goods or technology must go through the record filing and registration formalities with the MOFCOM or the agency entrusted by the MOFCOM.

Customs Law of the PRC (《中華人民共和國海關法》)

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and amended on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016, November 4, 2017 and April 29, 2021, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall file for record with the Customs in accordance with the laws.

Administrative Provisions of the Customs of the People's Republic of China on Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》)

Pursuant to the Administrative Provisions of the Customs of the People's Republic of China on Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC on November

19, 2021 which came into effect on January 1, 2022, the term "customs declaration entities" pertains to consignees and consignors of import and export goods, as well as customs declaration enterprises officially registered with the customs authorities. Entities seeking recordation are required to hold valid market entity qualifications. Specifically, importers and exporters must also possess records as foreign trade operators. The recordation status of customs declaration entities is of a permanent nature, while temporary recordation holds a validity period of one year. Upon expiration, entities are entitled to reapply for recordation.

Law of the PRC on Import and Export Commodity Inspection and its Implementation Regulations (《中華人民共和國進出口商品檢驗法》及其實施條例)

According to the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) which was promulgated by the SCNPC on February 21, 1989 and implemented on August 1, 1989, and last revised on April 29, 2021, and the Implementation Regulations on the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) which was promulgated by the State Council on August 31, 2005 and implemented on December 1, 2005, and last revised on March 29, 2022, the General Administration of Customs is responsible for inspection of import and export commodities. The entry-exit inspection and quarantine authorities shall conduct inspection on the import and export commodities listed in the catalogue and other import and export commodities that shall be subject to the inspection of the entry-exit inspection organs as prescribed by laws and administrative regulations. For the import and export commodities other than those that are subject to statutory inspection by the entry-exit inspection and quarantine authorities as mentioned above, the entry-exit inspection and quarantine authorities may conduct random inspection in accordance with state regulations. No import commodity subject to statutory inspection that has not been inspected could be sold or used. No export commodity subject to statutory inspection that has not been inspected or fails to pass the inspection could be exported.

Regulation of the People's Republic of China on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》)

The Regulations of the People's Republic of China on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) (the "**Regulations on the Administration of the Import and Export of Goods**") was issued by the State Council on December 10, 2001 and most recently amended on March 10, 2024 with effect as of May 1, 2024. The Regulations on the Administration of the Import and Export of Goods shall be observed in the importation of goods to within the customs boundary of the People's Republic of China or exportation of goods to beyond the customs boundary of the People's Republic of China. Unless clearly provided in laws or administrative regulations to forbid or restrict the import or export of goods, no entity or individual may establish or maintain prohibitive or restrictive measures over the import or export of goods.

The Measures for the Record and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》)

According to the Measures for the Record and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) which was promulgated by the MOFCOM on June 25, 2004, implemented on July 1, 2004, and subsequently revised on August 18, 2016, November 30, 2019 and May 10, 2021, foreign traders engaging in import and export of goods or technology shall complete the filing and registration with the MOFCOM or its delegated agencies. Where a foreign trade operator fails to complete the filing and registration, the customs will refuse to handle customs declaration and the clearance of goods imported or exported by the operator. However, with reference to the notice on the Unified Platform of the Business System of the MOFCOM, according to the Decision on Amending the Foreign Trade Law of the PRC (《關於修改<中華人民共和國對外貿易法>的決定》) made by the SCNPC on December 30, 2022, foreign traders engaged in the import and export of goods or technologies were not required to go through the filing and registration procedures from December 30, 2022.

Laws and Regulations Relating to Anti-unfair Competition

The PRC Anti-monopoly Law (《中華人民共和國反壟斷法》)

The PRC Anti-monopoly Law (《中華人民共和國反壟斷法》) was promulgated by SCNPC on August 30, 2007, took effect on August 1, 2008 and was amended on June 24, 2022 and such amendment took effect on August 1, 2022, the relevant operators of a concentration of undertakings which reaches the standard for declaration shall make an advance declaration to the anti-monopoly law enforcement authority under the State Council and it prohibits monopolistic conduct, such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition. The revised Anti-monopoly Law provides, among others, that business operators shall not use data, algorithms, technology, capital advantages and platform rules to exclude or limit competition, and also requires relevant government authorities to strengthen the examination of concentration of undertakings in areas related to national welfare and people's well-being, and enhances penalties for violation of the regulations regarding concentration of undertakings.

Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》)

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

Laws and Regulations Relating to Environment Protection and Product Disposal

Environmental Protection Law of the PRC (《中華人民共和國環境保護法》)

Pursuant to the PRC Environmental Protection Law (《中華人民共和國環境保護法》), promulgated on December 26, 1989 and came into effect on the same day, latest amended on April 24, 2014 and came into effect on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge wastes shall obtain a Waste Discharge License (排污許可證). Furthermore, facilities for the prevention and control of pollution at a construction project shall be designed, constructed and put into operation simultaneously with the major construction works of the construction project. Environmental protection authorities impose various administrative penalties on persons or enterprises in violation of the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within a prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shut down enterprises. In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》)

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002, came into effect on September 1, 2003 and latest amended on December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purposes. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

The Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》) and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》)

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated on October 2, 2013 and came into force on January 1, 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated on January 22, 2015 and last amended on

December 1, 2022 and took effect on February 1, 2023. Drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the State. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities.

The Interim Measures on Administration of Environmental Protection for Acceptance Examination Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》)

Pursuant to the Interim Measures on Administration of Environmental Protection for Acceptance Examination Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) which was promulgated on November 20, 2017 and came into effect on the same day, the construction unit is the responsible party for the acceptance of the environmental protection facilities for the completion of the construction project, and shall, in accordance with the procedures and standards stipulated in relevant regulations, organize the acceptance of the environmental protection facilities, prepare the acceptance report, disclose the relevant information, accept social supervision, ensure that the environmental protection facilities to be constructed for the construction project are put into operation or used at the same time as the main project, and be responsible for the truthfulness, accuracy and completeness of the acceptance content, conclusions and information disclosed, and shall not falsify the acceptance process. The major construction works of the construction project cannot be put into operation until the supporting facilities for environmental protection pass the inspection.

The Regulations on the Administration of Construction Project Environmental Protection (2017 Amendment) (《建設項目環境保護管理條例》(2017修訂))

On July 16, 2017, the State Council issued The Regulations on the Administration of Construction Project Environmental Protection (2017 Amendment) (《建設項目環境保護管理條例》(2017修訂)) (the "**Regulations on the Administration of Construction Project Environmental Protection**"), which came into effect on October 1, 2017. The Regulations on the Administration of Construction Project Environmental Protection shall be applicable to building of construction projects having impacts on the environment within the territory of the People's Republic of China and other territorial sea areas under the jurisdiction of the People's Republic of China. Pursuant to Regulations on the Administration of Construction Project Environmental Protection, the state practices classified control over construction project environmental protection in accordance with the extent of environmental impact of construction projects in pursuance of the following provisions: (1) a report on environmental impact should be compiled for a construction project that may cause major impact on the environment, giving comprehensive and detailed evaluation of the pollution generated and environmental impact caused by the construction project; (2) a statement on environmental impact should be compiled for a construction project that may cause light impact on the environment, giving analysis or special-purpose evaluation of the pollution generated and environmental impact caused by the construction project; and (3) a registration form should be filled out and submitted for a construction project that has slight impact on the environment and necessitates no environmental impact evaluation. The catalogue for the categorized management of environmental impact assessment of construction projects shall be developed and published by the environmental protection administrative department of the State Council on the basis of organizing experts to conduct demonstration and soliciting opinions of the relevant departments, industry associations, enterprises and public institutions and the public.

The Regulations on The Administration of Pollutant Discharge Licensing (《排污許可管理條例》) And the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄(2019年版)》)

Pursuant to the Regulations on the Administration of Pollutant Discharge Licensing (《排污許可管理條例》), which was promulgated by the State Council on January 24, 2021 and took effect on March 1, 2021, the enterprises, public institutions and other producers and operators (hereinafter referred to as the "**pollutant discharge entities**") included in the classified management catalog of pollutant discharge permits for stationary sources of pollution shall apply for and obtain a pollutant discharge permit within the prescribed time limit; and those not included in the catalog are not required to do so for the time being. According to the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄(2019年版)》) issued by the Ministry of Ecology and Environment on December 20, 2019, key management, simplified management and registration management of pollutant discharge permits are implemented according to factors such as the amount of pollutants generated, the amount of emissions, the degree of impact on the environment, etc, and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit.

Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》)

Pursuant to the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) (the "**Energy Conservation Law**") promulgated by SCNPC on October 26, 2018, energy conservation is a basic national policy of China. The State implements an energy development strategy of giving consideration to conservation and development simultaneously, and placing top priority on conservation. It's prohibited to produce, import or sell energy consuming products and equipment that are explicitly eliminated by the State or are inconsistent with compulsory energy efficiency standards; and it is prohibited to use energy consuming equipment or productive techniques that are explicitly eliminated by the State. Manufacturers and importers shall be responsible for the energy efficiency labels they affix and the accuracy of relevant information. It is prohibited to sell those products that should be but have not been affixed with energy efficiency labels. If any entity produces, imports or sells energy consuming products and equipment inconsistent with compulsory energy efficiency standards, the market regulatory department shall order it to stop production, importing and sales, confiscate the energy consuming products and equipment that are illegal produced, imported and sold as well as the illegal proceeds, and simultaneously impose a fine of one time up to five times the illegal proceeds; and where the circumstances are serious, revoke the business license of that entity.

Announcement on Matters Related to the Suspension of the Collection of Waste Electrical and Electronic Products Processing Fund (《關於停徵廢棄電器電子產品處理基金有關事項的公告》)

On December 20, 2023, the MOF, the Ministry of Ecology and Environment, the NDRC and the Ministry of Industry and Information Technology promulgated the Announcement on Matters Related to the Suspension of the Collection of Waste Electrical and Electronic Products Processing Fund (《關於停徵廢棄電器電子產品處理基金有關事項的公告》). Starting from January 1, 2024, the collection of funds for the disposal of waste electrical and electronic products will be suspended, and as of December 31, 2023, for waste electrical and electronic products that have been processed and have not yet been subsidized in accordance with the Management Measures for the Collection and Use of Waste Electrical and Electronic Product Processing Funds (《廢棄電器電子產品處理基金徵收使用管理辦法》) and other regulations, subsidies will be provided by the central government's allocation of funds. Moreover, starting from January 1, 2024, newly processed waste electrical and electronic products will no longer be subject to the subsidy policy of the Waste Electrical and Electronic Product Processing Fund. The central government will allocate special funds to continue supporting the disposal activities of waste electrical and electronic products listed in the Catalogue of Waste Electrical and Electronic Products Disposal (《廢棄電器電子產品處理目錄》), with specific measures to be clarified separately.

Laws and Regulations on Fire Prevention and Production Safety

Fire Protection Law of the PRC (《中華人民共和國消防法》) and Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》)

Pursuant to Fire Protection Law of the PRC (《中華人民共和國消防法》), or the Fire Protection Law, promulgated by SCNPC on April 29, 1998 with the latest amendment on April 29, 2021, the Emergency Management Authority of the State Council and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The Fire and Rescue Department of People's Government are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards (as the case may be). According to the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), issued by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective on June 1, 2020, which was amended on August 21, 2023 and came into effect on October 30, 2023, special construction projects as defined under such Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects shall conduct fire protection design review and fire protection final inspection, construction projects other than such special construction projects shall file fire protection design and acceptance of the project with competent authority.

Production Safety Law of the PRC (《中華人民共和國安全生產法》)

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), (the "**Production Safety Law**"), promulgated by the SCNPC on June 29, 2002 and implemented on November 1, 2002, and last revised on June 10, 2021, entities engaged in production and business activities in mainland China shall comply with the Production Safety Law and other laws and regulations related to production safety. Entities shall strengthen the management, establish and improve responsibility systems and polices, improve conditions, promote the development of production safety standards, and improve the production level to ensure their production safety. The primary persons in charge of the production and operation entities are fully responsible for the production safety of their entities. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operation, an order to cease operation, or even criminal liability in severe cases.

Laws and Regulations on Land, Planning and Project Construction Land

The Land Administration Law of the PRC and its Implementation Regulations (《中華人民共和國土地管理法》及其實施條例)

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986 and latest amended on August 26, 2019, and the Regulations for the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on December 27, 1998 and latest revised on July 2, 2021, the land in the PRC is either State-owned or collectively-owned. Except for land which is legally owned by the State or has been expropriated as State-owned according to law, all of the land is collectively-owned. The State-owned land use rights may be used by third parties through grant, allocation, lease, capital contribution and other forms. Third parties who have obtained the State-owned land use rights may legally use, profit from and dispose of the State-owned land use rights within the statutory term of use and scope of planned uses.

The Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》)

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007 and latest amended on April 23, 2019, if the construction of buildings, structures, roads, pipelines and other projects is carried out in the planned area of a city or a town, the construction entity or individual shall apply to the competent authority of urban and rural planning of the people's government of the city or county or the people's government of the town as determined by the people's government of the province, autonomous region or municipality directly under the Central Government for a construction project planning permit.

The Construction Law of the PRC (《中華人民共和國建築法》)

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the SCNPC on November 1, 1997 and latest amended on April 23, 2019, prior to the commencement of construction work, the construction entity shall apply to the competent construction administrative authority of the people's government at or above the county level where the project is located for a construction permit in accordance with the relevant provisions of the State, except for small-scale projects under the quota as determined by the construction administrative authority under the State Council. A construction project shall be delivered for use only after it has passed the acceptance examination. A construction project shall not be delivered for use without conducting or passing the acceptance examination.

Laws and Regulations Relating to Taxation

The Enterprise Income Tax Law of the PRC and its Implementation Rules (《中華人民共和國企業所得税法》及其實施條例)

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) promulgated by the NPC on March 16, 2007, effective on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, as well as the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council on December 6, 2007, and most recently amended on December 6, 2024 and effective on January 20, 2025, are the principal law and regulation governing enterprise income tax in the PRC. According to the Enterprise Income Tax Law and its implementation rules, enterprises are classified into resident enterprises and non resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

The Interim Regulations of the PRC on Value-added Tax and its Detailed Rules (《中華人民共和國增值稅暫行條例》及其實施細則)

According to the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and last revised on November 19, 2017, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993 and last amended on October 28, 2011, entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of mainland China are taxpayers of value-added tax (the "**VAT**"), and shall pay VAT in accordance with law. Unless otherwise stipulated, the VAT rate is 17% for taxpayers selling goods, labour services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovables, transferring land use rights, or selling or importing specific goods; unless otherwise stipulated, 6% for taxpayers selling services or intangible assets.

The Circular of the MOF and the STA on Adjusting Value-added Tax Rate (《財政部、稅務總局關於調整增值稅稅率的通知》)

According to the Circular of the MOF and the STA on Adjusting Value-added Tax Rate (《財政部、稅務總局關於調整增值稅稅率的通知》), which was promulgated by the MOF and the State Taxation Administration of The People's Republic of China (the "**STA**") on April 4, 2018 and became effective on May 1, 2018, the tax rates for the taxable sales or goods import activity, which were subject to the tax rates of 17% and 11% respectively, were adjusted to 16% and 10% respectively.

The Circular on Policies in Relation to the Deepening of Value-added Tax Reforms (《關於深化增值稅改革有關政策的公告》)

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

Laws and Regulations Relating to Foreign Exchange

The PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》)

According to the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and amended from time to time, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE or its designated banks is obtained.

The Notice on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》)

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by State Administration of Foreign Exchange (the "**SAFE**") on June 9, 2016, and amended on December 4, 2023, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign currency capital and foreign debts) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due course according to the balance of payment status.

The SAFE Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》)

According to the SAFE Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was promulgated on October 23, 2019 and amended on December 4, 2023, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to law on the condition that the current Negative List are not violated and the relevant domestic investment projects are genuine and in compliance with laws.

The Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) and the Circular of the SAFE on Foreign Exchange Administration of Equity Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)

In October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "**Circular 75**"), which became effective as of November 1, 2005, and was further supplemented by an implementing notice issued on November 24, 2005. Under the Circular 75, domestic residents must register with the relevant local counterparts of the SAFE prior to their establishment or control of an offshore entity established for the purpose of overseas equity financing involving onshore assets or equity interests held by them, and must also make filings with SAFE thereafter upon the occurrence of certain material capital changes. The Circular 75 was replaced by the

Circular of the SAFE on Foreign Exchange Administration of Equity Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**"), which was promulgated by the SAFE in July 2014. The term "domestic residents" under Circular 37 is defined as PRC legal entities, other economic organizations, PRC citizens holding PRC ID or non-PRC citizens habitually residing in China due to economic interests. The Circular 37 requires domestic residents to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as changes of the offshore special purpose vehicle's name and operational term, or any significant changes with respect to the PRC individual shareholder, such as the increase or decrease of capital contributions, share transfer or exchange, or mergers or divisions.

Laws and Regulations Relating to Employment and Social Welfare

The Labor Law of the PRC (《中華人民共和國勞動法》)

According to the Labor Law of the PRC (《中華人民共和國勞動法》), or the Labor Law, which was promulgated by the SCNPC in July 1994, effective on January 1, 1995, and most recently amended in December 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards.

The PRC Labor Contract Law and its Implementation Regulations (《中華人民共和國勞動合同法》及其實施條例)

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008, and most recently amended in December 2012, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), promulgated and became effective on September 18, 2008, regulate both parties to a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated by the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an unfixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching an agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Contract Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contract shall be entered into within one month from the effective date of the Labor Contract Law. In addition, the Labor Contract Law also imposes requirements on the use of employees of temp agencies, who are known in China as "dispatched workers." Dispatched workers are entitled to equal pay with fulltime employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions.

Laws and Regulations on Supervision over the Social security and Housing Funds

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) first implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) came into effect on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) amended by the State Council and coming into effect on March 24, 2019 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was released by the SCNPC on October 28, 2010, came into force on July 1, 2011 and was then amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

Pursuant to the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) released by the State Council on April 3, 1999 and came into force on the same day, which latest amended by the State Council and coming into effect on March 24, 2019, an employer shall pay the housing accumulation funds for its employees in accordance with the relevant provisions of the state.

Laws and Regulations Relating to Intellectual Property Rights

The Patent Law of the PRC and its Implementation Regulations (《中華人民共和國專利法》及其實施細則)

According to the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the SCNPC on March 12, 1984 and implemented on April 1, 1985, and last revised on October 17, 2020 and came into effect on June 1, 2021, and the Implementation Regulations of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), which was promulgated by the State Council on June 15, 2001, implemented on July 1, 2001 and last amended on December 11, 2023, with the latest amendment being effective on January 20, 2024, patents in mainland China are divided into invention patent, utility patent and design patent. Invention patent shall be valid for 20 years from the date of application, while utility patent shall be valid for 10 years and design patent shall be valid for 15 years from the date of application respectively. The patent right entitled to its owner shall be protected by the laws. Any person shall be licensed or authorized by the patent owner before using such patent. Otherwise, the use constitutes an infringement of the patent right.

The Trademark Law of the PRC and its Implementing Regulations (《中華人民共和國商標法》及其實施條例)

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was issued by the SCNPC on August 23, 1982, came into effect on March 1, 1983 with latest amended on April 23, 2019, and became effective on November 1, 2019 and the PRC Trademark Law Implementing Regulations (《中華人民共和國商標法實施條例》), which was issued by the State Council on August 3, 2002, came into effect on September 15, 2002, amended on April 29, 2014 and came into effect on May 1, 2014. The trademark bureaus under the State Administration for Market Regulation are responsible for trademark registration and authorizing registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may license, authorize others to use their registered trademark by signing up a trademark license contract. The trademark license agreements shall be submitted to the trademark office for recording. For trademarks, trademark law adopts the principle of "prior application" with respect to trademark registration. Where a trademark under registration application is identical with or similar to another trademark that has, in respect of the same or similar commodities or services, been registered or, after preliminary examination and approval, this application for such trademark registration may be rejected. Anyone applying for trademark registration shall not prejudice the existing right first obtained by anyone else, or forestall others in registering a trademark which others have already begun to use and which has "sufficient degree of reputation."

The Copyright Law of the PRC (《中華人民共和國著作權法》)

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), or the Copyright Law, promulgated by the SCNPC on September 7, 1990 and implemented on June 1, 1991, and last revised on November 11, 2020 and came into effect on June 1, 2021, Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection (《計算機軟件著作權登記辦法》及《計算機軟件保護條例》)

Pursuant to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and amended on June 18, 2004, and the Regulation on Computers Software Protection (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and came into effect on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in mainland China and recognizes the China Copyright Protection Centre as the software registration organization. The China Copyright Protection Centre shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

The Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》)

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology, which was issued on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Industry and Information Technology shall be responsible for managing internet network domain names in the PRC. The principle of "first-to-file" is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information relating to the domain name to be applied for, and sign the registration agreements as well. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

Laws and Regulations on Securities and Overseas Listings

The Securities Law of the PRC (《中華人民共和國證券法》)

The Securities Law of the PRC (《中華人民共和國證券法》) (hereinafter referred to as the "**PRC Securities Law**"), which was amended by the SCNPC on December 28, 2019 and came into effect on March 1, 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》)

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Overseas Listing Trial Measures, together with several supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "**Overseas Listing Regulations**"). Under Overseas Listing Regulations, mainland China domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

The Overseas Listing Regulations provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Overseas Listing Regulations stipulates that after an issuer has offering and listing securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc, and duly fulfill their obligations to protect national security.

The Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》)

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), or the Provision on

Confidentiality. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN MEXICO

The Mexico regulations that have a significant impact on our business are set out below:

Laws and Regulations Relating to Product Liability

The Federal Consumer Protection Law ("**LFPC**") is the primary legislation regulating product liability in Mexico. It aims to protect consumers' rights and ensures that products meet safety and quality standards. The following are some key provisions established by the LFPC: (i) manufacturers, distributors, and sellers are liable for damage caused by defective or unsafe products; (ii) sellers must provide accurate and clear information about the product, including its proper use, risk and maintenance requirements; and (iii) products must comply with applicable Mexican Official Standards ("**NOMs**") for safety, labeling and performance.

Additionally, the Federal Consumer Protection Agency ("**PROFECO**") is responsible for overseeing compliance and may impose fines or mandate product recalls for violations.

Laws and Regulations Relating to the Environment

The General Law of Ecological Balance and Environmental Protection ("**LGEEPA**") sets the framework for sustainable development and environmental protection in Mexico. Some of the dispositions relevant for air conditioners are the regulation of air emissions and pollution from manufacturing facilities, the Environmental Impact Assessments ("**EIA**") for facilities engaged in manufacturing processes that could harm the environment.

The General Law for the Prevention and Comprehensive Management of Waste ("**LGPGIR**") governs the generation, handling, and disposal of waste, including hazardous materials. Some of the dispositions relevant for air conditioners are the regulations regarding proper disposal and recycling of components such as refrigerants and electrical waste, as well as the requirements for manufacturers to implement waste management plans.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN JAPAN

The Japanese regulations that have a significant impact on our business are set out below:

Laws and Regulations Relating to the Environment

The Act on Rational Use and Proper Management of Fluorocarbons ("**Fluorocarbon Emission Control Act**") was implemented in April 2015, replacing the original Fluorocarbons Recovery and Destruction Law to establish comprehensive management measures for fluorocarbons throughout their lifecycle, from production to disposal. A revised version of the Fluorocarbon Emission Control Law took effect on April 1, 2020.

The term "designated products" as designed by the Japanese government means products in which considerable amounts of fluorocarbons are used, and upon the use, etc. of which it is technically possible to promote reduction in emissions of fluorocarbons. For managers of class I specified products (including commercial refrigeration and air conditioners), fluorocarbon filling or recovery must be performed by authorized class I fluorocarbon filling and recovery operators. When disposing of equipment, personnel must either transfer fluorocarbons directly to a class I fluorocarbon filling and recovery operator or arrange recovery through equipment companies who must then deliver to a class I fluorocarbon filling and recovery operator. This process requires submission of recovery commission forms and other documentation under the process management system.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THAILAND

The regulations in Thailand that have a significant impact on our business are set out below:

Civil and Commercial Code

The Civil and Commercial Code of Thailand, as amended (the "**CCC**"), serves as a cornerstone legal framework governing a broad spectrum of legal matters, including, but not limited to, property law, corporate law, family law, inheritance law, contract law, and commercial law. Corporate law, and particularly shareholding regulations, is one of the key areas addressed by the CCC.

Foreign Business Act

Foreign Business Act B.E. 2542 (1999), as amended (the "**FBA**"), is the most important law governing foreigners' participation in businesses in Thailand. Although there is no limit to the percentage of shares that foreign investors may own in a limited company, if half or more than half of the company's shares are held by non-Thai individuals and/or juristic persons, it will be considered a foreign-majority-owned company and subject to the FBA. Under the FBA, many business activities are restricted for foreign investors. Such business activities are divided into 3 (three) lists, i.e., List 1, List 2, and List 3.

List 3 includes, among others, all service businesses, wholesale, retail, etc. For the restricted business activities indicated in List 3, a foreign-majority-owned company may apply for a Foreign Business License (FBL) with the approval of the Foreign Business Committee, the MOC.

Alternatively, a foreign-majority-owned company can opt to pursue a Foreign Business Certificate ("**FBC**"), which is a notification process and not an approval process, instead of applying for an FBL, if it meets the following qualifications: (1) it qualifies for protection under an international treaty that Thailand has entered into, such as the Treaty of Amity and Economic Relations between the United States and Thailand ("**Thai-US Treaty of Amity**") in respect of the US majority shareholders and directorship requirements; or (2) it obtains an investment promotion from the Board of Investment ("**BOI**") under the Investment Promotion Act, B.E. 2520 (A.D.1977), as amended; or (3) it is located in an industrial estate, and it obtains an operational license from the Industrial Estate Authority of Thailand ("**IEAT**").

Generally, a manufacturing business (including the sale of the manufactured products) is not a restricted business under List 1, 2, or 3 of the FBA, and therefore, a foreign-majority-owned company can operate a manufacturing business, including the manufacturing of air conditioners, without obtaining an FBL or an FBC.

Labor Laws

The principal laws that govern labor matters in Thailand are the CCC Sections 575-586 — Hire of Services, the Labor Protection Act B.E. 2541 ("**LPA**"), and certain other relevant laws which primarily include: (1) The Labor Relations Act B.E. 2518 (1975), (2) The Act on Establishment of Labor Courts and Labor Court Procedures B.E. 2522 (1979), (3) The Provident Fund Act B.E. 2530 (1987), (4) The Social Security Act B.E. 2533 (1990), (5) The Workmen's Compensation Act B.E. 2537 (1994), (6) The Labour's Skills Development Act B.E. 2545 (2002), (7) The Persons with Disabilities Empowerment Act B.E. 2550 (1994), and (8) The Emergency Decree on Foreigners' Working Management B.E. 2560 (2017).

The CCC sets out the principles of the contractual relationship between the employer and the employee. The Labor Relations Act provides for the supervision of the establishment of labor unions and other similar employer and employee associations, including their administration. The Act on Establishment of Labor Courts and Labor Court Procedures was enacted to establish the Labor Courts and their procedures, as well as to protect employees in circumstances of unfair termination. The Emergency Decree on Foreigners' Working Management requires foreign nationals to obtain work permits prior to working in Thailand. This Act and the accompanying Royal Decree designate certain occupations that foreign nationals are excluded from undertaking. The present list contains 40 occupations that are prohibited for foreigners.

Consumer Protection Act B.E. 2522 (1979)

The Consumer Protection Act B.E. 2522 (1979) was promulgated on April 30, 1979. It was last amended by the Consumer Protection Act (No. 4) B.E. 2562 (2019) on May 24, 2019. The CPA's role is to provide regulatory control over products and services in general. The CPA granted the following protection rights[1] to consumers: (1) the right to information, including correct and adequate description of the quality of the goods or services; (2) the right to enjoy freedom with respect to the selection of goods or services; (3) the right to be afforded safety in respect to the use of the goods or services; (4) the right to fairness in concluding contracts; and (5) the right to have injuries considered and compensated for.

Provided that all these issues shall be as provided by the law on the particular matter, or by this Act, to secure and provide such protection, the CPA has also established a Consumer Protection Board ("**CPB**") to supervise consumer-related cases. The roles and responsibilities of the CPB have been segregated into four (4) different committees, which are, namely: (i) the Committee on Advertisement; (ii) the Committee on Safety of Goods and Services; (iii) the Committee on Labels; and (iv) the Committee on Contracts.

1 Section 4 of CPA as amended by the Consumer Protection Act (No. 4) B.E. 2562 (2019).

OVERVIEW

We are one of the global top five air conditioner providers, with capabilities covering the design, R&D, production, sales and related services of household and central air conditioners. We capture opportunities in the global air conditioner industry with market size of RMB1,312.8 billion in 2024. Our history dates back to 1994 when our founder, Mr. ZHENG Jianjiang, established our business in the air conditioning sector. Over the past 30 years, our operations have expanded from China to the world, covering over 150 countries and regions worldwide. For details of Mr. ZHENG Jianjiang's relevant industry experience, please see the section headed "Directors and Senior Management" of this prospectus.

MILESTONES

The following table summarizes various key milestones in our corporate and business development.

Year	Milestone
1994	We launched the brand "AUX" and commenced our business in air conditioning industry.
2001	We began to establish our presence in overseas markets.
2002	We published the "Air Conditioner Cost White Paper (空調成本白皮書)," enhancing the transparency of cost structure within the air conditioners industry.
2003	We expanded into the central air conditioner segment.
2011	We began to promote and sell our products through e-commerce channels.
2017-2018 . . .	We established the Ma'anshan Intelligent Household Air Conditioner Industry Park (馬鞍山智能家用空調產業園) in Anhui Province, being another major production base of our Group after Ningbo and Nanchang.
	We adopted the online retail model and launched our "Hello AUX" app.
2019	We established our R&D center in Japan which integrates worldwide consumer demands and cutting-edge technology trends to form a product innovation and talent development hub.

Year	Milestone
	We established a production facility in Thailand, which allowed us to better integrate global needs and market trends.
2021	We became the official exclusive supplier of air conditioners for the 19th Asian Games in Hangzhou.
2023-2024 . . .	We established a strategic partnership with Panasonic regarding the research and production of compressor, which is a core component for our products, to further enhance our competitive advantage in the integrated industrial chain.
	We established overseas sales companies and local teams in Malaysia, Thailand, the U.S., the UAE, Vietnam and Saudi Arabia, thereby continuously accelerate the layout of our self-owned brands overseas.

OUR MAJOR SUBSIDIARIES

Below are the major subsidiaries that made material contributions to our results of operations during the Track Record Period and up to the Latest Practicable Date.

Name	Date of establishment and commencement of business	Place of establishment	Principal business activities
Ningbo AUX Electric	June 24, 2003	PRC	R&D, manufacturing, production and sales of central air conditioners
AUX Import & Export	November 10, 1997	PRC	Overseas sales of air conditioners
Nanchang AUX . . .	October 17, 2003	PRC	Manufacturing and production of household air conditioners
AUX Home Appliances	February 28, 2012	PRC	Sales of air conditioners in the domestic market
AUX Information .	May 14, 2015	PRC	Online sales of air conditioners in the domestic market
Zhuhai Tuoxin	June 29, 2016	PRC	R&D of air conditioner technology

Name	Date of establishment and commencement of business	Place of establishment	Principal business activities
AUX Air Conditioner	December 8, 2016	PRC	R&D, manufacturing, production and sales of household air conditioners
Huajie Trade	June 23, 2017	PRC	Procurement of raw materials for air conditioner production
Anhui AUX	November 2, 2017	PRC	Manufacturing and production of household air conditioners
Xtron Thailand . . .	September 24, 2018	Thailand	Manufacturing and production of household air conditioners

For details of the principal activities of the other subsidiaries of our Group, see Note 1 to the Accountants' Report as set out in Appendix I to this prospectus.

MAJOR CORPORATE DEVELOPMENTS AND PRE-IPO REORGANIZATION OF OUR GROUP

Early Development

Our history can be traced back to 1994 when our predecessor company, Ningbo AUX Electrical Appliance Factory (寧波奧克斯電器廠), currently known as Ningbo Aosheng, was established in the PRC by our founder, Mr. ZHENG Jianjiang.

On June 24, 2003, Ningbo AUX Electric was established as a company with limited liability in the PRC as the holding company of our central air conditioning business. Immediately upon the establishment, Ningbo AUX Electric was owned as to 60% by AUX Group and 40% by Ao Tai, respectively.

From June 2004 to July 2015, Ningbo AUX Electric underwent a series of capital injections and equity transfers, upon which Ningbo AUX Electric was owned as to 95% by AUX Group and 5% by Ningbo Yuanxing, respectively. In September 2015, Ningbo AUX Electric accomplished all procedures required to convert from a limited liability company to a joint stock company.

After the conversion into a joint stock limited company and prior to its listing on the NEEQ, Ningbo AUX Electric underwent a capital increase to provide equity incentives to the employees and other stakeholders of our Group. For further details, see "— Establishment of Pre-reorganization Shareholding Platforms" below.

Immediately before the listing of Ningbo AUX Electric on the NEEQ, Ningbo AUX Electric was owned as to 80.38% by AUX Group, 4.23% by Ningbo Yuanxing, 9.00% by Ningbo Gaohui and 6.38% by Ningbo Gaochuang, respectively.

Listing and Delisting of Ningbo AUX Electric on the NEEQ

On January 15, 2016, shares of Ningbo AUX Electric were listed on the NEEQ under the stock code of 835523.

On December 24, 2016, the shareholders' resolution regarding the voluntary delisting of Ningbo AUX Electric from the NEEQ was passed at a shareholders' general meeting of Ningbo AUX Electric. On January 26, 2017, the NEEQ delisting was completed.

For further details, see "— Previous Listing on the NEEQ and the A-Share Listing Attempt" below.

Establishment of Pre-reorganization Shareholding Platforms

For the purpose of awarding share-based compensation to employees, directors, and other stakeholders of our Group (the "**Eligible Partners**") to secure their services and incentivize their maximum effort towards our success, four limited partnerships were set up in the PRC as Pre-reorganization Shareholding Platforms, namely Ningbo Gaohui, Ningbo Gaochuang, Ningbo Zhongrui and Ningbo Zhongmei, and our Group issued share capital to such Pre-reorganization Shareholding Platforms during its course of development:

i. Pursuant to a shareholders' resolution of Ningbo AUX Electric dated October 10, 2015, each of Ningbo Gaohui and Ningbo Gaochuang subscribed for 11,700,000 and 8,300,000 newly issued shares of Ningbo AUX Electric (representing 9.00% and 6.38% of the then enlarged share capital of Ningbo AUX Electric) at a consideration of RMB20.91 million and RMB14.83 million, respectively.

ii. Pursuant to a shareholders' resolution of Ningbo AUX Electric dated August 27, 2017, each of Ningbo Zhongrui and Ningbo Zhongmei subscribed for 11,500,000 and 5,500,000 newly issued shares of Ningbo AUX Electric (representing 1.92% and 0.92% of the then enlarged share capital of Ningbo AUX Electric) at a consideration of RMB41.63 million and RMB19.91 million, respectively.

For further details, see "— Our Shareholding Platforms" below.

Business Restructuring

From 2017 to 2019, in anticipation of the Proposed A-Share Listing (as defined in "— Previous Listing on the NEEQ and the A-share Listing Attempt" below) and to further strengthen the core business of our Group, we underwent certain business restructurings whereby all air conditioning business previously directly or indirectly controlled by our Controlling Shareholders were consolidated into our Group upon the completion of such business restructurings. Details of the principal steps of the business restructuring are set forth below:

Equity interest	Transferor	Transferee	Consideration[Note]	Date of the relevant transfer agreement
100% equity interest in AUX Information	Ningbo Aosheng	Ningbo AUX Electric	RMB42,833,800	July 3, 2017
100% equity interest in AUX Import & Export .	Ningbo Aosheng (70%) AUX Group (30%)	Ningbo AUX Electric	RMB302,820,000 RMB129,780,000	July 20, 2017
100% equity interest in AUX Home Appliances	Ningbo Aosheng	Ningbo AUX Electric	RMB71,909,400	July 20, 2017
100% equity interest in Zhuhai Tuoxin	Ningbo Aosheng	Ningbo AUX Electric	RMB80,000	July 28, 2017
100% equity interest in Tianjin AUX Electric Co., Ltd. (天津奧克斯電氣有限公司)	AUX Group (90%) Ningbo Aosheng (10%)	AUX Air Conditioner	RMB535,752,000 RMB59,528,000	August 17, 2017
100% equity interest in Ningbo Haiding Electric Co., Ltd. (寧波海定電氣有限公司) . . .	Sanxing Medical (54.37%) Ningbo AUX High-Tech Co. Ltd. (寧波奧克斯高科技有限公司) (currently known as Ningbo AUX Intelligent Technology Co., Ltd. (寧波奧克斯智能科技股份有限公司)), a wholly-owned subsidiary of Sanxing Medical (45.63%)	AUX Air Conditioner	RMB122,419,873 RMB102,740,827	October 21, 2017

Equity interest	Transferor	Transferee	Consideration[Note]	Date of the relevant transfer agreement
100% equity interest in Nanchang AUX	AUX Group (67.32%) Ao Tai (25%) Ningbo Yuanhe (7.68%)	Ningbo AUX Electric	RMB380,492,640 RMB141,300,000 RMB43,407,360	December 8, 2017
100% equity interest in Ningbo AUX Refrigeration Equipment Co., Ltd. (寧波奧克斯製冷設備有限公司)	AUX Group	Ningbo AUX Electric	RMB403,144,600	January 12, 2018

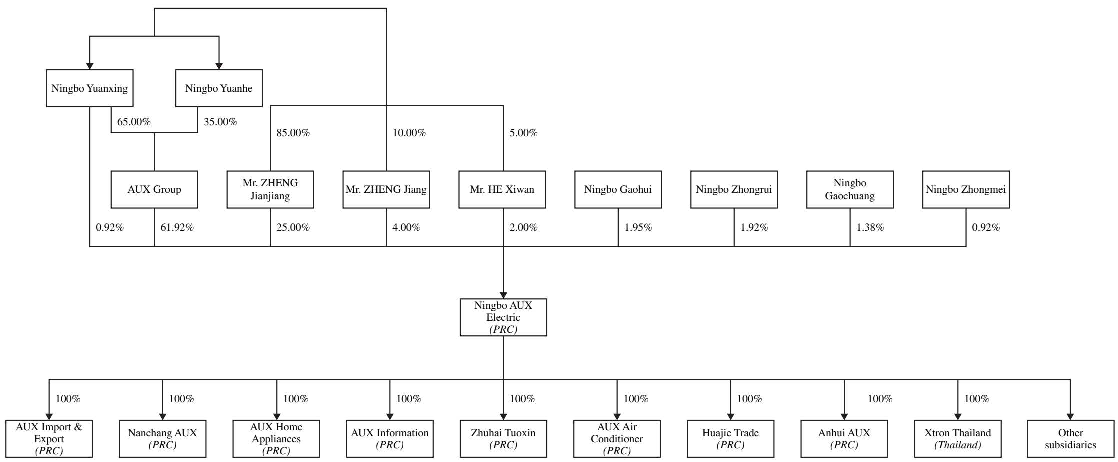
Note: The considerations for the equity transfers were determined after arm's length negotiation among the parties with reference to, among others, the valuation reports of the relevant target companies prepared by independent valuers.

In conjunction with the aforementioned equity transfers, all air conditioning business, including the relevant personnel and related assets previously operated, engaged, or held by other companies controlled by our Controlling Shareholders, were transferred to our Group. Following the completion of the business restructuring, Ningbo AUX Electric became the holding company for our business and our Controlling Shareholders no longer had any interest in air conditioning business outside of our Group, thereby ensuring a clear business delineation between our Group and other entities controlled by our Controlling Shareholders.

As confirmed by our PRC Legal Advisors, within the scope of applicable PRC laws, rules, and regulations, the aforementioned transfers have been legally completed and have obtained the necessary approvals, filings, and permits required by PRC laws and regulations related to the transfers.

Pre-IPO Reorganization

In anticipation of the Listing, we undertook the following Pre-IPO Reorganization whereby our Company became the holding company of our Group. The following chart illustrates the simplified shareholding structure of our Group immediately before the Pre-IPO Reorganization:



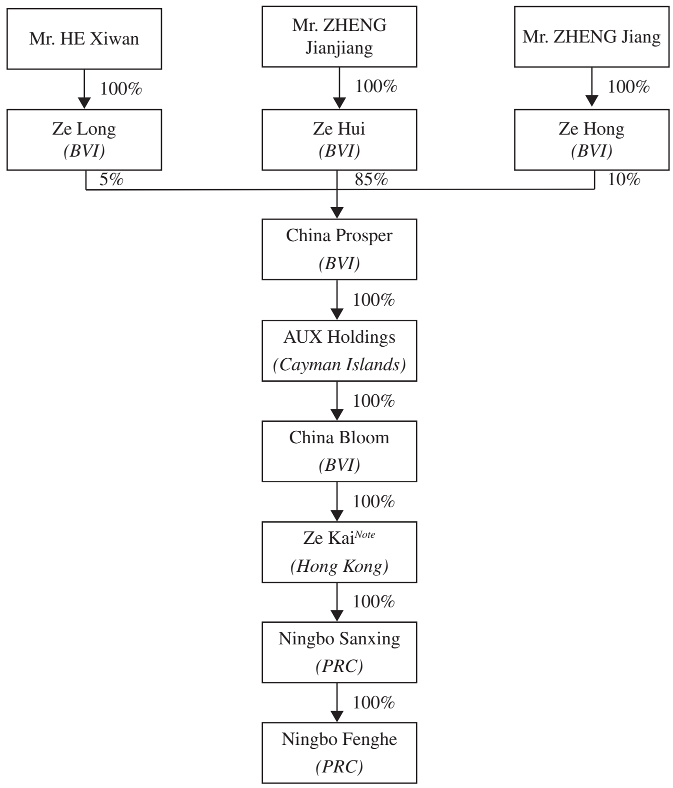
Step 1: Incorporation of our Company and establishment of controlling shareholder shareholding structure

Our Company: Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 23, 2024. The initial authorized share capital of our Company was US$50,000 divided into 10,000,000,000 Shares with a par value of US$0.000005 each. Upon its incorporation, one Share was issued and allotted at par value, which was then transferred to AUX Holdings.

Controlling Shareholder shareholding structure: AUX Holdings, incorporated in the Cayman Islands as an exempted company with limited liability, is wholly owned by China Prosper, which was incorporated in the BVI with limited liability and is owned as to 85%, 10% and 5% by Ze Hui (an investment holding company wholly owned by Mr. ZHENG Jianjiang), Ze Hong (an investment holding company wholly owned by Mr. ZHENG Jiang) and Ze Long (an investment holding company wholly owned by Mr. HE Xiwan), respectively.

Prior to the completion of the Pre-IPO Reorganization, Ningbo Fenghe was wholly owned by Ningbo Sanxing, which in turn was wholly owned by Ze Kai. Ze Kai is wholly owned by China Bloom, a wholly-owned subsidiary of AUX Holdings. Please refer to the chart below for a simplified view of the controlling shareholder shareholding structure prior to the completion of the Pre-IPO Reorganization.

None of Ningbo Fenghe, Ningbo Sanxing, Ze Kai, China Bloom, AUX Holdings or China Prosper was engaged in any substantial business activities other than investment holding as of the Latest Practicable Date.



Note: During the Pre-IPO Reorganization, on September 19, 2024, the entire equity interest of Ningbo Zezhong Building Material Trading Co., Ltd. (寧波澤眾建材貿易有限公司) ("**Ningbo Zezhong**"), which was then a limited liability company wholly-owned by Ze Kai, was transferred to AUX Group. Ningbo Zezhong had no substantial business operation as of the time of the equity transfer.

Step 2: Acquisition of the entire equity interest in Ningbo AUX Electric by AUX Group

Prior to the Pre-IPO Reorganization, Ningbo Gaohui, Ningbo Zhongrui, Ningbo Gaochuang and Ningbo Zhongmei were owned by Eligible Partners as to 44.48%, 58.08%, 76.66% and 73.46%, respectively. The remaining partnership interests in such Pre-reorganization Shareholding Platforms were held by AUX Group.

On October 18, 2024, AUX Group acquired the partnership interest in Ningbo Gaohui, Ningbo Zhongrui, Ningbo Gaochuang and Ningbo Zhongmei held by the Eligible Partners at a consideration of approximately RMB48.1 million, RMB61.7 million, RMB58.8 million and RMB37.3 million (collectively, the "**Eligible Partners Consideration**"), respectively. All considerations were fully settled on November 4, 2024.

On November 7, 2024, AUX Group acquired 38.08% equity interest in Ningbo AUX Electric from Mr. ZHENG Jianjiang, Mr. ZHENG Jiang, Mr. HE Xiwan, Ningbo Yuanxing, Ningbo Gaohui, Ningbo Zhongrui, Ningbo Gaochuang and Ningbo Zhongmei at an aggregate consideration of approximately RMB2.11 billion. The consideration was determined with reference to a valuation report of Ningbo AUX Electric prepared by an independent valuer and fully settled on November 14, 2024. Upon the completion of the above transfers, Ningbo AUX Electric became wholly owned by AUX Group.

Step 3: Establishment of Offshore Shareholding Platforms

For the purpose of better administration and to complete the relevant ODI procedure, Ningbo HeCe, Ningbo HeTu, Ningbo HeChang and Ningbo HeYao were established as limited partnerships in the PRC and the Eligible Partners' interests in the Pre-reorganization Shareholding Platforms were reflected in such Offshore Shareholding Platforms.

In order to further reflect the Eligible Partners' interests in our Group at the Company level, on October 22, 2024, each of HeCe, HeTu, HeChang and HeYao was established in the BVI. They are wholly owned by Ningbo HeCe, Ningbo HeTu, Ningbo HeChang and Ningbo HeYao, respectively.

Step 4: Onshore equity swap between Ningbo Sanxing and AUX Group

On November 13, 2024, Ningbo Sanxing and AUX Group entered into an equity swap agreement, pursuant to which, Ningbo Sanxing acquired the entire equity interest in Ningbo AUX Electric held by AUX Group and in consideration, AUX Group received 100% equity interest in Ningbo Fenghe held by Ningbo Sanxing and RMB14.43 million in cash (representing the difference in the valuations between Ningbo AUX Electric and Ningbo Fenghe), which was fully settled on December 26, 2024 (the "**Equity Swap**"). The consideration was determined after arm's length negotiation with reference to the valuation reports of Ningbo AUX Electric and Ningbo Fenghe prepared by an independent valuer.

Upon the completion of the Equity Swap, Ningbo AUX Electric became indirectly wholly owned by China Bloom.

Step 5: Acquisition of 100% equity interest in China Bloom by our Company

On November 22, 2024, our Company acquired the entire equity interest in China Bloom from AUX Holdings and in consideration, our Company issued and allotted 1,300,921,249 Shares to AUX Holdings. Upon such issuance, AUX Holdings held 1,300,921,250 Shares.

Step 6: Issuance of Shares to Offshore Shareholding Platforms

On December 20, 2024, 23,910,750 Shares, 11,020,750 Shares, 9,258,250 Shares and 4,889,000 Shares were issued and allotted to HeCe, HeTu, HeChang and HeYao at a consideration of approximately US$12.1 million, US$5.5 million, US$4.6 million and US$2.5

million, respectively. The considerations were funded by the Eligible Partners Consideration after deducting relevant tax liabilities and fully settled on December 24, 2024. Upon the completion of the aforementioned Share issuance and allotment, each Eligible Partner's indirect equity interest in our Company mirrors his/her indirect equity interest in Ningbo AUX Electric immediately prior to the Pre-IPO Reorganization.

For details of the shareholding structure of our Company upon the completion of the Pre-IPO Reorganization and up to the Latest Practicable Date, see "— Our Shareholding Structure" and "— Our Shareholding and Corporate Structure — Immediately Prior to the Global Offering" below.

Our PRC Legal Advisors confirmed that our Group has obtained all material approvals, filings and permits required under the PRC laws and regulations in respect of the Pre-IPO Reorganization as described above, and the procedures and steps of the Pre-IPO Reorganization involved are in compliance with the relevant PRC laws and regulations in all material respects.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any material acquisitions, mergers or disposals that we consider significant to us.

PREVIOUS LISTING ON THE NEEQ AND A-SHARE LISTING ATTEMPT

Listing of Ningbo AUX Electric on the NEEQ

On December 24, 2015, Ningbo AUX Electric received approval for its shares to be listed on the NEEQ in the PRC (stock code: 835523), and the shares of Ningbo AUX Electric began trading on the NEEQ on January 15, 2016.

Delisting of Ningbo AUX Electric from the NEEQ

Having considered our development strategy and our desire to pursue further opportunities for accessing improved trading activity and equity liquidity, the listing of Ningbo AUX Electric's shares on the NEEQ no longer satisfied the then financing needs of our Group. As such, the then shareholders of Ningbo AUX Electric resolved to voluntarily delist Ningbo AUX Electric's shares from the NEEQ on December 24, 2016. The delisting was completed on January 26, 2017.

Compliance During Listing on the NEEQ

Our Directors confirmed that, to the best of their knowledge and belief:

(i) during the period that Ningbo AUX Electric was listed on the NEEQ:

a. Ningbo AUX Electric had been in compliance in all material respects with all applicable rules and regulations of the NEEQ and the Securities Law of the PRC; and

b. Ningbo AUX Electric had not been subject to any administrative penalty by the NEEQ and/or any relevant law enforcement authority or regulator related to securities supervision; and

(ii) there are no further matters in relation to the prior listing of Ningbo AUX Electric on the NEEQ and the subsequent delisting that needs to be brought to the attention of the Stock Exchange, our Shareholders or the potential investors.

Based on the due diligence work conducted by the Sole Sponsor, nothing has come to the Sole Sponsor' attention that would reasonably cause it to disagree with the Directors' views mentioned above.

A-Share Listing Attempt

In December 2016, Ningbo AUX Electric planned to apply for listing on the Shanghai Stock Exchange ("**Proposed A-Share Listing**"). In preparation for the Proposed A-Share Listing, Orient Securities Investment Banking Co., Ltd. (previously known as Citi Orient Securities Limited (東方花旗證券有限公司)) (the "**Orient Securities**") was engaged by Ningbo AUX Electric to provide tutoring and preliminary compliance advice with regards to the requirements of the CSRC. In October 2018, reflecting our Group's prudent and proactive approach to ensuring thorough preparation for the Proposed A-Share Listing, Ningbo AUX Electric voluntarily initiated the pre-listing tutorial (上市輔導) process in advance of the then reporting period for its A-share application. During the pre-listing tutorial, updates were made to the Ningbo Regulatory Bureau of CSRC (中國證券監督管理委員會寧波監管局) from time to time in respect of the progress of the preliminary guidance and tutoring services provided by the Orient Securities in accordance with the relevant CSRC's guidelines on Ningbo AUX Electric's major operational and financial condition, corporate governance and internal control measures. The scope of the pre-listing tutorial provided by the Orient Securities involved, among others, the provision of comprehensive training to the directors, supervisors, senior management and shareholders of Ningbo AUX Electric on their obligations and duties, as well as the inspection and supervision of our Company's compliance with the relevant laws and regulations, corporate governance and internal control measures. In June 2023, the pre-listing tutoring was completed. The pre-listing tutorial did not constitute a listing application with the CSRC or the Shanghai Stock Exchange and there was no proposed timetable for the Proposed A-Share Listing.

However, in consideration of the reasons as set out in "— Reasons for Seeking Listing on the Stock Exchange" below and the uncertainty of the A-share listing timetable influenced by the evolving regulatory environment, our Group decided to focus our resources on the listing on the Stock Exchange and did not proceed with the Proposed A-Share Listing.

To the best of their knowledge, our Directors confirm that they are not aware of (i) any other matters relating to the Proposed A-Share Listing that may have material adverse implications on our Group's suitability for listing on the Stock Exchange; or (ii) any other matters that need to be brought to the attention of the Stock Exchange, our Shareholders or the potential investors in relation to the Proposed A-Share Listing. Our Directors also confirm that (i) no formal listing application was filed in relation to the Proposed A-Share Listing as of the Latest Practicable Date, and (ii) during the preparation for the Proposed A-Share Listing, we did not encounter any disagreements with the relevant professional parties nor the CSRC.

Based on the due diligence work conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would reasonably cause it to disagree with the Directors' view above.

Reasons for Seeking Listing on the Stock Exchange

Our Directors believe that the Listing will be in the interest of our Group's business development strategies, and would be beneficial to us and our Shareholders as a whole for, among others, the following reasons:

(i) the Stock Exchange, as a leading player of the international financial markets, could offer us a direct access to the international capital markets, enhance our fundraising capabilities and broaden our fundraising channels and our Shareholders base as well as strengthen our corporate governance;

(ii) the Listing would give us a better platform to further develop our business; and

(iii) the Listing will further raise our brand awareness, business profile and thus, enhance our corporate image to attract new customers, business partners and strategic investors as well as to recruit, motivate and retain key management personnel for our Group's business.

Taking into account, among others, the aforementioned factors and the long-term business development strategies of our Group, our Directors consider the Stock Exchange to be a more suitable venue to access international equity markets, and the Listing will be in the best interests of us and our Shareholders as a whole.

OUR SHAREHOLDING PLATFORMS

For the purpose of awarding share-based compensation to employees, directors, and other stakeholders of our Group to secure their services and incentivize their maximum effort towards our success, four limited partnerships were set up in the PRC as Pre-reorganization Shareholding Platforms, namely Ningbo Gaohui, Ningbo Gaochuang, Ningbo Zhongrui and Ningbo Zhongmei, and our Group issued share capital to such Pre-reorganization Shareholding Platforms during its course of development. Certain employees of other companies controlled by our Controlling Shareholders were granted awards in the form of partnership interests in the

Pre-reorganization Shareholding Platforms, taking into account factors such as the significance of the relationship between the related entity with which they are associated and the Group, as well as their contributions within such related entity. For further details, see "Major Corporate Developments and Pre-IPO Reorganization of Our Group — Establishment of Pre-reorganization Shareholding Platforms" above.

The amount of partnership interests in such Pre-reorganization Shareholding Platform subscribed by the Eligible Partners were mainly determined with reference to their performance and contribution to our Group, and the recipients' perspectives on the future development of our Group.

For the purpose of better administration and to complete the relevant ODI procedure, Ningbo HeCe, Ningbo HeTu, Ningbo HeChang and Ningbo HeYao were established as limited partnerships in the PRC to hold Shares through their respective wholly-owned BVI incorporated investment holding companies. The Eligible Partner's interests in the Pre-reorganization Shareholding Platforms were reflected in such Offshore Shareholding Platforms. Each of the partners of the Offshore Shareholding Platforms indirectly hold Shares in our Company in accordance with and subject to the respective limited partnership agreement of the Offshore Shareholding Platforms. The general partner of each of Ningbo HeCe, Ningbo HeTu, Ningbo HeChang and Ningbo HeYao is entitled to exercise the voting rights attached to the Shares in our Company through the respective Offshore Shareholding Platform's wholly-owned investment holding company incorporated in the BVI, namely HeCe, HeTu, HeChang and HeYao.

As of the Latest Practicable Date, the Offshore Shareholding Platforms indirectly held an aggregate of 49,078,750 Shares through their respective wholly-owned BVI investment holding companies, representing approximately 3.64% of the total Shares in issue and 3.15% of our total issued Shares immediately upon the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

The lock-up period for the partnership interests held by the Eligible Partners in the Offshore Shareholding Platforms commences from the date when he/she becomes a partner the relevant Offshore Shareholding Platform and ends on the Listing Date.

Details of the Offshore Shareholding Platforms are set out below:

Ningbo HeCe

Ningbo HeCe is a limited partnership established under the laws of the PRC on September 24, 2024. As of the Latest Practicable Date, Ningbo HeCe was held as to 5.79% by its sole general partner, QIAN Jianliang (錢建良) (an employee of our Group), who is entitled to control the exercise of the voting rights attached to the Shares held by HeCe. The remaining 94.21% partnership interests were held by 40 limited partners, including (i) Mr. XIN Ning, our executive Director and president, who held approximately 23.71% partnership interests; (ii) Mr. ZHUO Senqing, our general manager of R&D, who held approximately 9.76% partnership interests; and (iii) 38 other employees of our Group and other companies controlled by our Controlling Shareholders, who held in aggregate approximately 60.74% partnership interests, with only YE Shengfeng (葉盛峰), a management team member of our Group at the subsidiary level, holding more than 10% partnership interests.

Ningbo HeTu

Ningbo HeTu is a limited partnership established under the laws of the PRC on September 24, 2024. As of the Latest Practicable Date, Ningbo HeTu was held as to 40.55% by its sole general partner, GAN Xiaolu (干曉露) (an employee of our Group), who is entitled to control the exercise of the voting rights attached to the Shares held by HeTu. The remaining 59.45% partnership interests were held by 28 limited partners, including (i) Ms. LI Jian, our non-executive Director, who held approximately 22.46% partnership interests; and (ii) 27 other employees of our Group and other companies controlled by our Controlling Shareholders, who held in aggregate approximately 36.99% partnership interests.

Ningbo HeChang

Ningbo HeChang is a limited partnership established under the laws of the PRC on September 24, 2024. As of the Latest Practicable Date, Ningbo HeChang was held as to 25.27% by its sole general partner, BAI Wei (白韡) (an employee of our Group), who is entitled to control the exercise of the voting rights attached to the Shares held by HeChang. The remaining 74.73% partnership interests were held by 33 limited partners, including (i) Mr. ZHANG Bo, our finance director and Board secretary, who held approximately 7.26% partnership interests; (ii) ZHONG Weicheng (鍾偉成) and ZHENG Junda (鄭君達), each a connected person of our Group at the subsidiary level, each of whom held 4.93% and 3.65% partnership interests, respectively; and (iii) 30 other employees of our Group and other companies controlled by our Controlling Shareholders, who held approximately 58.89% partnership interests in aggregate.

Ningbo HeYao

Ningbo HeYao is a limited partnership established under the laws of the PRC on September 24, 2024. As of the Latest Practicable Date, Ningbo HeYao was held as to 11.88% by its sole general partner, CHEN Xianghui (陳祥輝) (an employee of our Group), who is entitled to control the exercise of the voting rights attached to the Shares held by HeYao. The remaining 88.12% partnership interests were held by 32 limited partners, including (i) YANG Xia (楊俠), a connected person of our Company at the subsidiary level, who held 5.80% partnership interests; and (ii) 31 other employees of our Group or other companies controlled by our Controlling Shareholders, who held in aggregate approximately 82.32% partnership interests, with only LI Junfeng (李軍鋒), a management team member of our Group at the subsidiary level, holding more than 10% partnership interests.

Save as disclosed in this section, none of the limited partners of the Offshore Shareholding Platforms held more than 10% of the partnership interests in any Offshore Shareholding Platform or was a connected person of our Company as of the Latest Practicable Date.

PUBLIC FLOAT AND FREE FLOAT

The Shares held by AUX Holdings will not be considered as part of the public float for the purpose of Rule 8.08 of the Listing Rules as AUX Holdings will be a Controlling Shareholder of our Company and thus a core connected person of our Company.

Save as disclosed above, upon the completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, 256,239,950 Shares held by all other Shareholders will be counted towards the public float, representing approximately 16.46% of the issued share capital of our Company, which is higher than the prescribed percentage of Shares required to be held in public hands of 15% under Rule 8.08(1) of the Listing Rules (based on the indicative Offer Price range), thereby satisfying the public float requirement under Rule 8.08(1) of the Listing Rules. Based on the minimum Offer Price of HK$16.00 per Offer Share, the Company is expected to satisfy the free float requirement under Rule 8.08A(2) of the Listing Rules.

OUR SHAREHOLDING STRUCTURE

The shareholding structure of our Company is set forth below:

	As of the Latest Practicable Date		Immediately upon the completion of the Global Offering assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised	
Name of Shareholders	**Number of Shares**	**Ownership Percentage**	**Number of Shares**	**Ownership Percentage**
AUX Holdings	1,300,921,250	96.36%	1,300,921,250	83.54%
HeCe	23,910,750	1.77%	23,910,750	1.54%
HeTu	11,020,750	0.82%	11,020,750	0.71%
HeChang	9,258,250	0.69%	9,258,250	0.59%
HeYao	4,889,000	0.36%	4,889,000	0.31%
Other Public Shareholders	–	–	207,161,200	13.30%
Total	**1,350,000,000**	**100.00%**	**1,557,161,200**	**100.00%**

PRC LEGAL COMPLIANCE

Our PRC Legal Advisors have confirmed that each of the incorporation and the transfer of equity interest of our PRC subsidiaries as described above in this section have been legally completed and the requisite government approvals or filings in all material respects, as applicable, have been obtained in accordance with PRC laws and regulations.

SAFE REGISTRATION

Pursuant to the SAFE Circular 75 (which was later replaced by SAFE Circular 37) which became effective as of November 1, 2005, domestic residents must register with the relevant local counterparts of the SAFE prior to their establishment or control of an offshore entity established for the purpose of overseas equity financing involving onshore assets or equity interests held by them and must also make filings with SAFE thereafter upon the occurrence of certain material capital changes.

Pursuant to SAFE Circular 37, promulgated by SAFE and effective on July 4, 2014, replacing SAFE Circular 75, (i) a domestic resident must register with the local SAFE branch in connection with his contribution of offshore or domestic assets or equity interests he legally holds in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the domestic resident for the purpose of conducting overseas investment or financing, and (ii) following the initial registration, the domestic resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's domestic resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division.

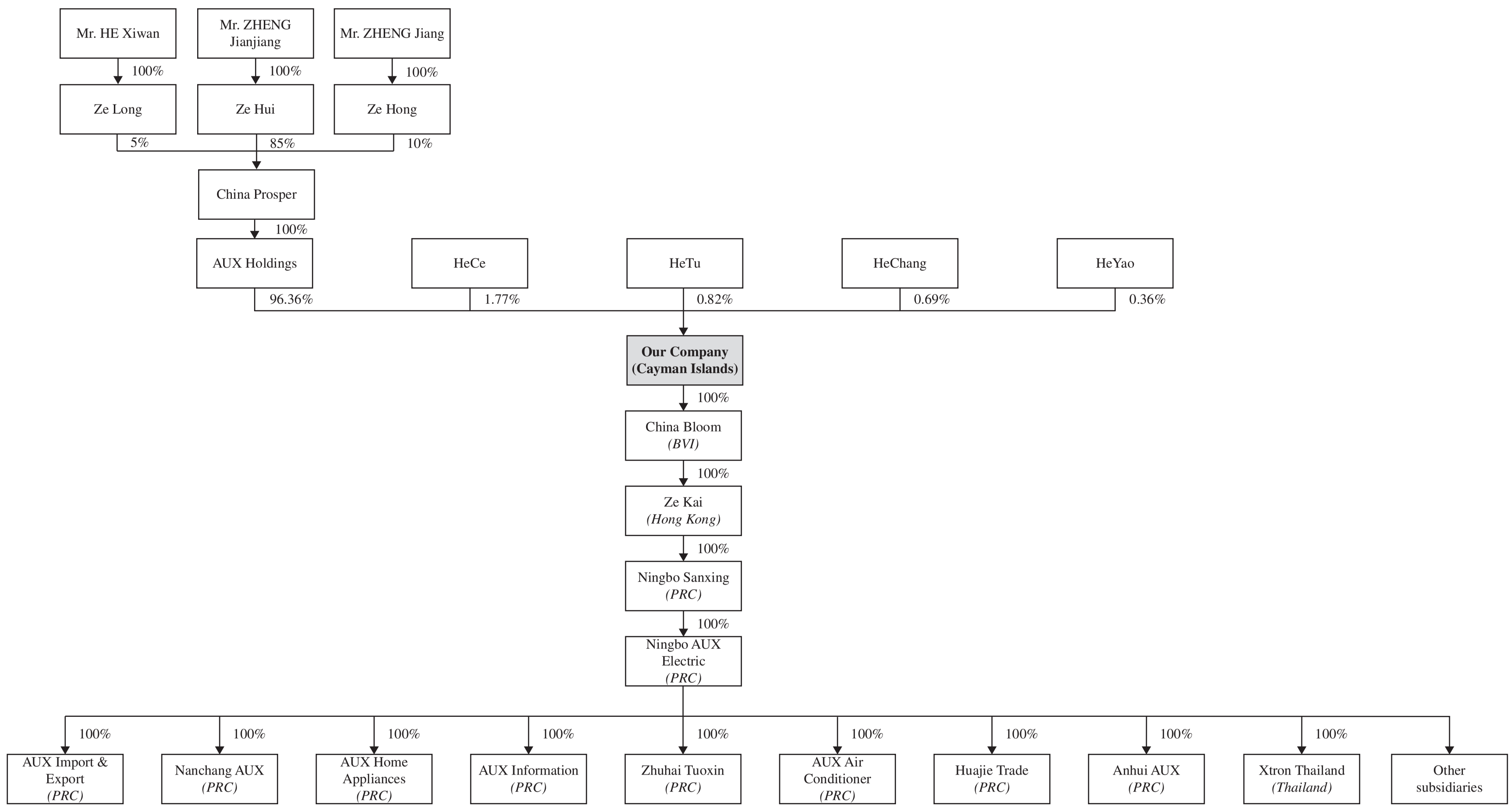
Pursuant to SAFE Circular 75 and SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, due to such failure to comply with the registration procedures, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

As advised by our PRC Legal Advisors, Mr. ZHENG Jianjiang, Mr. ZHENG Jiang and Mr. HE Xiwan have completed the required initial registration under the then effective rules on foreign exchange administration.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Immediately Prior to the Global Offering

The following chart illustrates our simplified shareholding structure immediately prior to the Global Offering:

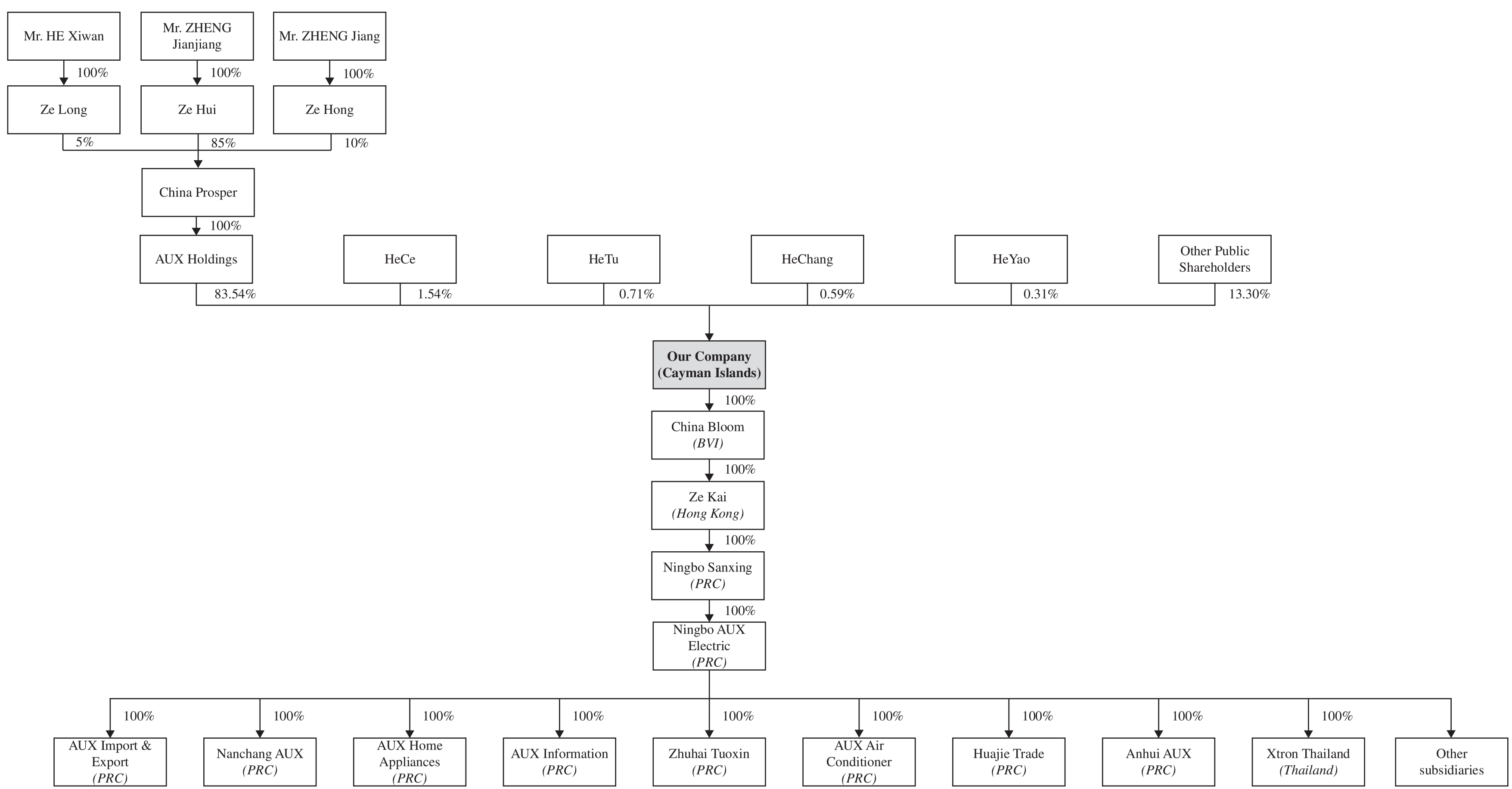


Note:

(1) As of the Latest Practicable Date, Mr. ZHENG Jianjiang, through Ze Hui, China Prosper and AUX Holdings, controlled approximately 96.36% of voting rights in our Company. Therefore, Mr. ZHENG Jianjiang, Ze Hui, China Prosper and AUX Holdings are a group of Controlling Shareholders of our Company. Mr. ZHENG Jiang and Mr. HE Xiwan, who hold 10% and 5% of the issued share capital of China Prosper through Ze Hong and Ze Long, respectively, should not be treated as part of the group of Controlling Shareholders, for the following reasons: (a) each of Mr. ZHENG Jiang (through Ze Hong) and Mr. HE Xiwan (through Ze Long), does not individually or collectively control 30% or more of China Prosper's voting rights; (b) aside from their interest in China Prosper, neither Mr. ZHENG Jiang nor Mr. HE Xiwan holds any other equity interest in the Company; (c) To the best knowledge of the Directors, there are no agreements or arrangements (including, but not limited to, acting-in-concert agreements or other voting arrangements) among Mr. ZHENG Jianjiang, Mr. HE Xiwan and Mr. ZHENG Jiang with respect of their equity interest in China Prosper, AUX Holdings or our Company. Each of them has acted independently in all material respects concerning corporate matters, including strategic decisions and financial matters, at the levels of China Prosper, AUX Holdings, and our Company; (d) the capital contributions of Mr. ZHENG Jianjiang, Mr. ZHENG Jiang, and Mr. HE Xiwan to China Prosper were self-funded, with no shared economic interests or special arrangements among them; (e) none of Mr. ZHENG Jiang, Ze Hong, Mr. HE Xiwan or Ze Long is accustomed to take instructions from Mr. ZHENG Jianjiang or Ze Hui in relation to the acquisition, disposal, voting or other disposition of shares in China Prosper, AUX Holdings and our Company; and (f) none of Mr. ZHENG Jiang, Ze Hong, Mr. HE Xiwan or Ze Long is a close associate of Mr. ZHENG Jianjiang and Ze Hui under the Listing Rules.

Immediately Following the Global Offering

The following chart illustrates our simplified shareholding structure immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised):



OVERVIEW

Our Business

We are one of the global top five air conditioner providers, with capabilities covering the design, R&D, production, sales and related services of household and central air conditioners. We capture opportunities in the global air conditioner industry with market size of RMB1,312.8 billion in 2024. Our operations have expanded from China to the world, covering over 150 countries and regions worldwide. In 2024, we are the fifth largest air conditioner provider in the global market in terms of sales volume with a market share of 7.1%, according to Frost & Sullivan. The chart below demonstrates the highlights of our businesses:

RMB29.8 bn 2024 Revenue	**23.4%** Revenue CAGR[1]	**150+** Countries and Regions[2]	**57.1%** Revenue from Overseas[3]
Top 5 Air Conditioner Provider Globally[4]	**No. 1** Sales Volume Growth among the Global Top 5[5]	**No. 1** Mass-market Household Air Conditioner Brand in China[4]	**Industry 1st** Online Retail Model[6]

Notes:

1. From 2022 to 2024.
2. As of the Latest Practicable Date.
3. For the three months ended March 31, 2025.
4. In terms of sales volume in 2024, according to Frost & Sullivan. Mass-market household air conditioners refers to air conditioners with selling prices to end consumers under RMB2,500. According to Frost & Sullivan, the market share of mass-market household air conditioners, in terms of sales volume among all household air conditioners, in China is expected to increase from 28.0% in 2024 to 29.0% in 2029.
5. In terms of the sales volume CAGR from 2022 to 2024, among the five largest global air conditioner companies, according to Frost & Sullivan.
6. Our "online retail model (網批新零售模式)" refers to an integrated online and offline distribution model firstly introduced by us in the industry in 2017, which creates a flatter distribution structure empowered by our self-developed online management systems. Our online retail model streamlines distribution layers, enhancing our closer communication and collaboration with offline SME retailers. We use the self-developed efficient online management systems (such as "Hello AUX (小奧直賣)" and "AUX Manager (小奧管家)" apps) manage our distributors through digital means. Our Directors are of the view that we adopted the online retail model and were subsequently followed by other companies in the industry which then adopted similar sales model. According to Frost & Sullivan, online retail model has become a widely recognized model in air conditioner market.

We have earned market recognition and consumer loyalty, making us one of the fastest-growing air conditioner brands globally. During the Track Record Period, we have maintained rapid growth, achieving a sales volume CAGR of 30.0% from 2022 to 2024. This growth ranked us No. 1 among the five largest global air conditioner companies in each year in terms of sales volume growth during 2022 to 2024, according to Frost & Sullivan. Our sales volume growth during this period significantly outpaced the sales volume CAGR of global air conditioner market of 4.6%.

We are the largest mass-market household air conditioner brand in China, in terms of sales volume in 2024 with a market share of 25.7%, according to Frost & Sullivan. The mass market has become the primary growth engine for China's air conditioner sector, fueled by rural revitalization policies, urbanization-driven demand in lower-tier markets, and consumers' growing focus on cost-effectiveness. By seizing these industry opportunities with our sales coverage and affordable products, we have consistently increased our market share and brand influence. Furthermore, our multi-brand strategy allows us to cater to diverse consumer needs.

We are a key player for smart-enabled air conditioners within the industry, maintaining technology capabilities such as voice recognition and semantic understanding.

Our Development History

Since our establishment, we have been deeply anchored in the air conditioner industry for over three decades, continuously striving to provide global consumers with high-quality and affordable products. Our key development stages can be divided into the following phases:

- **Startup (1994-2001)**: Founded in 1994, we established the AUX brand and began our comprehensive exploration of the air conditioner industry. As China's air conditioner industry experienced rapid growth, we swiftly established a strong presence in the domestic market with our high-quality and affordable products. We steadily expanded our business and built a strong reputation among consumers.

- **Rapid Growth (2001-2013)**: Starting in 2001, we began to establish our presence in overseas markets, and enlist renowned celebrities to endorse our brand and products which further strengthened our brand recognition. During this period, we also published "Air Conditioner Cost White Paper (空調成本白皮書)," enhancing the transparency of cost structure within the air conditioners industry. Since 2003, we have implemented a nationwide production expansion strategy. We established our production bases in Ningbo and Nanchang, and expanded into the central air conditioner segment. Despite fierce competition, we achieved rapid growth and strong brand recognition through continuous product improvement, affordable products and precise brand marketing.

- **Transformation and Upgrade (2013-2018)**: Since 2013, we have been transforming and upgrading our sales channels, production capacity and product quality. We were one of the early adopters of e-commerce, establishing long-term partnerships with leading e-commerce platforms such as JD.com and Tmall. During the rapid growth of e-commerce and building upon these partnerships, we became a top-selling air conditioner brand online in China. Building upon our successful e-commerce experience, in 2017, we adopted the online retail model, which streamlined the distribution layers by reducing the number of intermediates, and benefited our consumers. We launched our "Hello AUX" app to better manage and empower our distributors, and then derived and built a unique "Hello AUX" ecosystem. Such online retail model and "Hello AUX" ecosystem helped us gain more market share and enhance our channel management. During this period, we also built our intelligent production bases in Ningbo and Ma'anshan to expand capacity and strengthen quality control, enhancing our intelligent manufacturing efforts.

- **Globalization, Intelligentization and Vertical Integration (2018-Present)**: We have steadily advanced our international strategy. In 2019, we established our R&D center in Japan and started production at our Thailand production base, which connected us with overseas consumers and allowed us to better integrate global needs and market trends. Starting from 2023, we established our overseas sales companies and local teams in areas such as Malaysia, Thailand, the U.S., the UAE, Vietnam and Saudi Arabia to expand our sales in such areas. We extended our online retail model and the coverage of our "Hello AUX" ecosystem from the domestic market to the international arena, efficiently expanding our global footprint.

  We have also placed a strong emphasis on intelligentization. In 2021, we built an integrated R&D platform to consolidate key technologies, production practices, consumer needs and market feedback, which allowed us to achieve better integration, material commonality and modular design. In 2023, we launched the innovative AUX Industrial Internet Platform, covering all aspects of our business, rapidly advancing our intelligent manufacturing capabilities and improving our efficiency.

  We have strategically focused on strengthening our supply chain since 2023, which has driven synergies and coverage of our vertically integrated industrial chain, and enhancing our capability of research and production of core components to further strengthen our competitive advantages. For example, we collaborate with Panasonic regarding the research and production of compressor, which is a core component for our products.

Our Brand and Product Matrix

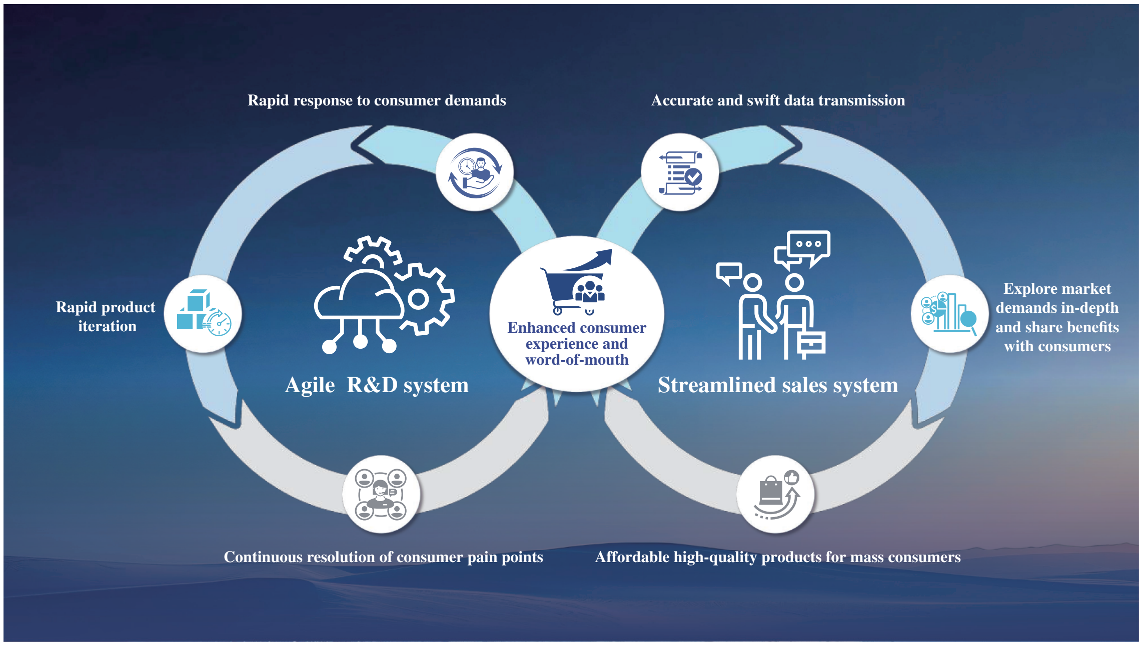
We have named our brand "AUX" by transliterating the English word "Ox." We have leveraged our master brand "AUX" to build our presence in both domestic and overseas markets, and further enhance our market penetration through a multi-brand strategy. We have developed the brands "Hutssom" (華蒜) and "AUFIT," and introduced premium brands such as ShinFlow to achieve broader global consumer coverage. Through this multi-brand strategy, we are able to address the varying needs and preferences of consumers around the world.

Our product portfolio primarily encompasses household and central air conditioners. We concentrate our product development on four key factors: efficiency, comfort, health and intelligence. Our household air conditioners include wall-mounted, cabinet-style and mobile units, while our central air conditioners comprise VRF systems, packaged units, heat pumps, chillers and terminal devices. We rapidly iterate our products and continuously enrich our portfolio, covering a wide range of applications, such as residential homes, office buildings, shopping malls, hotels, hospitals and industrial parks.

Efficiency Flywheel through Our AUX Industrial Internet Platform

We have comprehensively advanced our digitalization and intelligence initiatives. Leveraging our rich industry experience, we have innovatively built our AUX Industrial Internet Platform. This platform comprehensively covers all of our key business departments, including R&D, intelligent manufacturing, supply chain management, sales and marketing, warehousing and logistics, and quality tracking. This integrated digital platform enables us to achieve refined management across our entire value chain, and has significantly improved our efficiency and optimization in each business segment.

Based on our customer-centric approach, we have established an efficient flywheel through the integration of our R&D and sales. On the R&D side, we are able to promptly incorporate consumer feedback, continuously address consumer pain points and enhance the customer experience through rapid iteration and upgrades. We have formed a high-efficiency and high-quality R&D rhythm, with product upgrades taking place annually and major innovations occurring every two years. On the sales side, our streamlined and efficient sales network enables the rapid transmission of consumer data back to our R&D efforts and the wider reach of our affordable products. As of March 31, 2025, approximately 98.4% of our distributors in China placed orders with us directly through our "Hello AUX" app during the past 12 months, significantly reducing distribution layers compared to peer companies and enhancing our efficiency of sales management. The flywheel with mutually reinforcing R&D and sales has continued to gain momentum, further enhancing our consumer experience and brand reputation. This customer-centric approach has been a key driver of our success and competitive positioning in the industry.



Our Financial Highlights

During the Track Record Period, we have maintained a robust growth in our revenue and net profit. Our revenue increased by 27.2% from RMB19,527.6 million in 2022 to RMB24,831.8 million in 2023, and further increased by 19.8% to RMB29,759.3 million in 2024. Furthermore, our revenue increased by 27.0% from RMB7,362.6 million in the three months ended March 31, 2024 to RMB9,352.4 million in the three months ended March 31, 2025, continuing our strong growth momentum.

Our net profit increased by 72.5% from RMB1,441.7 million in 2022 to RMB2,486.8 million in 2023, and further increased by 17.0% to RMB2,910.2 million in 2024. Furthermore, our net profit further increased by 23.0% from RMB751.6 million in the three months ended March 31, 2024 to RMB924.5 million in the three months ended March 31, 2025. In 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, our net profit margins amounted to 7.4%, 10.0%, 9.8%, 10.2% and 9.9%, respectively.

OUR COMPETITIVE STRENGTHS

One of the global top five air conditioner providers

We are one of the global top five air conditioner providers in the expansive air conditioner market, capturing opportunities in the global industry with market size of RMB1,312.8 billion in 2024. Our operations extend to over 150 countries and regions worldwide. Through continuous R&D investment and technological breakthroughs, our self-owned branded products are thoughtfully curated by responding to diversifying consumer needs and preferences while balancing core values such as efficiency, comfort, health and intelligence. We ranked the fifth in the global market in terms of sales volume of air conditioners in 2024, with a market share of 7.1%, according to Frost & Sullivan.

We have a deep understanding of lower-tier markets and have effectively tapped into the growth opportunities in these regions. To capture the demand driven by rural revitalization policies and urbanization in lower-tier markets, we have developed a diverse product portfolio with affordable products to address the demands of consumers. We have also introduced an innovative online retail model which reduces excessive distribution layers and enhances distribution efficiency. To better manage our extended sales and distribution network, we launched our "Hello AUX" app, and then gradually established and expanded our "Hello AUX" ecosystem. We closely collaborate with market participants, such as logistics service providers, installation service providers and after-sales service providers. This ecosystem allows our distributors to easily access our products, sales activities and comprehensive guidance. By equipping our distributors with these resources and tools, they are more empowered to deliver customized services and effectively reach end consumers, which in turn enhances our brand penetration across various channels. We are the largest mass-market household air conditioner brand in China in terms of sales volume in 2024 with a market share of 25.7%, according to Frost & Sullivan.

Through ceaseless technological innovation and R&D investment, we have developed a series of intelligent products. Beyond just functional upgrades, we have further optimized user experience and enhanced product connectivity in our intelligent voice-controlled air conditioners.

We maintain substantial revenue growth and expanded profitability. In 2024, our revenue reached RMB29,759.3 million, and net profit reached RMB2,910.2 million, representing a CAGR of 23.4% and 42.1% from 2022 to 2024, respectively. Our sales volume increase at a CAGR of 30.0% from 2022 to 2024. We ranked No. 1 among the five largest global air conditioner companies in each year in terms of sales volume growth from 2022 to 2024, far exceeding the sales volume CAGR of global air conditioner market of 4.6% during the same period.

Renowned brand cultivated by over three decades of development focused on air conditioners

We have focused solely on the air conditioner business for over three decades and have deeply explored product R&D, manufacturing, sales and marketing. This in-depth specialization has enabled us to better understand evolving consumer needs and industry trends. As a result, we are able to meet consumer demand for diverse air conditioner products.

We have built our brand image as a premier air conditioner specialist. In the domestic market, we have leveraged our core brand AUX and implemented a multi-brand strategy to cater to diverse consumer needs through differentiated pricing, performance and aesthetics. In overseas markets, we have optimized our offerings in terms of adaptability, service responsiveness and logistics efficiency. Through operational improvements in after-sales service and streamlined distribution networks, we have strengthened our position in competitive global markets. Our unwavering focus on the air conditioners has allowed us to establish strong brand awareness among consumers, reinforcing the association of AUX with innovative air conditioning solutions and further enhancing consumer brand loyalty.

In contrast to other major players in the air conditioner industry who operate across multiple product categories, our deep specialization and brand focus have allowed us to concentrate all our resources on air conditioners. This has created collaborative efforts in R&D, manufacturing, sales and marketing, enabling us to respond quickly to consumer needs and achieve higher efficiency and lower costs, which in turn improves our competitive advantages.

Technological innovation and rapid product iteration driven by quality-focused R&D

We have established a comprehensive global R&D network with three major centers in Ningbo, Zhuhai and Japan. The Ningbo center serves as our core R&D hub, focused on product development and technology transformation. The Japan center concentrates on exploring frontier fields, particularly central air conditioner systems, including control systems, airflow channels and industrial design. The Zhuhai center specializes in home appliances, inverter technology, simulation and modular technology. Our R&D process strictly follows a full lifecycle management approach, encompassing every stage from product planning to product phase-out. Our R&D team is vast in scale and well-structured. As of March 31, 2025, we had over 1,600 dedicated R&D personnel, ensuring the maturity and professionalism of our team.

We have focused our product development on four key factors: efficiency, comfort, health and intelligence. By building an integrated R&D platform and analyzing consumer feedback, we constantly improve our products. Therefore, we have been able to significantly reduce procurement and production costs through structural integration and modular design, while also improve overall production efficiency and product iteration speed. We have formed a high-efficiency and high-quality R&D rhythm, with product upgrades taking place annually and major innovations occurring every two years.

Our air conditioners are underpinned by technologies developed through our extensive and comprehensive R&D efforts, such as variable-frequency drive control technology, power control technology and fan and airflow design, which are recognized as "internationally advanced" by governmental authorities. As of March 31, 2025, supported by our extensive R&D efforts, we had obtained over 12,000 registered patents in China and overseas, including over 2,800 invention patents. We also operate two CNAS-accredited national laboratories and have participated in the formulation of over 160 national standards and industry standards. Additionally, we have undertaken multiple major special research projects.

In addition, upholding our core development philosophy of prioritizing quality and innovation, we have established a comprehensive and efficient quality management system that spans our entire operations. Throughout the product lifecycle, from development and supplier management to production, warehousing and sales, we have put robust quality control measures in place which enable quality tracing. By controlling the production of these key components, we can ensure consistently high quality standards throughout our operations. To further enhance our quality inspection processes, we have replaced traditional manual checks with an advanced "5G+Visual Inspection" system, leading to a 5-fold efficiency improvement compared to the previous manual approach. Alongside our strong internal quality focus, we have also built long-term and stable ODM partnerships with renowned global brands, representing the trust placed in our quality standards and manufacturing capabilities by these industry leaders.

Efficient consumer reach covered by multi-channel, innovative and streamlined sales

We have a strong focus on developing a comprehensive channel layout and innovative channel strategy. Leveraging accumulated e-commerce capabilities, we have established efficient partnerships with leading e-commerce platforms in China, such as JD.com, Tmall and Douyin. Building on our extensive experience in e-commerce, we have launched the innovative online retail model. This model creates a flatter distribution structure empowered by our self-developed online management systems, with products flowing directly from the factory to SME retailers, and generally then to the end consumers, which in turn improves our overall operational efficiency.

We have then derived and built a unique mutually beneficial "Hello AUX" ecosystem that empowers our internal operations while also connecting external partners:

- *Sales*. We have streamlined our distribution channels and improved logistics efficiency. This benefits both distributors, who are attracted by our incentive marketing initiatives and delivery options without minimum purchase thresholds, and consumers, who can access our products at a more competitive value.

- *Marketing and promotion*. Distributors can easily access our products without facing the challenges in traditional approach such as complex distribution channels and low product circulation efficiency, and thus can offer customized services based on the diverse needs of local consumers. Distributors using "Hello AUX" can also instantly access the latest sales policies and product information. Our marketing personnel, in turn, can track and control distributor orders and inventory in real-time, and guide their order frequency according to sales schedule and performance, enabling efficient communication and precise management.

- *External collaborations*. Our "Hello AUX" ecosystem connects distributors, logistics providers, installation service providers and after-sales service providers, enabling them to access real-time service requests and optimize the operational efficiency of the services they provide.

As of March 31, 2025, 7,283 distributors in China placed orders with us through "Hello AUX" app during the past 12 months, accounting for approximately 98.4% of our total distributors in China as of the same date. We have also gradually extended our online retail model and the coverage of our "Hello AUX" ecosystem to overseas sales, further deepening our engagement with international customers.

We have established a strong global sales presence, with our products currently being sold in over 150 countries and regions, and our international sales experiencing rapid growth. Based on our deepening understanding of overseas markets and accumulated resources, we have developed a dual-pronged approach including OBM and ODM. We have achieved success in our ODM business leveraging our strong production capabilities and global supply. Meanwhile, we have been continuously developing our OBM business in overseas markets. This includes expanding our successful online retail model and the coverage of our "Hello AUX" ecosystem, as well as establishing in-house international sales teams through the establishment of overseas sales companies and local teams in key countries and regions, such as Malaysia, Thailand, the U.S., the UAE, Vietnam and Saudi Arabia. The establishment of our sales companies and local teams in Thailand and Malaysia has been particularly successful, with revenue generated from these markets experiencing multiple-fold growth from 2023 to 2024.

In addition, our marketing efforts span both our domestic and overseas operations, and integrated both online and offline advantages. In domestic market, we have a strong focus on brand cultivation, emphasizing product innovation and quality enhancement through a coordinated online and offline approach. We utilize precise big data analysis to identify user profiles and purchase needs, allowing us to formulate more targeted marketing strategies. We concentrate on building brand awareness and generate positive word-of-mouth online, leveraging content seeding and live streaming. We also optimize the customer purchase experience through offline branded stores operated by our distributors and our distribution networks. Furthermore, we partner with platforms to obtain even more exposure through advertising, live commerce and personalized data-driven marketing. In our overseas markets, we implement a comprehensive brand marketing strategy, which includes participating in trade fairs, conducting customer visits and establishing localized sales teams. We also empower our distributors by sharing our market experiences and strategies, helping them enhance their marketing efficiency.

Improved operational efficiency and quality through digitalization and intelligentization

We are firmly committed to enhancing our decision-making efficiency, business execution, and market responsiveness through a digitalized and intelligent management approach. We have established the innovative AUX Industrial Internet Platform to improve the end-to-end transmission of information and the implementation of decisions. We have integrated data across our R&D, manufacturing, supply chain, warehousing, quality control and sales functions. This has enabled digital upgrades in the key areas of industrial management software, network infrastructure, production equipment, and industrial information systems, effectively bolstering our organizational management capabilities and decision-making efficiency.

Our digitalized and intelligent management philosophy, combined with the AUX Industrial Internet Platform, has driven comprehensive operational efficiency improvements across our core functions:

- *R&D*. The close integration between our product and market teams facilitates the rapid incorporation of customer feedback and accelerates new product iterations. Our integrated R&D platform enables swift new product design and production.

- *Supply management.* We have implemented a comprehensive supplier management system to support our raw material providers, and help these suppliers enhance their management practices, optimize costs, strengthen quality control, and improve production processes. By leveraging our advanced Supplier Relationship Management (SRM), we are able to conduct extensive supplier sourcing and rapid evaluation of suppliers, which enables us to achieve and enhance our efficient procurement cycle. As a result, our suppliers have significantly enhanced their supply capabilities, efficiency and product quality, fostering a new paradigm of mutually beneficial cooperation.

- *Production*. We have implemented intelligent upgrades to scheduling, manufacturing, quality inspection and logistics, leveraging emerging technologies such as cloud computing and the IoT. This allows our frontline managers to access real-time data on task launch times, production progress, and material consumption, further enhancing production efficiency through the application of automated equipment.

- *Sales*. We aggregate sales order and inventory data, as well as end-consumer behavior data, on our information platforms. We then apply advanced analytics to gain valuable market insights. Simultaneously, our online retail model streamlines the distribution channel, thus improving turnover efficiency.

As a result, we have achieved efficiency improvements across our entire operational process. In 2022, 2023 and 2024, our average trade and bills receivables turnover days were 26.8 days, lower than the industry average of approximately 31 days, and our average inventory turnover days were 60.3 days, lower than the industry average of approximately 66 days. The percentage of our selling and distribution expenses as total revenue amounted to 4.3% in 2024, lower than the industry average level, which was approximately 8.8%.

We are committed to sharing the results of our digitalization and intelligence upgrades with consumers, enabling them to enjoy high-quality products and services at reasonable costs. Our intelligent factories and efficient R&D system continuously provide customers with products that meet the latest demands. Regarding service delivery, we have built a rapid installation and after-sales feedback system. Over 90% of our customers' installation and repair requests are responded to within 24 hours. Our efficient management system has helped reduce comprehensive expenses, allowing us to pass on the benefits to consumers.

Visionary, dynamic and stable management team with collaborative corporate culture

Our core management team, which possesses strong market expertise and in-depth industry insights, is instrumental to our continued success and growth. We are led by a core management team comprising Mr. ZHENG Jianjiang, Mr. XIN Ning and Mr. ZHANG Bo, who on average boast over 20 years of cumulative experience in the air conditioner industry and a deep understanding of the entire industry chain. Under their stewardship, our workforce remains united and progressive. Our founder, Mr. ZHENG Jianjiang, exemplifies exceptional entrepreneurial spirit and keen market insight. He has successfully established industry-leading companies across various sectors, including home appliances, power equipment, medical, and new energy.

Under the leadership of this core management team, we have accomplished revolutionary innovations in production and operations, such as the innovative online retail model and the Lights-Out Factory (黑燈工廠) production mode. These advancements have significantly improved our sales and production efficiency, providing crucial drivers for our strong business performance.

In addition, we place great emphasis on aligning the interests of our employees with our long-term development. The implementation of equity incentive plans for core managers and key personnel has effectively enhanced team cohesion and stability, ensuring the continued pursuit of our strategic objectives.

Furthermore, a cohesive corporate culture serves as the foundation of our long-term value creation, shaped by our operational principles. We are guided by the principles of customer-centricity, problem-solving orientation, benchmarking and product enhancement in our business operations. In our daily activities, 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." This commitment to lowering operating costs through efficiency improvements allows us to pass on the benefits to our customers. After over

30 years of development, our well-established and highly efficient corporate culture system continuously creates greater value for our customers, employees, shareholders and society, which encourages employee self-improvement and the pursuit of excellence, ensures efficient decision-making and thorough execution.

OUR STRATEGIES

Accelerate our globalization layout

Expanding overseas markets is the strategic core of our future development. We are committed to further investing in our sales, production and R&D capabilities within international markets to continuously expand our overseas business and operations.

We plan to expand our worldwide sales network and actively pursue diverse partnerships with renowned multinational companies. To enhance our localized operational capabilities, we intend to establish additional production facilities and R&D centers in key regions globally. This will support the localized development, sales and delivery of our products.

We may also consider acquiring influential local targets overseas that have advantages in branding, technology and channels, to accelerate the growth of our overseas business.

Enhance the sales of our own branded products and enhance our brand recognition

We will enlarge our investment in our own branded operations, with a particular focus on enhancing the sales proportion of our branded products in overseas markets, and promoting greater brand recognition for our offerings globally.

We plan to establish additional overseas sales companies and local teams, focusing on promoting our online retail model, which has been proven to be efficient in driving our sales performance in China as well as certain Southeast Asian markets. We intend to replicate and expand this successful sales strategy worldwide.

Leveraging our "AUX" brand, we are gradually developing a diversified and differentiated brand matrix to cater to a wider range of global consumers. We also plan to consider venturing into other home appliance categories leveraging on our strengthened brand recognition.

Continue to expand our central air conditioner business

We will continuously invest in and expand our central air conditioner business, increase the proportion of sales of central air conditioners, and position our central air conditioner business as a critical engine for our future growth.

We plan to deepen our understanding of customized needs across various application scenarios, and continuously expand our product portfolio to cater to these diverse needs. We plan to further develop our customer base in traditional industries such as residential housing and office buildings, while also proactively exploring opportunities in emerging areas such as energy storage and data centers. This will enable us to capture customer recognition among a wide range of industries.

We plan to invest in the R&D of our central air conditioner technologies and products, staying ahead of the curve in terms of the latest industry advancements. We will focus on improving the performance of our central air conditioners in terms of energy efficiency, intelligence, reliability and environmental sustainability.

Further invest in R&D and promote digital and intelligent transformation

We will further invest in our R&D efforts, adhering to the rapid product iteration of "product upgrades taking place annually and major innovations occurring every two years," and also consistently incorporating the cutting-edge technologies into our products. Thus, we plan to improve the overall integration of functionalities and enhancing the intelligence of our products.

In addition, we will continuously research the foundational technologies that underpin our air conditioner products, such as thermodynamics, fluid and solid mechanics, polymer materials, noise and vibration control, energy-saving technologies and human-machine interaction, which serve as a solid foundation to support our ongoing product upgrades and iterations.

We will also actively promote digital and intelligent transformation across our entire operations with a focus of upgrading our AUX Industrial Internet Platform. By leveraging this advanced platform, we will enhance our data analysis and decision-making capabilities, drive greater collaborative synergies across our operations, to optimize our corporate management and business model efficiency.

Combining smart manufacturing and production equipment upgrades, we will further invest in our facilities, and advance the industrialization, intelligence, and digitalization of our manufacturing infrastructures.

Promote industrial empowerment and ecological cooperation

Adhering to the principle of "win-win collaboration," we aim to empower our stakeholders and build a unique, mutually beneficial ecosystem.

We will provide our customers with comprehensive marketing and resource support solutions, improving their sales performance and profitability, while also continuously expanding our sales network. We will actively share our insights on the latest advancements in new technology, new materials, and new production processes with our supplier partners. This will empower them to optimize their costs and enhance their manufacturing efficiency, which in turn will drive improvements in our own procurement costs and operational agility. We are also committed to cultivating a team of exceptional talents, providing them with abundant growth opportunities and competitive incentives to ensure the stability and unity of our workforce.

By empowering our customers, suppliers and employees, we strive to create greater value for global users and consumers, and ultimately realize a desirable vision of mutual benefits for all.

OUR PRODUCTS AND SERVICES

During the Track Record Period, our products primarily include household air conditioners and central air conditioners. We also engage in certain other businesses primarily consisting of sales of raw materials and brand authorization. The following table sets forth a breakdown of our revenue by product and service types for the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(Unaudited)			
Household air conditioners	17,283,960	88.5	21,683,095	87.3	25,904,463	87.1	6,542,323	88.9	8,376,177	89.5
– Wall-mounted units	14,457,926	74.0	18,208,560	73.3	22,082,388	74.2	5,610,017	76.2	7,080,880	75.7
– Cabinet-style units	2,309,927	11.8	3,242,497	13.1	3,624,983	12.2	835,747	11.4	1,134,891	12.1
– Mobile units	516,108	2.7	232,038	0.9	197,093	0.7	96,559	1.3	160,406	1.7
Central air conditioners	1,885,156	9.7	2,750,134	11.1	3,223,500	10.8	734,978	10.0	865,208	9.3
Others	358,469	1.8	398,604	1.6	631,356	2.1	85,271	1.1	111,012	1.2
Total	**19,527,585**	**100.0**	**24,831,833**	**100.0**	**29,759,319**	**100.0**	**7,362,572**	**100.0**	**9,352,397**	**100.0**

Over the years, we have successfully expanded our presence in the global market. In addition to China market, as of the Latest Practicable Date, we provide our products to users in over 150 countries and regions. Our capabilities are widely recognized in both China and the international market within the industry. We ranked fifth in the global market in terms of sales volume of air conditioners in 2024, with a market share of 7.1%, according to Frost & Sullivan. In 2024, we were one of the top three exporters of air conditioners in several countries, including Brazil, Mexico, Poland, Thailand and Uzbekistan, in terms of import volume of these countries in 2024, according to the same source.

During the Track Record Period, our business growth, which substantially outpaced industry growth, was driven by a combination of our rapid expansion in overseas markets, product innovation and channel expansion. For details, please see "— Our Global Footprint" and "Financial Information — Year/Period to Year/Period Comparison of Results of Operations."

Product Categories

We primarily sell household air conditioners and central air conditioners, which are designed to fit a wide range of applications, such as residential homes, office buildings, shopping malls, hotels, hospitals, and industrial parks. We have focused our product development on four key factors: efficiency, comfort, health, and intelligence. This dedication has enabled our rapid innovation and allows for the continuous expansion of our product portfolio.

- ***Efficiency***: Efficiency is a primary focus in the design of our air conditioning solutions, reflecting the growing consumer demand for effective cooling and heating. Our advanced products deliver rapid heating and cooling while maintaining precise temperature control, thereby reducing energy costs for consumers. Complementing our commitment to energy efficiency for consumers, we have also prioritized environmental responsibility by systematically developing, promoting and applying eco-friendly refrigerants almost across all of our products to further reduce the environmental impact of our operations and products. See "Business — Environment, Social and Governance (ESG) — Green Transformation Initiatives" for details.

- ***Comfort***: Ensuring a comfortable indoor environment is paramount. Our air conditioner systems are engineered for quiet operation and optimal air distribution. Enhanced airflow management contributes to a pleasant atmosphere without discomfort from direct air exposure, while noise reduction technologies facilitate a serene setting. Additionally, our air conditioners offer precise heating and cooling capabilities, as well as excellent stability in performance. This enables our air conditioners to provide a comfortable temperature experience even under challenging and extreme environmental conditions.

- ***Health***: Prioritizing health and hygiene, we have developed technologies that facilitate the easy disassembly and cleaning of air conditioner components. This focus on cleanliness addresses critical health concerns associated with air conditioner systems and ensures a hygienic indoor environment. Our products also incorporate air purification and sterilization features, promoting a safe and healthy atmosphere.

- ***Intelligence***: Our air conditioners are designed with advanced interactivity to enhance user convenience. Since the introduction of smart solutions in 2018, we have focused on improving product intelligence. Voice-controlled systems allow for convenient operation, accommodating local dialects effectively. Features such as adaptive airflow and centralized control for multiple devices ensure a seamless management experience of indoor environment.

For details, please see "— Research and Development."

Household Air Conditioners

We provide household air conditioners, primarily including wall-mounted, cabinet-style and mobile units. We design and provide various product categories considering factors like income levels, consumption habits, and climate conditions. Our wall-mounted and cabinet-style air conditioners are equipped with advanced features such as voice control, optimized airflow distribution and energy-efficient functions, and are available in different capacities and energy efficiency ratings. Our cabinet products are also designed for larger spaces and include features such as enhanced air circulation and wide-angle air distribution. Our mobile air conditioners feature quiet operation, and remote control and eliminate the requirement for installation, which mainly targets the overseas market.

In 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, the sales volume for our household air conditioners were 10.2 million units, 14.0 million units, 17.1 million units, 4.5 million units and 5.5 million units, respectively. The average selling price of our household air conditioners amounted to RMB1,698, RMB1,550, RMB1,517, RMB1,445 and RMB1,531 in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively. Such decrease from 2022 to 2024 were primarily as a result of the ramp-up of sales of our "Hutssom" (華蒜) products which led to a change in our product mix, and the increased proportion of overseas business within our overall operations. The average selling price of our household air conditioners increased from RMB1,445 for the three months ended March 31, 2024 to RMB1,531 for the three months ended March 31, 2025, primarily attributable to our robust expansion of our overseas operations. Concurrently, through the strategic optimization of order structure while sustaining overall scale, we recorded an increase in the average selling price during the period.

Our latest product innovations primarily include the second generation of the AUX Zhiyin (奧知音) series, which represents our intelligent voice-controlled air conditioners. The "Zhiyin" name means "to deeply understand the message." We launched the second generation of the AUX Zhiyin series in 2024, which includes both wall-mounted and cabinet air conditioners. The AUX Zhiyin II wall-mounted air conditioner features an upgraded system that enables voice control without the need for an internet connection, with fast response even at a 5-meter distance. It also supports generalized voice control, where it can understand contextual commands without specific instructions, and can even comprehend regional dialects. The AUX Zhiyin II cabinet air conditioner comes with an upgraded smart voice control system that supports both online and offline voice commands. Users can simply give voice orders to control the air conditioner, which has a sound source localization function with an 80-degree wide-angle coverage to ensure precise air delivery and avoid blind spots. Additionally, it has a built-in "air conditioner butler" that allows for scheduling, remote control, and integrated online entertainment and interactive features.

Both the wall-mounted and cabinet models in AUX Zhiyin II series have panel upgrades using eco-friendly materials, such as the most innovated lamination technology, to cater to young consumers' demands for aesthetics and health. The five-in-one smart control system offers users various convenient control options, including NFC touch control, app control, Bluetooth one-touch pairing, voice control and traditional infrared remote control, which addresses the pain points of users who have difficulty finding the remote or struggle with the complex controls of traditional air conditioners, providing a convenient and trendy smart home experience. The AUX Zhiyin II series also features a fifth-generation self-cleaning function, addressing the health concerns of consumers. In 2024, AUX Zhiyin series won the "Red Top Award" at the "China High-end Home Appliance Trend Release and Red Top Award Ceremony."

Central Air Conditioners

We provide central air conditioners, primarily including VRF systems, packaged units, heat pumps, chillers and terminal devices. Our sales of central air conditioners grew rapidly during the Track Record Period, benefiting from the increase in consumer demand for central air conditioners and our accurate judgment of the market.

○ ***VRF systems***: VRF systems are known for their energy efficiency and flexibility, the high energy efficiency of which help users save energy. Unlike traditional heating, ventilation, and air conditioning (HVAC) systems that use a constant amount of energy to heat or cool an entire building, VRF systems provide zonal control, allowing for individual temperature settings in different areas or zones of a building. This zoning capability helps optimize energy consumption and reduce waste. One of the key components of a VRF system is the outdoor unit, which is connected to multiple indoor units. The outdoor unit circulates refrigerant to the indoor units, providing cooling or heating as required. Our VRF systems feature precise temperature control, rapid cooling and heating, low-noise operation, high energy efficiency and remote-control capabilities, with 12 levels of protection to safeguard stable operation. Equipped with multi-level silent modes, our VRF systems can realize noise reduction of up to 10dB. Moreover, our VRF systems boast an ultra-wide voltage adaptation capability, superior to the national standard by 5% (national standard ±10%), ensuring reliable and uninterrupted performance even in challenging power supply conditions.

○ ***Packaged units***: Packaged units include ducted units, cassette units, and suspended units, etc. Ducted units feature a slim body, with functions such as self-cleaning, high-temperature sterilization, constant airflow, free switching of return air methods, and quiet operation functions. The cassette unit is equipped with a combined display and control board, with temperature control accuracy of ±0.1°C, centrifugal fans, and high-efficiency heat exchangers, achieving the avoidance of direct delivery of cold air and rapid cooling and heating functions.

○ ***Heat pumps***: Heat pumps offer diverse functions including heating, cooling and humidity management by transferring heat out of a space during summer and drawing heat into the space during winter. Our heat pumps can supply hot water at 80°C in an environment of -10°C, which is very suitable for boiler-converted houses and meets various end-point water temperature requirements. With unique noise reduction designs, our heat pumps can achieve noise levels as low as 35dB at 3 meters. In addition, our heat pumps feature full DC inverter technology, combined with flexible intelligent control, which enables real-time control of the opening or closing of the floor heating mixing value and water temperature changes within ±0.5°C, ensuring comfort and energy savings. In response to the evolving energy scenarios in North America and Europe, we have launched a range of air source heat pump products in 2022. Our heat pumps reach the highest seasonal coefficient of performance of A+++, which is the highest energy efficiency class in European countries.

- *Chillers*: Chillers are central air conditioner systems made up of units with specific cooling or heating abilities that can be combined as needed. Our main chiller products are air-cooled modular units, using air for cooling or heating, which have a new space-saving design and can handle ultra-low-temperature heating at -25°C, run multiple units together, and rotate between different modules.

- *Terminal devices*: Terminal devices are equipment combinations that help cool, heat, humidify, dehumidify and filter air, primarily including products such as surface heat exchangers, spray systems and filters. Our terminal products mainly include fan coil units and air handling units. In 2017, we launched our hidden fan coil units and air handling units with low air leakage and compact designs to expand our product portfolio.

In 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, the sales volume for our central air conditioners were 0.9 million units, 1.3 million units, 1.6 million units, 0.4 million units and 0.4 million units, respectively. The average selling price of our central air conditioners remained relatively stable during the Track Record Period, amounted to RMB2,216, RMB2,137, RMB2,061, RMB2,073 and RMB1,962 in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

We provide end customers with installation services which are bundled together with the domestic sale of household air conditioners, and limited installation services which are bundled together with the domestic sale of central air conditioners, in mainland China. For our overseas sales, we do not provide bundled installation services. We collaborate with independent third parties to provide installation services, and conduct training for these service providers to enable the delivery of standardized and comprehensive installation services for our air conditioners. The fee arrangement between the third-party installation service providers and us is based on standardized installation charges specific to each air conditioner model. Most of these settlements are finalized on a monthly basis.

Other Products and Services

We engage in certain other businesses primarily consisting of sales of raw materials and brand authorization. We sell certain raw materials, primarily including steel and plastic. Our large-scale production enables us to centralize the procurement of many raw materials and components with lower costs.

Further, we generate royalty fees through our brand authorization, which includes a range of kitchen appliances and other small home appliances. Typically, the authorization scope is limited to mainland China, and authorized parties are prohibited from exporting authorized products to ensure brand consistency and control across different markets. Leveraging the established reputation of our trade name "Aux", our authorized partners develop and market kitchen appliance and other small home appliance products, thereby enhancing our market presence and strengthening brand recognition in mainland China. This arrangement also allows us to identify and capitalize on high-demand product categories with significant growth potential, while maintaining the option to pursue strategic acquisitions or partnerships for market expansion. To safeguard our brand image and ensure product quality of these authorized partners, we have established a multi-layered control mechanism under our brand authorization arrangements. Authorized parties are required to strictly comply with national and industry standards to ensure that the authorized products meets the required quality standards. We retain the right to oversee their production processes, raw material procurement, and product quality, and we may conduct on-site inspections to ensure compliance. Any failure to meet these standards may result in penalties. The brand authorization agreements also include specific sales performance metrics and distribution channel requirements to maintain market discipline and optimize brand presence.

OUR GLOBAL FOOTPRINT

In China, we primarily provide household air conditioners and central air conditioners to our distributors or individual customers. In 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, revenue from our business in China amounted to RMB11,141.6 million, RMB14,419.5 million, RMB15,078.6 million, RMB3,662.6 million and RMB4,016.6 million, respectively, representing 57.1%, 58.1%, 50.7%, 49.7% and 42.9%, respectively, of our total revenue in the corresponding periods. We started from China with a global vision. In 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, revenue from our business in overseas market amounted to RMB8,386.0 million, RMB10,412.4 million, RMB14,680.7 million, RMB3,670.0 million and RMB5,335.8 million, respectively, representing 42.9%, 41.9%, 49.3%, 50.3% and 57.1%, respectively, of our total revenue in the corresponding periods.

Based on our deepening understanding of overseas markets and accumulated resources, we have structured an overseas business structure that synchronizes the development of OBM and ODM. We have achieved success in our ODM business leveraging our strong production capabilities and global supply. In 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, our revenue from our ODM business in overseas markets amounted to RMB6,881.0 million, RMB8,503.3 million, RMB11,936.7 million, RMB3,238.5 million and RMB4,374.1 million, respectively.

Not being limited to mere ODM model, we consistently enhanced our capabilities to promote our own brands. We have partnered with country-wide agencies and local distributors to sell our air conditioners while actively enhancing our brand recognition in local markets. Through advanced networks of national agents and distributors, we are able to effectively enter new markets with our own-brand products. In recent years, we have established sales companies and local teams in overseas markets such as Malaysia, Thailand, the U.S., the UAE, Vietnam and Saudi Arabia, strategically laying the groundwork for our global sales network. At the same time, we have effectively expanded our successful online retail model and the coverage of our "Hello AUX" ecosystem from the domestic market to the international market, enabling overseas distributors to seamlessly place orders with us. For further information, please refer to "— Sales and Marketing" below. We believe that the proliferation of the online retail model and the coverage of our "Hello AUX" ecosystem within our international sales strategy will drive substantial growth in our global sales performance. The establishment of our sales companies and local teams in Thailand and Malaysia has been particularly successful, with revenue generated from these markets experiencing multiple-fold growth from 2023 to 2024. While our overseas sales operations are still developing, we anticipate robust revenue growth from these markets. In addition, we also empower our overseas customers by providing customized component and semi-finished product solutions tailored to their customized needs. In 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, our revenue from our OBM business in overseas markets amounted to RMB1,505.0 million, RMB1,909.1 million, RMB2,744.0 million, RMB461.5 million and RMB961.6 million, respectively.

In 2019, we established our R&D center in Japan and a production facility in Thailand to further penetrate into global markets. Our R&D center in Japan plays a strategic role in advancing our technological capabilities, leveraging Japan's leading position in home appliance and commercial technologies. With approximately 20 Japanese researchers, the center concentrates on exploring frontier fields, particularly central air conditioner systems, including control systems, airflow channels and industrial design. In addition, our Thailand production base marks the commencement of our overseas capacity layout, which is designed to optimize localized manufacturing, reducing lead times and increasing operational efficiency. This facility not only strengthens our presence in the Southeast Asian market but also serves as a springboard for further international expansion. As of the Latest Practicable Date, our Thailand production base primarily fulfills orders from Southeast Asian and North American markets. Moreover, we have been closely monitoring and will continue to evaluate changes in tariffs applicable to products exported from both China and Thailand, and will determine the most suitable manufacturing location for overseas orders on this basis. To further enhance our supply chain flexibility and better respond to potential geopolitical risks, we also plan to establish additional production bases in the Middle East, the Americas, and other appropriate locations over the next five years. For details of the production capacity of our Thailand production base, see "— Manufacturing and Production — Production Facilities."

During the Track Record Period and up to the Latest Practicable Date, we are not aware of any material breaches or non-compliance with applicable laws and regulations in the jurisdictions where we operate.

The following table sets forth a breakdown of our revenue by geographic locations for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(Unaudited)			
China	11,141,582	57.1	14,419,477	58.1	15,078,580	50.7	3,662,583	49.7	4,016,628	42.9
Asia (except China)	4,800,131	24.6	5,734,525	23.1	7,339,872	24.7	1,956,838	26.6	2,944,806	31.5
Europe	1,789,547	9.2	2,282,070	9.2	3,024,817	10.2	810,999	11.0	1,091,794	11.7
North America(1)	1,041,432	5.3	1,132,694	4.6	2,095,134	7.0	579,639	7.9	392,876	4.2
South America	460,827	2.4	719,836	2.9	1,507,028	5.0	184,027	2.5	518,585	5.6
Other countries/regions(2)	294,066	1.4	543,231	2.1	713,888	2.4	168,486	2.3	387,708	4.1
Total	**19,527,585**	**100.0**	**24,831,833**	**100.0**	**29,759,319**	**100.0**	**7,362,572**	**100.0**	**9,352,397**	**100.0**

Notes:

(1) During the Track Record Period, our revenue generated from North America was primarily represented revenue generated from Mexico.

(2) Primarily include Africa and Oceania.

During the Track Record Period, our rapid expansion in overseas markets largely contributed to our business growth, which substantially outpaced industry growth. In 2024, our total revenue increased by 20% year-on-year, with export sales growing by 41%, substantially higher than the industry average, while domestic sales growth remained generally in line with the market. Our strong performance in overseas markets was attributable to our high product quality, competitive pricing, and efficient delivery, which have earned broad recognition from international customers. In North America, we achieved an 85% increase in revenue, with the Mexican market up by 92%, mainly due to our ability to respond quickly to market demand and leverage our cost-effective product strategy and fast delivery capabilities. In South America, our revenue grew by 109% as we deepened technical cooperation with key ODM customers in Brazil, providing professional technical support to enhance customer production efficiency and drive order growth. In Southeast Asia, we achieved an 39% increase in revenue, primarily due to our ongoing efforts in localized operations and the successful replication of our domestic online retail model. In particular, we achieved multiple-fold growth of business scale in core markets such as Thailand and Malaysia. In the Middle East, we responded to rising demand for high-temperature air conditioning solutions by launching innovative inverter products, resulting in increased market share and substantial revenue growth in the UAE and Saudi Arabia. Through these comprehensive measures, we effectively captured market opportunities in multiple regions, which enabled our overall business performance to significantly outperform the industry during the Track Record Period.

Transfer Pricing Arrangement

During the Track Record Period, we conducted our operations primarily through our subsidiaries in China and established subsidiaries in overseas jurisdictions to expand the operation in the international markets. During the same period, our international intra-group transactions primarily included (i) exporting products from AUX Import & Export to affiliated overseas companies in selected overseas jurisdictions for sales to our overseas distributors and customers; (ii) exporting semi-finished products from AUX Import & Export to the production base in Thailand and manufacturing into finished products for subsequent sales; and (iii) receiving R&D services from the R&D center in Japan (together, the "**Covered Transactions**").

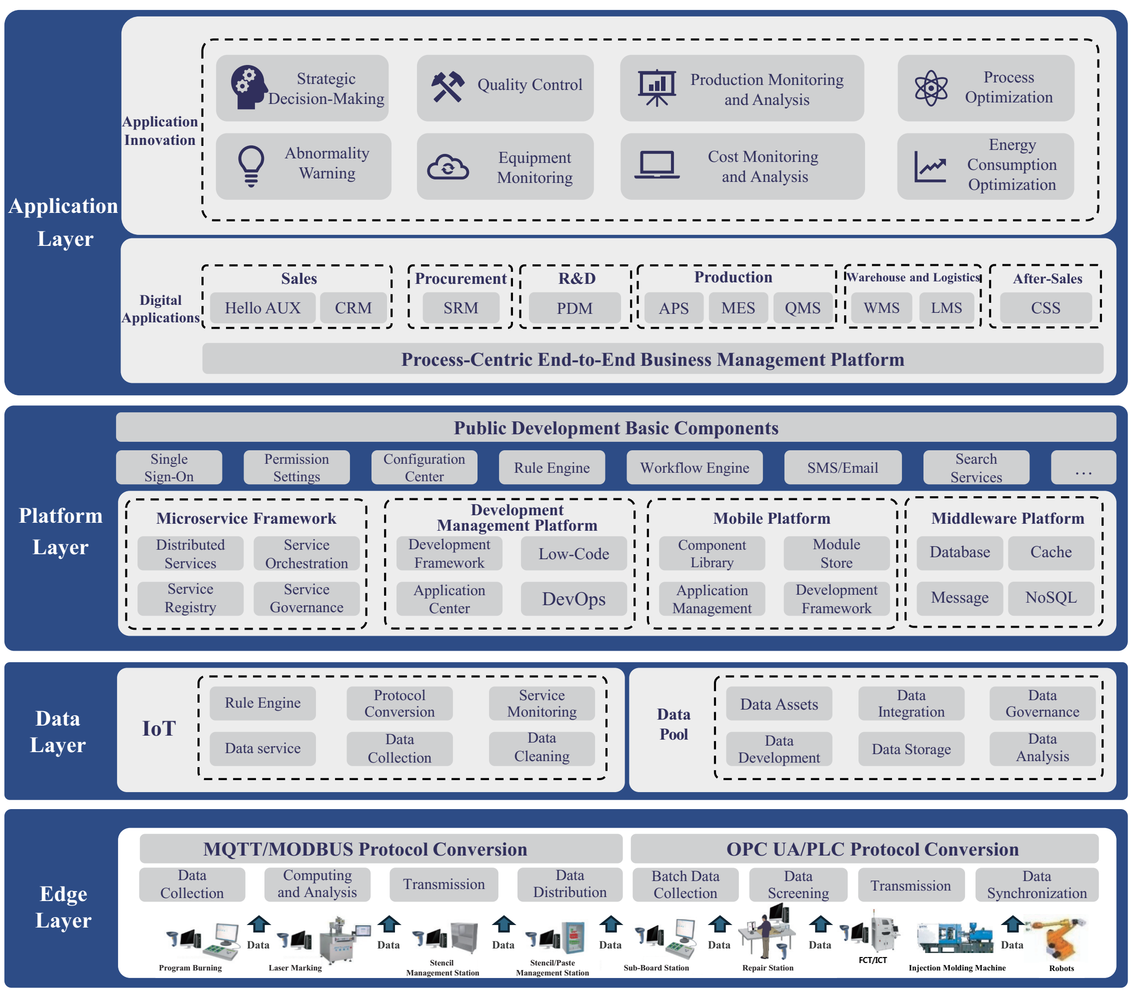
The Organization for Economic Co-Operation and Development (the "**OECD**"), an international organization of international cooperation, promulgated the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the "**OECD Transfer Pricing Guidelines**"), which are generally followed by the relevant tax jurisdictions involved in international intra-group transactions. According to the OECD Transfer Pricing Guidelines, the intra-group transactions should be on an arm's length basis to avoid distorted taxable income in different jurisdictions.

We have engaged the Transfer Pricing Advisor to conduct a transfer pricing review and benchmarking studies on the Covered Transactions during the Track Record Period to assess whether our transfer pricing arrangements are compliant with the arm's length principle in accordance with the OECD Transfer Pricing Guidelines. The Transfer Pricing Advisor conducted an independent analysis and considers the transfer pricing arrangements of the Covered Transactions to be compliant with the arm's length principle in accordance with the OECD Transfer Pricing Guidelines during the Track Record Period.

DIGITAL AND INTELLIGENT OPERATION AND MANAGEMENT PLATFORM

Based on our deep-rooted experience accumulated over decades of development, we have developed a mature and efficient digital operation system that enables precise management throughout the entire product lifecycle. We have successfully established the AUX Industrial Internet Platform, leveraging advanced information technologies such as big data and cloud computing, which play a vital role in managing our operations across all departments. We are recognized as a benchmark enterprise for "Robotics +" applications in Zhejiang Province in 2023. In addition, AUX Industrial Internet Platform not only enhances our operations but also empowers our partners in the industry by digitizing collaborative details throughout our partnership. The following diagram sets forth the main functions of our AUX Industrial Internet Platform:

AUX Industrial Internet Platform



The AUX Industrial Internet Platform serves as the cornerstone of our digitalization efforts, which seamlessly integrates R&D, production, supply chain operations, and sales to bolster our overall operational efficiency. Leveraging advanced big data analytics, the platform facilitates data-driven decision-making, enabling precise operational strategies and optimized production planning.

The AUX Industrial Internet Platform focuses on enhancing digitalization and intelligence across our operations, covering all key functions from strategic planning to operational optimization. By sharing the requirements across our operational processes, we are able to further reduce costs associated with these activities. The platform's technological infrastructure provides an efficient and secure development framework that enables modular design and system replicability. The data layer features a robust data management system that covers the full data lifecycle, from collection and governance to advanced analytics. This transforms industrial data into a strategic asset, powering innovative applications and driving data-driven decision making. The edge layer serves as the foundation, connecting physical manufacturing assets to cloud infrastructure. Through real-time data collection, preprocessing, and secure transmission, this edge layer establishes a reliable foundation for the AUX Industrial Internet Platform.

Furthermore, the AUX Industrial Internet Platform enhances customer engagement through digital channels, which elevates service quality and responsiveness.

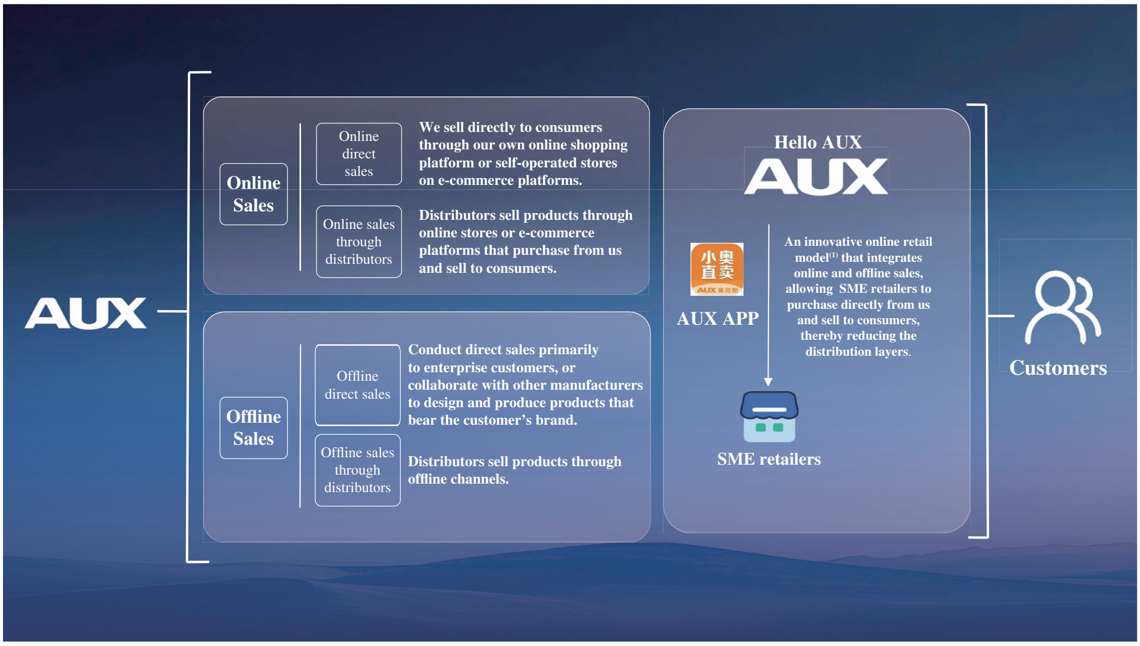
SALES AND MARKETING

Our Sales Networks

Depending on the breadth and scale of our sales, we have developed effective sales strategies for various sales channels and regions. We have integrated online and offline channels to better serve our customers and expand our penetration to broader markets. Additionally, we have implemented a hybrid distribution model and direct sales. We were the first in the industry to develop an online retail model, which enables a large number of SME retailers to directly order and purchase products from us, so that we can connect with SME retailers and react promptly to changes in consumer preferences and market demand.

As of March 31, 2025, we had 2,375 sales personnel. Our sales and marketing team are responsible for overseeing and managing our relationships with our global sales network.

The chart below sets forth our major sales channels.



Note:

(1) Our "online retail model (網批新零售模式)" refers to an integrated online and offline distribution model firstly introduced by us in the industry in 2017, which creates a flatter distribution structure empowered by our self-developed online management systems. Our online retail model streamlines distribution layers, enhancing our closer communication and collaboration with offline SME retailers. We use the self-developed efficient online management systems (such as "Hello AUX (小奧直賣)" and "AUX Manager (小奧管家)" apps) manage our distributors through digital means.

The table below sets forth revenue contribution from our major sales channels for the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
China										
Online sales	4,588,921	23.5	6,001,854	24.2	6,669,514	22.4	1,425,530	19.4	1,496,829	16.0
Distribution	3,490,768	17.9	5,021,902	20.2	5,632,022	18.9	1,338,287	18.2	1,290,869	13.8
– Online distribution buyout	1,024,316	5.2	2,685,912	10.8	2,747,908	9.2	759,861	10.3	590,250	6.3
– Online distribution through the e-commerce platform's warehouse	1,820,556	9.3	1,948,378	7.8	2,252,184	7.6	488,828	6.6	595,803	6.4
– Online distribution with direct shipment	645,896	3.3	387,611	1.6	631,930	2.1	89,598	1.2	104,817	1.1

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(Unaudited)			
Direct sales	1,098,153	5.6	979,952	3.9	1,037,492	3.5	87,242	1.2	205,960	2.2
– Direct sales to consumers through the flagship stores we operate on third-party online platforms	781,758	4.0	634,686	2.6	929,770	3.1	57,678	0.8	195,905	2.1
– Direct sales to consumers through our own shopping platform AUX E-Store.	316,395	1.6	345,266	1.4	107,722	0.4	29,564	0.4	10,055[(1)]	0.1
Offline sales	6,552,661	33.6	8,417,623	33.9	8,409,066	28.3	2,237,054	30.3	2,519,799	26.9
Distribution	6,508,791	33.3	8,323,207	33.5	8,274,498	27.8	2,203,046	29.9	2,499,718	26.7
Direct sales	43,871	0.2	94,416	0.4	134,567	0.5	34,008	0.4	20,081[(2)]	0.2
Subtotal	11,141,582	57.1	14,419,477	58.1	15,078,580	50.7	3,662,583	49.7	4,016,628	42.9
Overseas										
OBM	1,505,014	7.7	1,909,052	7.7	2,744,015	9.2	461,460	6.3	961,629	10.3
ODM	6,880,989	35.2	8,503,304	34.2	11,936,724	40.1	3,238,529	44.0	4,374,139	46.8
Subtotal	8,386,003	42.9	10,412,356	41.9	14,680,739	49.3	3,699,989	50.3	5,335,768	57.1
Total	**19,527,585**	**100.0**	**24,831,833**	**100.0**	**29,759,319**	**100.0**	**7,362,572**	**100.0**	**9,352,397**	**100.0**

Notes:

(1) Despite the significant growth of online direct sales in China during the Track Record Period, our revenue generated from online direct sales to consumers through our own shopping platform AUX E-Store in China decreased from RMB29.6 million for the three months ended March 31, 2024 to RMB10.1 million for the same period in 2025. This decrease was primarily due to our strategic decision to focus more on third-party e-commerce platforms, which demonstrated strong performance and high traffic during this period.

(2) Our revenue generated from offline direct sales in China decreased from RMB34.0 million for the three months ended March 31, 2024 to RMB20.1 million for the same period in 2025, primarily due to a major bidding project in the first quarter of 2024.

Online Channels

Our online sales primarily include (i) distribution through e-commerce platforms, and (ii) direct sales to consumers through flagship stores we operate on third-party online platforms or through our own shopping platform AUX E-Store.

As a key player to establish a strong presence through online sales of air conditioners, we began to deeply collaborate with mainstream e-commerce platforms as early as 2011, capitalizing on the burgeoning e-commerce market in China and amassing significant expertise in online sales operations. Our online distributors are primarily distributors of B2B2C channels. Under the B2B2C model, we sell our products to intermediary platforms and/or independent online stores that subsequently re-sell these items to end customers. Our online distributors are responsible for the sales and marketing, while we are responsible for the after-sales services. Depending on the distribution agreements, we either deliver products directly to end customers based on their orders through our online distributors, or we deliver products to locations specified by our online distributors, who then handle the product delivery to end customers. Set out below are details of our various online distribution models based on the type of distributor and the method of delivery.

- ***Online distribution buyout.*** In this model, distributors operate stores on e-commerce platforms and we sell products to these distributors and deliver the products to the warehouses designated by the distributors. The distributors then sell the products through their online stores and arrange delivery to end consumers.

- ***Online distribution through e-commerce platform's warehouse.*** In this model, we sell products directly to large e-commerce platforms, and deliver the products to the warehouses operated by these platforms. The e-commerce platforms then sell the products through their self-operated online stores and handle delivery to end consumers.

- ***Online distribution with direct shipment.*** In this model, end consumers place orders through stores operated by distributors on e-commerce platforms. We sell products to the distributors and, based on the order information provided by the distributors, deliver the products directly to the end consumers.

Different sales channels are strategically positioned to meet distinct market demands. Self-operated flagship stores cater to consumers seeking premium products and professional services, authorized stores provide a broader product selection, and platform-operated supermarkets offer one-stop shopping convenience. Our Directors are of the view that it is an industry norm for air conditioner companies to operate multiple stores on the same e-commerce platform to enhance market coverage and consumer reach. To ensure synergy between our distribution and direct sales models while mitigating potential channel conflicts, we have implemented a unified pricing policy for online sales to maintain consistency across sales channels and a differentiated operational strategy tailored to the characteristics of each channel. We also coordinate promotional activities to preserve brand value and prevent internal competition. Leveraging brand product analysis, consumer behavior insights, and platform-specific dynamics, we continuously optimize channel coordination to expand our consumer base, enhance brand recognition, and strengthen overall market positioning.

Offline Channels

Our offline sales primarily include (i) distribution through distributors, and (ii) direct sales, including selling our OBM products to enterprise customers, and directly selling to ODM customers, who then resell the products we manufacture under their own brands. During the Track Record Period, we only provided air conditioner products to overseas customers, mainly in Mexico, Brazil, Thailand, Malaysia, the UAE and Saudi Arabia, among others, through offline channels, including sales of OBM products through distributors and sales of ODM products to ODM customers. For overseas offline channels, our distributors are generally not exclusive distributors. Overseas offline distributors may appoint sub-distributors in designated regions and channels to enhance local market coverage, and we generally do not enter into agreements with sub-distributors.

Our offline distributors include regional distributors and SME retailers evolved over time to fit in, among other things, our business strategies, development stages and market conditions. For instance, we have authorized regional distributors located in the northern parts of Henan Province as well as in Northeast China to sell our products in such areas. We typically assess whether to engage regional distributors or adopt the online retail model in each region, and clearly delineate their geographic coverage, based on local conditions and our understanding of the local markets. These regional distributors are typically well-established air conditioner distributors with local sales networks and resources, who are able to make large purchases from us and have maintained long-term collaborations with us. In specific areas, we either engage regional distributors, who are responsible for overall management within specific areas, or adopt an online retail model and directly engage SME retailers. By implementing measures to prevent cross-region sales, we believe there is no direct competition between our regional distributors and SME retailers. For details of our measures to prevent cross-region sales, see "— Distribution Management — Management of Our Distribution Network." During the Track Record Period, we authorized certain distributors to use our trade name, namely Aux (奥克斯), in the name of their business entities, primarily intended to enhance our brand recognition and visibility. As of the Latest Practicable Date, we were not aware of any potential abuses or improper use of our name by our distributors which could adversely affect our reputation, business operation or financial condition.

Our competitive advantages in securing contracts with ODM customers are rooted in our extensive industry experience, robust manufacturing capabilities, commitment to quality, and ability to ensure timely delivery. We have established strong brand recognition and trust among ODM customers through our consistent track record of delivering high-quality products. By strictly adhering to international quality management standards, such as ISO certifications, we ensure that our product development, design, and manufacturing processes meet the highest standards. We leverage advanced smart manufacturing systems and flexible production lines, which allow us to adjust production plans efficiently to cater to the diverse needs of ODM customers, ensuring timely and reliable delivery. In addition, our refined supply chain management, supported by long-term partnerships with suppliers and dynamic inventory management, ensures the stable supply of raw materials while reducing production cycles and improving delivery efficiency. Furthermore, our competitive pricing advantage is driven by economies of scale in raw material procurement and cost efficiencies achieved through automated production lines and continuous process optimization, enabling us to provide ODM customers with attractive pricing without compromising quality.

During the Track Record Period, our increased sales under the ODM model contributed to the growth of our total revenue. However, this also temporarily pressure on overall gross margins. Historically, not being limited to mere ODM model, we consistently enhanced our capabilities to promote our own brands. We have partnered with agencies around the world and local distributors to sell our air conditioners while actively enhancing our brand recognition in local markets. Through advanced networks of national agents and distributors, we are able to effectively enter new markets with our own-brand products. In particular, we plan to establish additional overseas sales companies and local teams, focusing on promoting our online retail model. Notably, our collaborations with ODM customers have provided valuable insights into consumer preferences and market environments, which support the establishment of our sales companies and local teams in overseas markets. In 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, our revenue from our OBM business in overseas markets amounted to RMB1,505.0 million, RMB1,909.1 million, RMB2,744.0 million, RMB461.5 million and RMB961.6 million, respectively. Going forward, we plan to enhance the sales of our own branded products and enhance our brand recognition. Leveraging our "AUX" brand, we are gradually developing a diversified and differentiated brand matrix to cater to a wider range of global consumers. See also "— Our Strategies — Enhance the sales of our own branded products and enhance our brand recognition" and "— Our Global Footprint." Given the continuously increasing sales of our own brands, we anticipate maintaining our overall gross profit margin in the long term.

Set out below are the key terms of standard agreements we enter into with our ODM customers:

- ***Product specifications:*** The contracts with our ODM customers outline the specific details of the products to be supplied, including specifications, packaging, quantities, and unit prices.

- ***Payment:*** The payment terms usually involve an upfront payment as a deposit, with the remaining balance paid according to the respective credit terms.

- ***Delivery:*** Our ODM customers are primarily overseas customers. For overseas sales, we generally bear the costs and risks related to the shipment of ordered products before the products have been loaded on board and shipped out of the port.

- ***Warranty period:*** Any claims for quality discrepancies must be submitted with Survey Reports issued by Public Surveyors recognized by us, within 30 days of the goods' arrival at the port of destination. Depending on case-by-case negotiations, we may offer a limited warranty on products sold to ODM customers. For those customers to whom a warranty is offered, the warranty period typically ranges from one to three years.

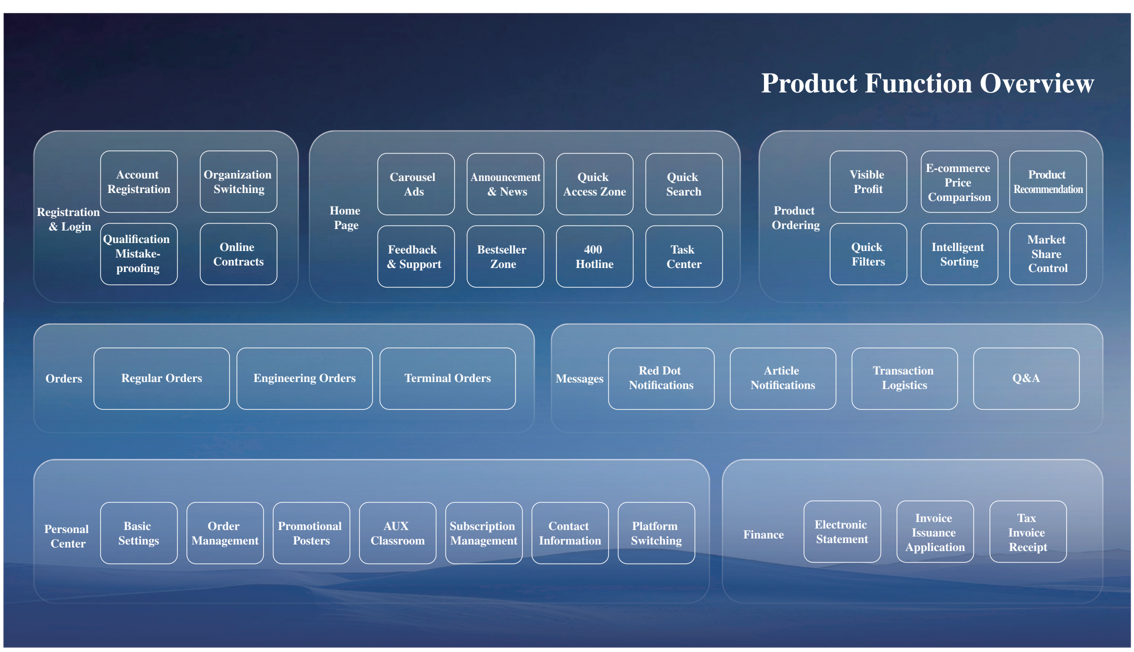
- ***Intellectual Property:*** All intellectual properties of ODM products which we produce belong to our Group unless the agreement specifies. Without our prior written consent, our ODM customers are prohibited from using our trademark (registered or unregistered), brand name, trade name, or domain name for any purposes other than those specified in the ODM agreement. In addition, the other intellectual properties associated with our ODM products are not transferred to our ODM customers as part of the sales. All of our intellectual property is safeguarded in compliance with the applicable laws and regulations of the relevant jurisdictions. We shall not be liable for any intellectual property infringements resulting from the resale or use of goods within the territory of our ODM customers. It is the sole responsibility of our ODM customers to ensure that the goods do not infringe upon any intellectual property rights. Furthermore, they shall indemnify and hold us harmless from any claims, damages, or expenses arising from such infringements.

Online Retail Model and "Hello AUX (小奥直賣)" — Mixed Model Integrates Online and Offline Advantages

Our online retail model integrates the advantages of online management and offline coverage. We were a key player in selling air conditioners online. Since 2011, we collaborated with leading e-commerce platforms in China and gained valuable expertise in online sales. While numerous competitors adhered to conventional distribution practices involving multiple layers of distributors and sub-distributors with markups at each level, we diverged from this approach. Instead, we substantially reduced the layers of distribution and therefore eliminated markups. As a result, we introduced our online retail model in 2017, and steadily refined its efficiency during the past years. Our Directors are of the view that we adopted the online retail model and were subsequently followed by other companies in the industry which then adopted similar sales model.

Our online retail model streamlines distribution layers, enhancing our closer communication and collaboration with offline SME retailers. Through robust partnerships with these SME retailers, who possess a more timely and in-depth understanding of local market dynamics and consumer behaviors, we swiftly access sales data and extend our footprint in lower-tier markets. We implement a series of policies aimed at benefiting and motivating our distributors through innovative distribution models and favorable management measures. Our streamlined distribution model significantly reduces the number of intermediary layers, allowing us to avoid substantial costs across multiple layers of distributors. This enables us to offer more competitive pricing and sales policies to our distributors, making our business model particularly attractive to small and medium-sized distributors. Furthermore, the flexible ordering policy empowers these SME retailers to place orders with us as required, mitigating product accumulation within distribution channels and making us react promptly to changes in consumer preferences and market demand. In terms of logistics, we do not impose minimum purchase quantity requirements, allowing distributors to place orders flexibly based on market demand. This flexibility helps distributors better align their orders with end-market needs and minimizes inventory risks within the distribution channel. Additionally, we have introduced rebate policies customized according to distributor type, sales channel, client category, and product type. Distributors that meet specified procurement goals and other relevant criteria are qualified for monthly, quarterly, or annual rebates.

We use the self-developed efficient online management systems (such as "Hello AUX (小奧直賣)" and "AUX Manager (小奧管家)" apps) manage our distributors through digital means. The following images set forth the main function of our "Hello AUX" app.



"Hello AUX" app offers features that streamline procurement processes, enhance order management, and improve operational efficiency, enabling distributors to manage their business needs more effectively. Distributors can utilize "Hello AUX" app for one-stop purchasing, promptly accessing the latest sales policies, product information, and other crucial marketing details. With this method, our distributors can place orders through our app "Hello AUX" even for small quantities of products, while we ship products directly to such distributors. "AUX Manager" app is an intelligent management tool we developed to optimize employee management and enhance internal operational efficiency. With features such as customer outreach, store visit planning, and data analysis, it strengthens our headquarters' management capabilities and ultimately drives overall operational efficiency. Our marketing managers can utilize our "Hello AUX" and "AUX Manager" apps to track and manage distributor orders and inventory in real-time, enabling precise management. The "Hello AUX" app was first developed and used to effectively manage our wide range of distributors under the online retail model. As the functionality of the "Hello AUX" app improved, we gradually expanded its use to effectively manage most of our distributors, regardless of their distribution channels. Furthermore, we have derived and built a unique, mutually beneficial "Hello AUX" ecosystem that connects distributors, logistics providers, installation service providers and after-sales service providers, enabling them to access real-time service requests and optimize the operational efficiency of the services they provide.

Our online retail model and "Hello AUX" ecosystem experienced significant expansion during the Track Record Period. Leveraging the capabilities of our "Hello AUX" app for streamlined sales data management, the majority of our distributors, including online distributors, offline regional distributors and SME retailers, utilized the app for order placement and tracking. As of December 31, 2022, 2023 and 2024 and March 31, 2025, 4,457, 6,207, 6,709 and 7,283 distributors in China placed orders with us through our "Hello AUX" app during the past 12 months, accounting for 90.3%, 95.7%, 97.9% and 98.4% of our total distributors in China as of the same dates, respectively.

As advised by our PRC Legal Advisors, the operation of our "Hello AUX" app and "AUX Manager" app does not constitute value-added telecommunications services and therefore does not require ICP licences. According to the Administrative Measures on Internet-based Information Services (《互聯網信息服務管理辦法》) and the Classification of Telecommunications Services (《電信業務分類目錄》), enterprises that engage in operational internet information services are required to apply for an ICP license. Operational internet information services refer to the provision of information, web page production and other services to internet users through the internet for a fee. Our "Hello AUX" app facilitates product transactions and sells air conditioner products to distributors, while our "AUX Manager" app is used exclusively for internal operations, such as distributor management. Since we only charge the distributors for the purchase of air conditioner products through our "Hello AUX" app and do not charge fees for the information related to these two applications, these apps do not constitute the provision of operational internet information services.

Distribution Management

Selection of Distributors

We consider a number of selection and evaluation criteria in selecting distributors while taking regional differences into account, including, among others, their industry experience, market coverage, reputation and credibility, financial conditions, management capabilities, legal compliance status, understanding of our brand concept and business philosophy and warehousing and logistics capabilities. Only candidates that pass our selection and evaluation criteria will be qualified as our contracted distributors.

Relationship with Distributors

During the Track Record Period, sales to our largest distributor in each year/period accounted for approximately 18.7%, 14.7%, 16.1%, 13.7% and 15.6% of our total distribution channel revenue in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively, and sales to our five largest distributors in each year/period in aggregate accounted for approximately 32.9%, 29.7%, 27.3%, 26.5% and 18.0% of our total distribution channel revenue in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

Our distribution models are in line with the industry norm. Our relationship with our distributors is a buyer and seller relationship. During the Track Record Period and up to the Latest Practicable Date, we have maintained good business relationships with our distributors. The following table sets forth the total number of our distributors in China and overseas and their movement, as well as further breakdown of our online and offline distributors (before dual-channel eliminations) and their movement, during the Track Record Period.

	As of/For the year ended December 31,			For the three months ended March 31,	
	2022	2023	2024	2024	2025
Total					
As of the beginning of the period	5,370	5,024	6,643	6,643	7,605
Addition of new distributors	2,129	3,129	3,546	1,041	967
Inactive distributors(1)	(2,475)	(1,510)	(2,584)	(962)	(260)
Net increase/(decrease) in distributors	(346)	1,619	962	79	707
As of the end of the period	5,024	6,643	7,605	6,722	8,312
Online distributors(2)					
As of the beginning of the period	100	130	151	151	153
Addition of new distributors	63	53	51	13	10
Inactive distributors(1)	(33)	(32)	(49)	(10)	(12)
Net increase/(decrease) in distributors	30	21	2	3	(2)
As of the end of the period	130	151	153	154	151
Offline distributors(2)					
As of the beginning of the period	5,297	4,936	6,540	6,540	7,493
Addition of new distributors	2,086	3,092	3,510	1,034	964
Inactive distributors(1)	(2,447)	(1,488)	(2,557)	(959)	(251)
Net increase/(decrease) in distributors	(361)	1,604	953	75	713
As of the end of the period	4,936	6,540	7,493	6,615	8,206

Notes:

(1) Inactive distributors are distributors with whom we did not have sales during the preceding 12-month period. The number of inactive distributors fluctuated during the Track Record Period, primarily because we engaged two and one regional distributors in 2022 and 2023, respectively, in certain areas in China, because such regional distributors have a deeper understanding of the local markets. Therefore, we ceased to directly collaborated with other distributors in such areas which became inactive distributors in the current or following period.

(2) Certain distributors operate through both online and offline channels under our distribution agreements with them. These dual-channel distributors are counted separately in each category in the table above, resulting in a sum of online and offline distributors that exceeds our total distributor count as of each date.

During the Track Record Period, the new distributors we had in each year/period were primarily due to the growth of our business and expansion of our sales network. In particular, we actively explored an efficient distribution system, our online retail model, to seize the opportunities in lower-tier markets, and therefore the total number of our distributors continuously grew.

There was a distributor during the Track Record period is a company in which a relative of one of our Directors holds a 50% equity interest, and hence a connected person of our Company. Our transactions with this distributor were conducted on an arm's length basis. During the Track Record Period, revenue from this distributor accounted for approximately 0.01% of our total revenue during the same period. For details, see "Financial Information — Related Party Transactions — Sales of Goods and Rendering of Services" and Note 40 to the Accountants' Report in Appendix I to this prospectus. To the best of our knowledge, all of our other distributors in China and overseas during the Track Record Period are Independent Third Parties.

There were a limited number of instances during the Track Record Period of our former employees becoming shareholders or legal representatives of certain distributors. Such distributors amount to nine, ten, nine and nine in 2022, 2023, 2024 and the three months ended March 31, 2025, respectively. Revenue from such distributors amounted to RMB882.0 million, RMB1,292.9 million, RMB719.0 million and RMB259.8 million in 2022, 2023, 2024 and the three months ended March 31, 2025, respectively, accounting for approximately 4.5%, 5.2%, 2.4% and 3.6% of our total revenue during the same period, respectively. We believe the collaboration with such distributors is mutually beneficial due to their comprehensive understanding of our business, standards, and products, which allows them to promote and market our products in a cost-effective manner. Our Directors are of the view that it is common in our industry for companies to collaborate with distributors, some of whom have shareholders or employees that are former employees of the companies themselves. We implement the same management policies across all of our distributors, and the pricing of our transactions with such distributors is based on the same set of factors applicable to our transactions with other distributors.

Some of our distributors may use sub-distributors. They typically further enter into agreements with the sub-distributors, and we generally do not enter into agreements or directly establish relationships with the sub-distributors. Nevertheless, we have access to the installation of most of our products through providing installation services, and therefore have a clearer understanding of the end data related to our products.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there was no material non-compliance with the terms and conditions of our agreements with distributors.

Set out below are the key terms of standard distribution agreements we enter into with our distributors:

○ ***Duration:*** The duration of the distribution agreements is typically one year.

○ ***Sales target:*** We may set annual and monthly sales target for distributors taking into account their size, designated distribution area, their historical sales records and our estimates of local demand. Our sales target do not constitute mandatory purchase obligation for distributors, but mainly serve as reference for us to evaluate the performance of distributors and provide rebates to distributors while offering us the flexibility to adjust our sales arrangement with distributors.

○ ***Payment:*** We generally require our domestic distributors to make payment before the delivery of products. We also collaborate with certain domestic distributors operating on mainstream e-commerce platforms. Under such collaborations, we deliver products directly to end consumers after they place orders on our distributors' online stores and make payments at the e-commerce platform. We then receive payment from the distributors through e-commerce platforms once the end consumers confirm the receipt of our products. Additionally, we may grant a specific credit limit to overseas customers taking into consideration factors such as the history of the business relationship, the historical credibility and the expected scale of shipping orders of the distributors. We generally grant a credit period to our overseas distributors ranging from 30 days to 120 days.

○ ***Sales rebate:*** Our sales rebate is typically calculated as a percentage of the overall sales value of the applicable products and is typically calculated based on factors such as the distributor's total purchase volume, the proportion of specific product models purchased, and our product mix optimization goals. These policies are designed to meet market demands and support the promotion of key products. Rebates are generally provided to distributors through a deduction from sales revenue and are settled on a monthly, quarterly, or annual basis, depending on the specific contractual arrangements. Our Directors are of the view that these rebate policies are consistent with industry practices. We recorded sales rebate to our distributors of RMB965.9 million, RMB1,765.5 million, RMB1,818.7 million and RMB564.6 million in 2022, 2023, 2024 and the three months ended March 31, 2025, respectively.

- ***Transportation and logistics:*** We generally bear the costs and risks related to the shipment of ordered products to the domestic distributors or their designated recipients. For overseas sales, we generally bear the costs and risks related to the shipment of ordered products before the products have been loaded on board and shipped out of the port.

- ***Price control:*** We typically set guidance on price of our products for our distributors. Distributors may adjust the actual selling price based on market conditions and their business status. If a distributor set the actual selling price in a way that disrupts the market order, it is subject to liquidated damages or contract termination.

- ***Return of products:*** We generally do not allow our distributors to return products other than due to product quality issues, product recalls or other specified circumstances, which is in line with customary industry practice. For our collaboration with certain leading e-commerce platforms in mainland China, we may agree to accept returns for unconditional returns initiated by consumers. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material customer complaints or product returns, nor incur any material product recalls. There were only a small amount of sales returns from our distributors during the Track Record Period. During the Track Record Period, the sales returns from our distributors in China amounted to RMB89.8 million, accounting for 0.2% of our total revenue through distribution in China, primarily attributable to unconditional returns initiated by consumers through leading e-commerce platforms. During the Track Record Period, our sales returns from our overseas distributors amounted to merely RMB49 thousand.

- ***Anti-corruption and anti-bribery obligations:*** Distributors and their employees are prohibited to, for any reason and in any form, directly or indirectly provide any rebate, commission or object etc., to our employees or their relatives. We deem such actions as commercial bribery and, in serious cases, may terminate the distribution agreement.

- ***Termination:*** We are entitled to terminate the distribution agreement if the distributors or their employees materially breach the contract.

Management of Our Distribution Network

We have a dedicated sales team to actively oversee and manage our global sales and distribution network, primarily focusing on expanding potential distributors, conducting regular on-site visits and continuously monitoring compliance with our sales policies. According to our market analysis, our sales team actively reaches out to potential distributors in different regions or channels. For example, our sales personnel visit air conditioner stores in various cities, promote the utilization of our "Hello AUX" app, and collect distributor qualifications and detailed information for internal review. Once the distributor is approved as our authorized distributor, our sales team revisits to provide training on our products, sales policies and promotional activities, and assist distributors with placing orders via the app. Our sales team conducts regular on-site visits with our distributors so that we can obtain first-hand information about the sales performance of our distributors and also collect feedback on our products from the end customers. In addition, we also provide our distributors with the latest product updates, technology information and sales policies, collect their needs and monitor inventory levels during our regular on-site visits.

In addition, we have a series of management policies to manage our domestic and overseas distributors:

○ ***Minimize cannibalization and prevent cross-region sales***: To minimize the risk of cannibalization among distributors and among various sales channels, we adopt the following measures, which only apply for our offline distributors: (i) overseeing and tracking orders and product deliveries via our "Hello AUX (小奧直賣)" and "AUX Manager (小奧管家)" apps to guarantee digital and comprehensive management; (ii) monitoring and managing the number of regional distributors for each geographical region; (iii) clearly delineating their geographic coverage and explicitly prohibiting our distributors from selling our products outside the respective designated geographical regions according to our distribution agreements. Our distributors are required to ensure their sub-distributors operate within their designated geographical regions; (iv) analyzing inventory and sales reports provided by our distributors; and (v) managing the pricing policy and provide suggested retail prices for products across different sales channels. The distributors are allowed to sell in designated region and channel only and cross-region sales are forbidden. We monitor and identify cross-region sales through various measures, including regular inspection and verification by our marketing team and report by other distributors. If cross-region sales is identified by us, we may impose penalties on the non-compliant distributors including warnings, liquidated damages, and termination of their distribution agreements, based on the severity of such violations. As confirmed by the Internal Control Consultant, it did not discover any material deficiencies during the internal control reviews relating to our distributorship management. Based on the above, our Directors believe that these measures are effective in respect of management of material cannibalisation risks during the Track Record Period. Based on the independent due diligence conducted, nothing material has come to the attention of the Sole Sponsor that would cast its doubt on the Directors' view in relation to effectiveness of the Group's internal control measures to manage the cannibalisation risks among its distributors.

- ○ ***Manage regional distributors***: We only have direct contract with our distributors, which will further distribute our products to their sub-distributors. We generally do not enter into agreements with the sub-distributors. Thus we largely rely on our distributors to manage their sub-distributors' activities and to monitor the performance of such sub-distributors. According to our distribution agreements with our offline distributors, they must satisfy minimum sub-distributor requirements, and expand their sub-distributor network to enhance our product coverage. If we notice any abnormal performance or non-compliance of a sub-distributor, we will require the corresponding distributors to take necessary action to rectify their sub-distributor's activities.

- ○ ***Inventory control***: Generally, our distributors are not allowed to return products to us once they have purchased them, except in exceptional circumstances, such as product defects. We do not impose minimum purchase thresholds on our distributors when they place orders with us, which allows our distributors to order products based on their actual sales capabilities, and prevents them from overstocking their inventory. We have implemented a code tracking system to oversee and monitor the inventory of our distributors and detect unauthorized cross-region sales. In China, each of our products bears a unique code and installation card, which serves to demonstrate product authenticity, indicate the authorized sale jurisdiction, and provide instructions for the installation process. By checking the product code, we are able to detect any instances of unauthorized cross-region sales. Furthermore, by reviewing the installation cards reported by our distributors, we are able to closely monitor the sales of our products to end consumers and the installation status of our products. We conduct regular on-site visits, including reviewing the size of inventory, with our distributors, and discuss with them to have understanding of their sales performance. We also provide huge support to our distributors by taking measures to help them destock slow-moving products, such as conducting promotional campaigns.

Branding and Marketing

Brand Building

We aim to build our branding strategy on solid foundations, establishing a stable and unified brand image and reputation.

We adopt a customer-centric marketing approach based on our high-quality products. We develop a deep understanding of our customers, conduct consumer behavior studies, and craft precise marketing strategies. For example, we customize our marketing tactics based on specific market characteristics and distribution channels. Factors such as ease of product installation and simplicity of maintenance are meticulously considered in different regions. We also leverage feedback received from our sales channels and information collected through our digital platforms to identify potential customers and use targeted product and brand image marketing activities in our core markets to promote those brands and products.

We strive to maintain an innovative brand positioning with an expanded market presence, delivering products and experiences that embody superiority and exclusivity. Alongside our master brand AUX's extensive operation over the years, we have also developed additional brands, such as "Hutssom" (華蒜) and "AUFIT," and introduced premium brands such as ShinFlow to achieve broader global consumer coverage.

We seek to associate our brands with reliable image and positive lifestyle by providing our products to reputable institutions and events. For example, we are the official exclusive supplier of air conditioners for the 19th Asian Games in Hangzhou. Additionally, for over a decade, our products have been selected as the official choice for China's polar expeditions, supporting scientific research vessels in their successful voyages and ensuring the seamless completion of their missions. These collaborations not only underscore our commitment to excellence in extreme environments but also enhance our brand recognition. Furthermore, our sponsorship of a major tennis open event has emphasized our Company's youthful brand image, aligning our brand with active and vibrant lifestyles.

We are dedicated to cultivating a consistent and deeply rooted brand image across our markets. For example, we provide our distributors with dedicated assistance in selecting strategic store locations and renovating their showrooms. We also deliver thorough training programs for their sales personnel. This not only fosters a cohesive brand experience in-store, but also elevates the quality of our sales services. In addition, we have designed and consistently deployed our own cartoon character mascot. These deeply ingrained brand visuals enable consumers to form a stable and recognizable association with us, transcending regional boundaries.

Market Initiatives

We emphasize the integration of online and offline channels, with a focus on enhancing user engagement, driving traffic and enhancing brand awareness and reputation.

We conduct various marketing activities by revitalizing media resources and disseminate through multiple channels such as trade fairs, media intermediaries, recommendations from industry associations, industry forums, and our own website. We have been able to generate significant media coverage of our brand and products benefiting from our effective marketing strategies. We annually organize "AUX Fan Festival" event, where we collaborate with e-commerce platforms and KOLs to introduce and promote our products. We also proactively engage in shopping festivals hosted by leading e-commerce platforms. This participation not only enhances our visibility but also drives substantial growth in our sales volume.

We partner with reputable KOLs who use and endorse our products through short videos, posts, or live-streaming sessions on popular social media platforms. These endorsements resonate with their followers and enhance our brand's visibility and credibility. Our KOL partners are carefully selected based on their expertise, influence, and alignment with our brand values. By leveraging their marketing perspectives and creative content, we can reach a wider audience and foster a deeper connection with our target consumers.

We are also committed to executing more targeted and effective offline marketing initiatives. In recent years, we have increasingly adopted a community-based marketing approach, which enables us to design tailored marketing content informed by detailed consumer profiling.

Beyond encouraging our distributors to participate in our centralized marketing campaigns and providing them with standardized marketing materials, we also offer sales rebates to incentivize them to further promote our products and independently conduct their own localized marketing activities. Instead of cash payouts, these rebates are generally applied as credits towards subsequent purchases by the respective distributor. The actual rebate amounts can vary significantly over time and across different policies, depending on factors such as market conditions, seasonality, competitive dynamics, and the nature of the underlying products.

In recent years, we have established sales companies and local teams in overseas markets such as Malaysia, Thailand, the U.S., the UAE, Vietnam and Saudi Arabia, strategically laying the groundwork for our global sales network. These sales companies and local teams are responsible for executing local marketing activities and overseeing local partners and distributors to conduct marketing campaigns in accordance with our internal policies and guidance.

Pricing

Our pricing policy varies among different areas, considering factors such as the market maturity, penetration rate, spending power, competition landscape and cost of sales. We usually provide pricing policy suggestion to our distributors for their reference. Through our digitized and intelligent internal systems, we can accurately calculate product costs, identify target customer preferences and assess sales channel trends, which enable us to offer competitive pricing strategies.

MAJOR CUSTOMERS

During the Track Record Period, our five largest customers were mainly distributors and ODM customers. Our revenue from the largest customer in each year/period during the Track Record Period accounted for 9.6%, 7.9%, 7.5% and 6.3% of the total revenue for the respective periods. Our revenue from the five largest customers in each year/period during the Track Record Period accounted for 18.3%, 17.5%, 18.9% and 18.1% of the total revenue for the respective periods. For a substantial portion of our sales of products in China, we generally require full payment before delivery of goods. Depending on the credit history of our overseas customers and their transaction amount with us, we generally collect a certain amount of deposits from them. We generally allow flexibility by offering a credit period of 30 to 120 days for the remaining amount.

The following tables set out certain details of our five largest customers in each year/period of the Track Record Period.

For the three months ended March 31, 2025

Rank	Customer	Approximate transaction amount	% of our total revenue	Background	Relationship since
		(RMB'000)	%		
1. . .	Customer A(1)	593,142	6.3%	Affiliates of a China-based leading e-commerce platform	2011
2. . .	Customer B(2)	465,192	5.0%	Affiliates of a Brazil-based company dedicated to the production and distribution of consumer and industrial equipment	2013
3. . .	Customer C(3)	262,380	2.8%	Affiliates of a UAE-based brand developer and distributor of consumer electronics and home appliances	2012
4. . .	Customer D	196,756	2.1%	An Jordan-based company specializing in the import of household appliances	2018
5. . .	Customer E(4)	172,383	1.8%	Affiliates of a Vietnam-based air conditioner system supplier	2020
	Total	**1,689,853**	**18.1%**		

For the year ended December 31, 2024

Rank	Customer	Approximate transaction amount	% of our total revenue	Background	Relationship since
		(RMB'000)	%		
1. . .	Customer A(1)	2,234,786	7.5%	Affiliates of a China-based leading e-commerce platform	2011
2. . .	Customer B(2)	1,126,926	3.8%	Affiliates of a Brazil-based company dedicated to the production and distribution of consumer and industrial equipment	2013
3. . .	Customer F	977,939	3.3%	A Mexico-based company specializing in household appliances	2016
4. . .	Customer C(3)	708,054	2.4%	Affiliates of a UAE-based brand developer and distributor of consumer electronics and home appliances	2012
5. . .	Customer E(4)	590,254	2.0%	Affiliates of a Vietnam-based air conditioner system supplier	2020
	Total	**5,637,959**	**18.9%**		

For the year ended December 31, 2023

Rank	Customer	Approximate transaction amount	% of our total revenue	Background	Relationship since
		(RMB'000)	%		
1. . .	Customer A[(1)]	1,962,345	7.9%	Affiliates of a China-based leading e-commerce platform	2011
2. . .	Customer E[(4)]	711,006	2.9%	Affiliates of a Vietnam-based air conditioner system supplier	2020
3. . .	Customer G[(5)]	578,859	2.3%	Affiliates of a China-based trading and service platform	2015
4. . .	Customer F	559,783	2.3%	A Mexico-based company specializing in household appliances	2016
5. . .	Customer H[(6)]	534,843	2.2%	A China-based company engages in sales of air conditioner and other home appliance products	2023
	Total	**4,346,836**	**17.5%**		

For the year ended December 31, 2022

Rank	Customer	Approximate transaction amount	% of our total revenue	Background	Relationship since
		(RMB'000)	%		
1. . .	Customer A[(1)]	1,870,936	9.6%	Affiliates of a China-based leading e-commerce platform	2011
2. . .	Customer C[(3)]	459,387	2.4%	Affiliates of a UAE-based brand developer and distributor of consumer electronics and home appliances	2012
3. . .	Customer G[(5)]	458,164	2.3%	Affiliates of a China-based trading and service platform	2015
4. . .	Customer I[(7)]	413,279	2.1%	Affiliates of a China-based company engages in the sales of household appliances	2018
5. . .	Customer F	371,383	1.9%	A Mexico-based company specializing in household appliances	2016
	Total	**3,573,148**	**18.3%**		

Notes:

(1) Customer A comprises five companies, all of which are affiliates of the same party established in the PRC. Transactions with Customer A is presented on group basis.

(2) Customer B comprises three companies, all of which are affiliates of the same party established in Brazil. Transactions with Customer B is presented on group basis.

(3) Customer C comprises two companies, both of which are affiliates of the same party established in the UAE. Transactions with Customer C is presented on group basis.

(4) Customer E comprises five companies, all of which are affiliates of the same party established in Vietnam. Transactions with Customer E is presented on group basis.

(5) Customer G comprises 12 companies, all of which are affiliates of the same party established in the PRC. Transactions with Customer G is presented on group basis. The current legal representative of one of these companies previously served as the general manager of one of our subsidiaries. To the best of our knowledge, the ultimate beneficial owner of such customer had no past or present relationships with our Company or our subsidiaries, our Controlling Shareholders, Directors, or senior management, or any of their respective associates, other than their role as our customers.

(6) The current legal representative of Customer H previously served as the general manager of one of our subsidiaries. To the best of our knowledge, none of the director and ultimate beneficial owner of such customer had any past or present relationships with our Company or our subsidiaries, our Controlling Shareholders, Directors, or senior management, or any of their respective associates, other than their role as our customers.

(7) Customer I comprises six companies, all of which are affiliates of the same party established in the PRC. Transactions with Customer I is presented on group basis.

To the best of our knowledge, none of our Directors, their respective associates or any shareholder who owned more than 5% of our issued share capital of our Company as of the Latest Practicable Date, had any interest in any of our five largest customers in each year/period during the Track Record Period.

AFTER-SALES SERVICES

We recognize the importance of high-quality after-sales services in driving customer satisfaction and loyalty. We aim to provide high-quality and comprehensive after-sales services to improve customer satisfaction and build strong relationships with our customers, which will in turn enhance customer loyalty and drive business growth.

To support the sale of our air conditioners, we maintain a comprehensive service network. As of March 31, 2025, our after-sales service network comprises over 5,100 points worldwide. We have established an after-sales service team for most of our overseas sales companies that have commenced operations. Our service personnel are required to meet strict service standards, and their performance is regularly monitored and evaluated. We also provide components to our overseas distributors and ODM customers as part of our after-sales services.

Under our general terms and conditions of sale and in accordance with industry practice, we typically provide a limited warranty on our products providing for the return, repair or replacement of defective items or a credit with respect to amount paid for such items. While the terms of the warranties provided by us differ depending on the type of products, customer and geographic market, they generally range from one to six years. We provide a range of after-sales services, including installation, repair, maintenance and replacement of our air conditioning products. These services are delivered at the point of sale, in person through home visits, in service centers, over the phone and, increasingly, over intelligent platform features. To ensure the quality of our services, we have implemented a robust service quality control system. This includes regular review, customer feedback mechanisms and continuous improvement initiatives. Our customers can reach us through various channels, including our dedicated customer service hotline, email and online platform. We strive to respond to customer inquiries and concerns in a timely and professional manner. Over 90% of our customers' installation and repair requests are responded to within 24 hours.

MANUFACTURING AND PRODUCTION

Production Facilities

As of the Latest Practicable Date, we had established five production bases and were in the process of preparation for two more facilities.

Our five established production bases comprise four production bases for the manufacturing of air conditioners, and one production base for the manufacturing of compressors. Our four production bases for the manufacturing of air conditioners are in Ningbo, Nanchang, Ma'anshan and Thailand, strategically designed to support our expansive global operations and meet the increasing demands of the overseas market. These facilities collectively encompass an aggregate area of approximately 2,940,000 square meters, ensuring robust capacity for efficient manufacturing of our high-quality air conditioner units. We have completed the construction of the phase I of our Wuhu factory, which has commenced the operation and mass production of compressors, a core component for our products, in June 2025. We own all land use rights to and factories of these production bases. We are currently establishing a manufacturing factory in Zhengzhou to be primarily used for production of our household air conditioners, and have also commenced construction of a new factory in Ningbo to serve the expanding needs of our overseas markets.

The following images set forth our four production bases for the manufacturing of air conditioners.

Ningbo factory

Ma'anshan factory

Nanchang factory

Thailand factory

At the core of our production network is the Ningbo integrated research and production base. This state-of-the-art facility serves as the central hub for both R&D as well as manufacturing, fostering continuous synergy between innovative design and scalable production processes. The Ningbo base is pivotal in driving our technological advancements and maintaining stringent quality standards.

Complementing our core facility, the Nanchang and Ma'anshan production bases play crucial roles in supporting our global supply. These sites are instrumental in fulfilling worldwide demand, equipped with advanced manufacturing technologies and efficient logistics systems. By leveraging these strategically located bases, we ensure timely delivery and maintain the highest levels of quality across all our international markets. The Nanchang and Ma'anshan production bases enhance our ability to respond swiftly to market fluctuations and customer needs, reinforcing our position as a reliable global air conditioner provider.

The Thailand production base is located near Pattaya, and marks the commencement of our overseas capacity layout, which is designed to optimize localized manufacturing, reducing lead times and increasing operational efficiency. This facility not only strengthens our presence in the Southeast Asian market but also serves as a springboard for further international expansion. As of the Latest Practicable Date, our Thailand production base primarily fulfilled orders from Southeast Asian and North American markets. During the Track Record Period and up to the Latest Practicable Date, our Thailand production base experienced no material disruptions and was not materially affected by any trade or political tensions.

We collaborate with Panasonic regarding the research and production of compressor, which is a core component for our products. The phase I of our Wuhu factory has commenced the operation and mass production of compressors in June 2025.

We are currently establishing a manufacturing factory in Zhengzhou. The construction of our Zhengzhou factory is anticipated to be completed in 2026, and this factory is expected to be primarily used for production of our household air conditioners. We have also commenced construction of a new factory in Ningbo to serve the expanding needs of our overseas markets. As of the Latest Practicable Date, we had obtained the relevant government approvals for the commencement of construction of this new facility and had commenced its construction.

As of the Latest Practicable Date, we owned all of the machinery and equipment used in our production processes, mainly including stamping machines, plastic injection machines, insertion machines, assembly lines and ancillary equipment. To our Directors' best knowledge, the life span of our manufacturing machinery and equipment is approximately three to ten years, and as of the Latest Practicable Date, our major machinery and equipment had been in operation for approximately one to ten years. We perform routine and preventative maintenance on our manufacturing machinery and equipment to ensure their proper functioning. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material interruption to our production process due to machine or equipment failure.

Production Capacity

The following table sets forth the designed capacity, production volume and capacity utilization for each major product segment during our Track Record Period:

	For the year ended December 31,									For the three months ended March 31,		
	2022			2023			2024			2025		
	Designed Capacity	Production Volume	Utilization Rate(1)	Designed Capacity	Production Volume	Utilization Rate(1)	Designed Capacity	Production Volume	Utilization Rate(1)	Designed Capacity	Production Volume	Utilization Rate(1)
	('000)		%	('000)		%	('000)		%	('000)		%
Household air conditioners	17,000	10,823	63.7	17,000	14,297	84.1	21,000	19,177	91.3	5,750	5,392	93.8
Central air conditioners	1,800	929	51.6	1,800	1,363	75.7	2,133	1,933	90.6	533	442	83.0
Total	**18,800**	**11,752**	**62.5**	**18,800**	**15,661**	**83.3**	**23,133**	**21,110**	**91.3**	**6,283**	**5,834**	**92.9**

The following table sets forth the designed capacity, production volume and capacity utilization for each manufacturing facility during the Track Record Period:

	For the year ended December 31,									For the three months ended March 31,		
	2022			2023			2024			2025		
	Designed Capacity	Production Volume	Utilization Rate[(1)]	Designed Capacity	Production Volume	Utilization Rate[(1)]	Designed Capacity	Production Volume	Utilization Rate[(1)]	Designed Capacity	Production Volume	Utilization Rate[(1)]
	('000)		*%*	*('000)*		*%*	*('000)*		*%*	*('000)*		*%*
Ningbo . . .	10,300	5,960	57.9	10,300	7,991	77.6	10,633	9,352	87.9	2,783	2,632	94.6
Ma'anshan. .	3,000	2,897	96.6	3,000	2,914	97.1	6,000	5,831	97.2	1,875	1,702	90.8
Nanchang . .	5,000	2,744	54.9	5,000	4,598	92.0	6,000	5,445	90.7	1,500	1,376	91.7
Thailand . .	500	151	30.2	500	158	31.6	500	482	96.4	125	123	98.7
Total	**18,800**	**11,752**	**62.5**	**18,800**	**15,661**	**83.3**	**23,133**	**21,110**	**91.3**	**6,283**	**5,834**	**92.9**

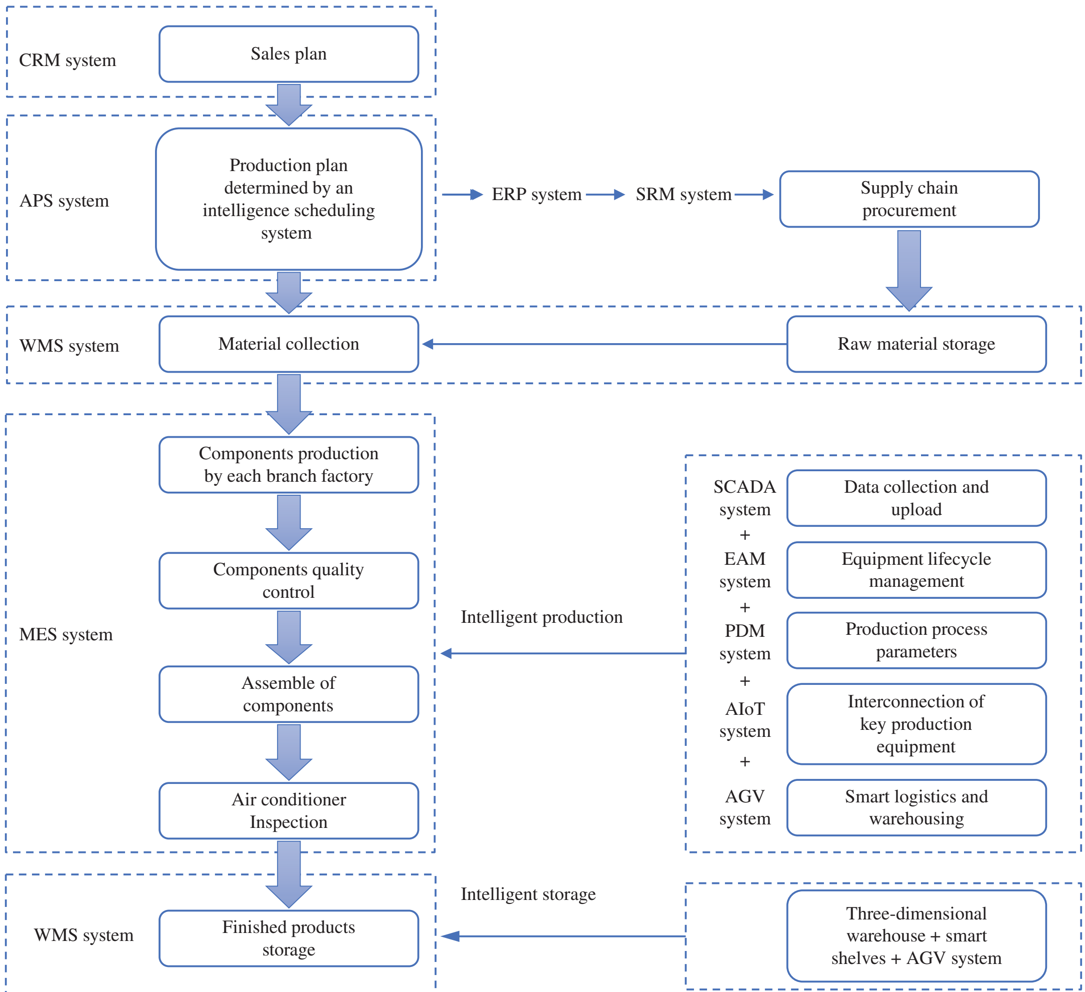
Notes:

(1) The utilization rate equals to the production volume divided by the designed capacity during the same period.

The utilization rate of our manufacturing facilities, especially our manufacturing facilities in Ningbo, Nanchang and Thailand, increased in 2023, 2024 and the three months ended March 31, 2025, mainly due to increased consumer demand for our products, driven by enhanced product competitiveness from our continued innovation and upgrades, as a result of which the production volume increased.

Production Process

The following diagram illustrates the production process for our air conditioners:



Intelligent Production

In response to the rapidly evolving market dynamics and the increasingly stringent demands of our consumer, we have proactively implemented a comprehensive strategy focused on the digitization of the entire production manufacturing chain. This strategic initiative underscores our commitment to transforming traditional production lines through intelligent upgrades and innovative practices, thereby enhancing operational efficiency and product quality.

Leveraging cutting-edge Supervisory Control and Data Acquisition (SCADA) systems, we have achieved over 90% automatic data acquisition across critical production stages, including production progress, workshop operations, quality inspections, equipment status, and material handling. This sophisticated data integration enables real-time monitoring and automated traceability of essential production metrics such as product quality control, equipment performance, and process execution. Furthermore, our key equipment boasts a 100% CNC rate, ensuring precise and reliable manufacturing processes that adhere to the highest standards of quality and consistency.

Our commitment to digital transformation is further exemplified by the establishment of a robust production information system, centered around the integration of Systems Applications and Products (SAP), Manufacturing Execution Systems (MES), Advanced Planning and Scheduling (APS) and Warehouse Management Systems (WMS). This interconnected framework seamlessly bridges multiple information flows across sales, supply chain, research and development, and warehousing departments, facilitating data exchange and coordinated operations throughout all functions. By enabling intelligent scheduling through the APS system, automating material handling via the WMS system, and tracking production progress through the MES system, we ensure a transparent and efficient production workflow. Additionally, real-time monitoring and exception management facilitate prompt responses to anomalies, while comprehensive data visibility from planning to shipment significantly enhances our production management efficiency.

Our "One Flow" lean production layout exemplifies our dedication to optimizing the entire manufacturing process, ensuring that every component — from production and assembly to logistics and warehousing — operates without interruption. This is achieved through the integration of five key categories of intelligent production equipment: CNC machine tools, industrial robots, smart sensors and control systems, intelligent testing and assembly machinery, and advanced logistics and warehousing solutions. These technologies collectively fortify our manufacturing capabilities, enabling us to maintain a competitive edge in the production domain by enhancing precision, reducing waste, and streamlining operations.

Leveraging our intelligent production framework, we adopt Lights-Out Factory in our injection molding process, where the entire lifecycle from raw materials to finished products is seamlessly automated. This comprehensive process, encompassing production, storage, inter-process transfer, and quality inspection, is primarily executed by advanced intelligent robots or highly specialized automated equipment, meticulously following precise system instructions. Our Lights-Out Factory represents our strategic transition from labor-intensive manufacturing to cutting-edge intelligent manufacturing. By leveraging the most cutting-edge technological innovations, we have achieved improvements in production efficiency and product reliability.

High-precision industrial robots are deployed to handle a wide range of tasks, ensuring consistent quality and minimizing the potential for human error. Advanced systems analyze real-time production data to optimize workflows, predict maintenance needs, and enhance overall operational efficiency. The intelligent management not only reduces downtime but also extends the lifespan of our equipment. The integration of IoT connectivity facilitates comprehensive monitoring of machine performance, environmental conditions, and material usage throughout the production process. Smart sensors and connected devices gather and transmit data continuously, enabling real-time adjustments and informed decision-making to maintain optimal production conditions.

By automating critical manufacturing processes, we achieve higher levels of precision and consistency, resulting in superior product quality and reduced waste. The scalability and flexibility of these unmanned facilities allow us to expand our production capabilities efficiently, accommodating fluctuating demand and specific manufacturing constraints. Additionally, minimizing human intervention reduces labor costs and mitigates risks related to labor shortages and operational disruptions, thereby enhancing our overall cost-efficiency and operational resilience.

We have incorporated advanced energy management systems to optimize energy usage across our facilities, which allows us to reduce consumption, lower operational costs, and contribute to our overarching sustainability goals by minimizing the environmental impact of our manufacturing processes.

Through our intelligent production strategy, advanced automation, comprehensive digital transformation and lean manufacturing practices, we are well-positioned to meet the challenges of a dynamic market environment. These initiatives not only enhance our production efficiency and product quality but also reinforce our commitment to innovation and excellence.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

Materials, Parts and Components

We are committed to enhancing production efficiency and advancing intelligent manufacturing through the establishment of a platform-based R&D system and the launch of our proprietary "Smart AUX" series platforms. This strategic initiative allows us to optimize our manufacturing processes by standardizing materials, integrating structural designs, and modularizing product components. Through the implementation of material standardization, structural integration, and design modularity, we have optimized our production workflows and enhanced the efficiency of raw material utilization. These efficiencies enable us to lower production costs, deliver high-quality products at competitive prices, and maintain robust profit margins.

Our products are composed of essential raw materials and components that ensure superior performance and reliability. The raw materials and components we mainly use in our manufacturing process include copper, aluminum, steel, plastic, compressors and motors. We meticulously select and source these raw materials and components from reputable suppliers who adhere to our stringent quality standards. During the Track Record Period, we primarily sourced raw materials and components from China. By fostering strong relationships with our suppliers and implementing rigorous quality control measures, we ensure the integrity and consistency of our components throughout the supply chain. This commitment to high-quality sourcing is pivotal in delivering products that meet and exceed customer expectations while supporting our sustainability and cost-efficiency goals.

Additionally, we collaborate with Panasonic regarding the research and production of compressor, which is a core component for our products. As the essential components of our air conditioners, this initiative will allow us to establish a robust foundation for delivering high-quality products while effectively mitigating risks associated with material supply uncertainties.

Supplier Management

A stable and reliable supply chain system is paramount to the effective production management and cost control within the air conditioner industry. We are committed to establishing a "high efficiency, low cost and high quality" supply chain management framework. We have developed a supplier accreditation system and material procurement strategy, fostering long-term and robust partnerships with premier suppliers. By supporting our core suppliers and embracing a foundation of mutual growth, we optimize costs while ensuring superior supply efficiency and quality.

We have successfully digitalized the entire supply chain process, encompassing sales demand forecasting, production planning, order issuance, supplier order acceptance, shipment, material warehousing, and financial settlements. This comprehensive integration enables end-to-end information and digital management. Utilizing our SRM system, we achieve seamless data interconnectivity with supplier systems and facilitate shared planning initiatives. On one hand, we automatically share raw material demand plans — monthly, weekly, and daily — with suppliers for preliminary evaluation. On the other hand, real-time visibility into supplier inventories and in-transit materials within our SRM system significantly enhances turnover efficiency and resource integration. This digital synergy allows for strategic planning and effective inventory management, driving overall supply chain excellence.

In our pursuit of cost efficiency, we have developed a multifaceted cost estimation model that incorporates raw material market prices, production utilization data, and disassembly analysis. This model is continually refined through benchmarking within the industry and across different sectors, ensuring our pricing strategies remain competitive and accurate. Additionally, we actively participate in industry exhibitions and technical exchanges to gather insights on emerging technologies, novel materials, and innovative processes. Collaborating closely with our R&D teams and suppliers, we continually enhance product designs, improve manufacturing processes, integrate new materials, and elevate automation levels. These continuous improvements enable us to consistently optimize production costs without compromising on quality.

Ensuring the highest standards of supply quality is a cornerstone of our supplier management strategy. We provide comprehensive support to our suppliers, including specialized assistance and on-site support, to facilitate their holistic improvement in management practices, efficiency enhancements, cost reductions, quality control, and production processes. This collaborative approach not only strengthens our suppliers' capabilities but also elevates their supply capacity and efficiency, ensuring the delivery of superior products. By fostering an environment of mutual growth and cooperation, we establish a new paradigm of win-win partnerships, thereby guaranteeing the consistent quality and reliability of our supply chain.

Major Suppliers

During the Track Record Period, our suppliers primarily included raw material and component suppliers. Our purchase amount from the largest supplier in each year/period during the Track Record Period accounted for 16.8%, 14.1%, 13.8% and 12.3% of the total cost of sales for the respective periods. Our purchase amount from the five largest suppliers in each year/period during the Track Record Period accounted for 31.8%, 28.8%, 33.3% and 26.6% of the total cost of sales for the respective periods. We believe that we have good relationship with our major suppliers. For supplier who grant us a credit period, the typical term is ranging from 30 days to 90 days.

To the best of our knowledge, none of our Directors, their respective associates or any shareholder who owned more than 5% of our issued share capital of our Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers in each year/period during the Track Record Period.

The following tables below set out the details of our five largest suppliers in each year/period of the Track Record Period.

For the three months ended March 31, 2025

Rank	Supplier	Approximate transaction amount	% of our total cost of sales	Background	Relationship since
		(RMB'000)	%		
1. . .	Supplier A[(1)]	906,542	12.3%	Affiliates of a China-based electrical appliance manufacturer	2012
2. . .	Supplier B[(2)]	367,222	5.0%	Affiliates of a China-based company primarily invests in technology development industrial projects	2012
3. . .	Supplier C[(3)]	287,751	3.9%	Affiliates of a China-based company primarily engages in raw material production	2018
4. . .	Supplier D	217,727	3.0%	A China-based company primarily supplies copper and copper-related products	2012
5. . .	Supplier E	185,900	2.5%	A China-based company primarily sells copper products, new conductor materials and aluminum-based materials	2012
	Total	**1,965,142**	**26.6%**		

For the year ended December 31, 2024

Rank	Supplier	Approximate transaction amount	% of our total cost of sales	Background	Relationship since
		(RMB'000)	%		
1. . .	Supplier A[(1)]	3,251,493	13.8%	Affiliates of a China-based electrical appliance manufacturer	2012
2. . .	Supplier B[(2)]	1,485,508	6.3%	Affiliates of a China-based company primarily invests in technology development industrial projects	2012
3. . .	Supplier C[(3)]	1,206,322	5.1%	Affiliates of a China-based company primarily engages in raw material production	2018
4. . .	Supplier F	951,682	4.0%	A China-based company primarily engages in the sale of compressors and related products	2014
5. . .	Supplier E	934,523	4.0%	A China-based company primarily sells copper products, new conductor materials and aluminum-based materials	2012
	Total	**7,829,529**	**33.3%**		

For the year ended December 31, 2023

Rank	Supplier	Approximate transaction amount	% of our total cost of sales	Background	Relationship since
		(RMB'000)	%		
1. . .	Supplier A(1)	2,737,231	14.1%	Affiliates of a China-based electrical appliance manufacturer	2012
2. . .	Supplier C(3)	844,491	4.4%	Affiliates of a China-based company primarily engages in raw material production	2018
3. . .	Supplier G	697,021	3.6%	A China-based company primarily supplies copper and copper-related products	2012
4. . .	Supplier B(2)	667,897	3.4%	Affiliates of a China-based company primarily invests in technology development industrial projects	2012
5. . .	Supplier F	644,276	3.3%	A China-based company primarily engages in the sale of compressors and related products	2014
	Total	**5,590,915**	**28.8%**		

For the year ended December 31, 2022

Rank	Supplier	Approximate transaction amount	% of our total cost of sales	Background	Relationship since
		(RMB'000)	%		
1. . .	Supplier A(1)	2,580,946	16.8%	Affiliates of a China-based electrical appliance manufacturer	2012
2. . .	Supplier C(3)	638,106	4.1%	Affiliates of a China-based company primarily engages in raw material production	2018
3. . .	Supplier B(2)	562,241	3.7%	Affiliates of a China-based company primarily invests in technology development industrial projects	2012
4. . .	Supplier G	562,135	3.7%	A China-based company primarily supplies copper and copper-related products	2012
5. . .	Supplier E	550,316	3.6%	A China-based company primarily sells copper products, new conductor materials and aluminum-based materials	2012
	Total	**4,893,746**	**31.8%**		

Notes:

(1) Supplier A comprises four companies, all of which are affiliates of the same party established in the PRC. Transactions with Supplier A is presented on group basis.

(2) Supplier B comprises five companies, all of which are affiliates of the same party established in the PRC. Transactions with Supplier B is presented on group basis.

(3) Supplier C comprises two companies, both of which are ultimately controlled by the same Chinese individual. Transactions with Supplier C is presented on common controlling party group basis.

Quality Control

We believe that our brands are valued by customers for their high quality and that product quality is essential to maintaining our competitive position. Highly reliable, quality products foster consumer satisfaction and confidence in our brand name, which in turn encourages brand loyalty and solidifies our position as a reputable air conditioner provider.

Accordingly, we maintain rigorous quality assurance policies and processes to ensure that our products conform to product specifications and industry standards. All of our products undergo strict internal quality assurance sample tests, from design, manufacture, performance to random sample checks once they are on the market, to ensure compliance with internal requirements and industry standards. We employ advanced testing methodologies, including automated inspection systems and real-time monitoring solutions, to enhance the precision and efficiency of our quality assessments.

We also seek to minimize any elements that could compromise product safety and cause injury, such as electric shock and fire, by extensively testing product usage in simulated real-life settings at laboratories that are certified by international accreditation institutions such as CQC. Additionally, we conduct stress testing and longevity assessments to ensure our products perform reliably under various environmental conditions and usage scenarios. We have obtained various national safety and quality certifications for our air conditioner products, such as China's China Compulsory Certification (CCC), EU's Conformitè Europëenne (CE), Brazil's The National Institute for Metrology, Standardization and Industrial Quality (INMETRO) and Thailand's Thai Industrial Standards Institute (TISI). All of our operating plants have ISO 9001, ISO 14001 and ISO 45001 certificates.

Continuous improvement is a cornerstone of our quality control strategy. We actively seek feedback from customers and conduct regular internal assessment to identify areas for enhancement. We also continuously invest in employee training programs to ensure that our workforce is knowledgeable about the latest quality control techniques and industry standards. Regular training and certification programs enable our staff to maintain high levels of expertise and awareness regarding quality management.

RESEARCH AND DEVELOPMENT

Comprehensive R&D Framework

We are dedicated to fostering a robust R&D environment that drives innovation, enhances product quality, and ensures long-term competitiveness in the air conditioner industry. Our R&D team is vast in scale and well-structured. As of March 31, 2025, we had over 1,600 dedicated R&D personnel, ensuring the maturity and professionalism of our team.

We have established a comprehensive global R&D network with three major centers in Ningbo, Zhuhai and Japan. The Ningbo center serves as our core R&D hub, focused on product development and technology transformation. The Japan center concentrates on exploring frontier fields, particularly central air conditioner systems, including control systems, airflow channels and industrial design. The Zhuhai center specializes in home appliances, inverter technology, simulation and modular technology. Our R&D process strictly follows a full lifecycle management approach, covering every stage from product planning to product retirement. We have established three specialized research institutes, including the Public Technology Research Institute, User Experience Research Institute, and Smart Research Institute, each targeting a different stage of the product development process. These initiatives are instrumental in continuously building our technical capabilities and driving breakthrough innovations.

Our R&D project management system serves as the foundation for managing all new product development and research initiatives. This system delineates clear objectives, standardizes development processes, and assigns specific responsibilities to ensure that every project aligns with our strategic vision. Projects are categorized into various types — such as new product development, cost reduction, quality improvement, and standardization — to address specific business needs and market demands. Each project undergoes a structured approval process, ensuring that only initiatives meeting predefined criteria and strategic importance receive resources and attention. Detailed project classifications and grading systems enable precise workload management, resource allocation, and performance evaluation, thereby optimizing our development capabilities and accelerating time-to-market.

Our strategic R&D objectives focus on creating a pipeline of next-generation products, enhancing operational efficiency, and driving technological breakthroughs. We regularly assess and refine our R&D processes, incorporating feedback from project evaluations and industry best practices. Our R&D efforts not only meet current market demands but also anticipate future trends, solidifying our position as a reputable air conditioner provider.

By integrating these comprehensive R&D practices into our corporate framework, we ensure the continuous evolution of our product offerings, the enhancement of our technological capabilities, and the sustained growth of our business in a dynamic and competitive market. During the Track Record Period, our R&D expenses amounted to RMB397.6 million, RMB566.6 million, RMB710.0 million, RMB123.5 million and RMB128.3 million in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively. We continue to invest in hiring and retaining the best R&D talent to strengthen our R&D capabilities.

Research and Development of Our Products

We have focused our product development on four key factors: efficiency, comfort, health, and intelligence.

- ***Efficiency:*** Efficiency is a vital aspect of our R&D goals. Our compressors are designed to operate seamlessly across a wide frequency range of 1 Hz to 150 Hz, allowing for rapid heating and cooling at high frequencies and precise temperature control at low frequencies. This will allow us to improve efficiency by reducing the rate of the compressor switch from high- to low-frequency mode. Additionally, through technologies such as efficient heat exchange systems and optimized air duct fans, we have further enhanced the performance parameters of condensers, evaporators, and indoor fan blades, resulting in improved overall efficiency for our air conditioners.

- ***Comfort:*** We focused on researching and developing of multi-stage air distribution and high-efficiency air duct fans to ensure comforting and healthy features. By utilizing advanced CFD simulation technology for product design and validation, we have optimized blade designs and air outlet configurations to achieve a wide 165° air distribution angle. By increasing the effective air outlet area, our air guide plate design promotes swift and uniform air distribution throughout the space. The overall innovations enabled us to boost comfort levels while reducing noise.

- ***Health:*** Our innovations on seamless disassembly and deep cleaning of air conditioner cores solution allow for the rapid disassembly and thorough cleaning of air conditioner cores in just 30 seconds through a streamlined 5-step procedure. Our advanced disassembly and cleaning technologies enable after-sales personnel and users to efficiently clean products, addressing key industry challenges and enhancing user satisfaction. In addition, our products are equipped with air supply purification, sterilization, high-temperature disinfection and other health-related functions. As of March 31, 2025, we had over 330 registered patents in relation to our seamless disassembly technologies, and over 740 registered patents in relation to other technologies to improve health metrics.

- ***Intelligence:*** We are dedicated to the R&D of intelligence and interactivity products. To meet diverse voice control needs, we developed the HONN storage-driven offline voice control technology, achieving over 97% recognition accuracy and a 30% improvement in response speed. This technology is designed to accommodate and recognize local dialects effectively. Our Alink distributed centralized control technology addresses complexities within multi-device environments, resolving issues such as delayed commands, feedback discrepancies, monitoring precision, and gateway challenges. We will continue to develop a more comprehensive intelligence design strategy to enhance real-time unit operations across various scenarios, enhancing data accuracy and facilitating widespread intelligent centralized control.

LOGISTICS, TRANSPORTATION AND INVENTORY MANAGEMENT

Our inventory management system is designed to ensure efficient and effective management of our finished products, semi-finished goods, components and raw materials. We maintain a digitalized supply chain that enables us to intelligently manage our inventory levels, match demand and achieve fast inventory turnover. Our inventory turnover days were 62.1 days, 52.2 days, 66.6 days and 67.8 days in 2022, 2023, 2024 and the three months ended March 31, 2025, respectively. According to the F&S Report, our average inventory turnover days during 2022 to 2024 have been below the industry average, demonstrating our ability to manage inventory efficiently.

We categorize our inventory based on product type and characteristics to better control inventory levels. We also monitor inventory levels in real-time to promptly identify and address any inventory anomalies, avoiding overstocking or understocking. Furthermore, we use historical data and market trends to forecast inventory demand, enabling us to better plan inventory levels. We have established long-term relationships with our suppliers to ensure timely delivery of high-quality raw materials and components.

Apart from managing our inventories based on product type, we have also established a comprehensive inventory management protocol for both our domestic and overseas sales. These protocols aim to optimize inventory structure, accelerate inventory turnover, and reduce inventory impairment, while controlling obsolete and defective inventory across our domestic manufacturing sites. We closely monitor key performance indicators including inventory turnover days, risk reserves, total inventory value, and obsolete stock value. By standardizing processes across regions, we maintain efficient inventory control that meets production and sales demands, minimizes operational risks, and enhances overall supply chain responsiveness.

In particular, for domestic sales, our manufacturing finance team in conjunction with the warehouse management team formulates a prudent budget for inventory capital and turnover days in alignment with the annual production, sales, and inventory plan. All departments are required to rigorously manage inventory receipt, dispatch, and storage in accordance with established production organization protocols and receiving schedules. These domestic production bases are required to establish a monthly inventory risk review meeting system, with each production base finance manager organizing and holding an inventory risk review meeting once a month. Our finance team at group level issues monthly inventory control targets annually or semi-annually based on the production-sales coordination and inventory management status of each production base. Each production base must control their inventory according to these targets, and the responsible personnel of each production base are assessed in the following month based on their performance in meeting these targets.

Our overseas warehouse teams are required to maintain accurate records of inventory movements and perform comprehensive monthly self-check for inventories. Meanwhile, the finance and operational teams at group level collaborate on cross-checking by conducting quarterly and semi-annual re-audits of a designated percentage of our inventories, tailored to the locations of the overseas sales companies. Additionally, we prepare inventory discrepancy reports for each quarter.

In addition, our logistics and transportation system is designed to ensure efficient and timely delivery of our products. We utilize automated three-dimensional warehouses and intelligent shelves, leveraging technologies such as radio frequency identification, infrared sensing and laser scanning to obtain material information, achieving transparent warehouse information. We also employ aerial unmanned transportation lines, automated guided vehicle (AGV) systems, and underground waste collection systems to achieve efficient material distribution.

Overall, our inventory management system is designed to ensure that we maintain an optimal inventory level, minimize waste and maximize efficiency, while also providing our customers with timely and reliable delivery of our products.

INTELLECTUAL PROPERTY

As of March 31, 2025, we had obtained over 12,000 registered patents in China and overseas, including over 2,800 invention patents. As of March 31, 2025, we were the registered owner of over 860 registered trademarks, over 50 software copyrights and over 220 domain names in China. As of the same date, we had nine registered trademarks and 15 registered patents in Japan, 12 registered trademarks and seven registered patents in Malaysia, and over 410 registered trademarks and over 50 registered patents in other countries and regions. We had over 160 patent applications pending under the Patent Cooperation Treaty as of the same date.

As of the Latest Practicable Date, our Directors believed that there is no legal impediment for the renewal of the above patents, copyrights, trademarks and domain names that would materially and adversely affect our business. For details, please refer to the paragraph headed "Appendix V — Statutory and General Information — C. Further Information about Our Business — 2. Intellectual Property Rights" in this prospectus.

To safeguard and leverage our intellectual property assets, we have established an intellectual property management framework. This framework is meticulously designed to align with national standards and our strategic business objectives, ensuring that all IP-related activities are systematically managed, protected, and utilized to enhance our competitive advantage in the air conditioner industry.

Our IP management operates within the R&D department, reporting directly to the R&D department head. As of March 31, 2025, our dedicated IP management team comprised nine professionals, with six holding patent agent qualifications and two holding lawyer qualifications. The team is led by a seasoned professional with nearly two decades of IP management experience. To ensure effective implementation of our IP management system, we have also positioned more than 10 part-time IP management supervisors across various R&D teams. Our IP management team works closely with our legal department and engages external law firms as needed for rights protection, litigation coordination, and related matters.

Since 2018, we have continuously enhanced our intellectual property management framework through systematic improvements and refinements. For details, see "— Risk Management and Internal Control" below.

Through the diligent implementation of our intellectual property management framework, we effectively protect our innovative advancements, mitigates IP-related risks, and enhances our competitive edge in the air conditioner market. Our structured approach to intellectual property management not only safeguards our proprietary technologies but also drives ongoing development and delivers long-term value to our stakeholders.

DATA PRIVACY AND PROTECTION

Safeguarding personal information and ensuring the privacy of our employees, customers, and partners is a cornerstone of our business operations. We recognize that our activities involve the collection, processing, and management of personal information, which are critical to our operational success and competitive advantage in the air conditioner industry. To mitigate the inherent risks associated with data handling and to uphold the highest standards of data protection, we have established a comprehensive personal information protection management framework. Before processing personal information, we will show the privacy policy to the subject of the personal information. The Privacy Policy states that we adhere to the principles of legality, legitimacy and necessity in the collection and processing of necessary personal information, ensuring that we have a legitimate reason for such activities. We store personal information only for as long as necessary for the purposes described in the Privacy Policy (unless longer retention is mandated by applicable regulations) and will anonymize or delete personal information the expiration of the retention period.

Our dedicated data protection officer and data protection representatives oversee the implementation and continuous improvement of our data protection policies, ensuring compliance with relevant legal requirements such as the People's Republic of China's Cybersecurity Law, the People's Republic of China's Data Security Law, and the People's Republic of China's Personal Information Protection Law. We employ robust physical, administrative, and technical safeguards to prevent unauthorized access, disclosure, alteration, or destruction of personal information. Access to sensitive information is strictly controlled and limited to authorized personnel based on their roles and responsibilities, thereby minimizing the risk of data leakage.

Employee awareness and adherence to data protection principles are paramount. We conduct regular training sessions and awareness programs to educate our staff on the importance of data privacy, the responsibilities associated with handling personal information, and the procedures for responding to data protection incidents. Additionally, our stringent data processing agreements and confidentiality protocols ensure that third-party partners comply with our high standards of data protection.

In the event of a personal information breach, we have established clear incident response procedures to promptly address and mitigate any potential impact. Our commitment to data protection is unwavering, and we continuously monitor and review our practices to adapt to evolving legal requirements and emerging security challenges.

Through these comprehensive measures, we not only comply with all applicable data protection laws but also builds trust and confidence among our stakeholders by demonstrating our unwavering commitment to protecting personal information and respecting individual privacy. In the opinion of our PRC Legal Advisors, our data processing as described above falls within the scope of the relevant PRC laws and regulations on cybersecurity, data privacy and personal information protection. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material data leakage or loss of data. As advised by our PRC Legal Advisors, we had applied and complied in all material respects with the applicable laws and regulations in relation to cybersecurity, data privacy and protection of personal information during the Track Record Period and up to the Latest Practicable Date. In view of the fact that the legislation and enforcement of data privacy and security in the PRC is still evolving, we will closely monitor further regulatory developments and take appropriate measures in a timely manner.

COMPETITION

The markets that we engage in are highly competitive. Our current and potential competitors include large Chinese and multinational air conditioner providers, as well as local and specialized air conditioner brands. We anticipate that the air conditioner market will continue to evolve and experience changes in technology, industry standards, and customer preferences. To remain competitive, we must continually innovate and improve our products, services, and operations to meet the changing needs of our customers and stay ahead of our competitors.

We believe that we are well-positioned to effectively compete on the basis of the factors listed above. However, some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do. We build our competitive edges and have been dedicated to the expansion of our global presence and the improvement in operating efficiency.

SEASONALITY

Our business is subject to seasonal fluctuations due to the nature of our air conditioners, which are typically in higher demand during warmer months. Additionally, holiday-driven promotions can also impact our sales. As a result, we expect our revenue and profitability to be higher during the peak summer months and lower during the off-peak winter months. While we have implemented various strategies to mitigate the impact of seasonality, such as optimizing our production and inventory management, we still expect to experience some seasonal fluctuations in our results of operations and financial conditions.

EMPLOYEES

The strength and talent of our workforce are critical to the success of our businesses, and we continually strive to attract, develop and retain personnel commensurate with the needs of our businesses in operating environments. As of March 31, 2025, we had a total of 22,408 full-time employees, including 21,792 located in China and 616 located overseas. The following table sets forth the numbers of our employees categorized by function as of March 31, 2025:

Function	Number
Manufacturing	16,066
Research and Development	1,654
Sales	2,375
Administrative	2,313
Total	**22,408**

Sharing our successes with and empowering our employees is a key aspect of our corporate culture. We always strive to provide employees with comprehensive social benefits, a safe work environment and a wide range of career development opportunities. Furthermore, we are 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 our employees and implementing an effective management system to help ensure employee safety and well-being.

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies. We conduct performance evaluation for our employees regularly to provide feedback on their performance. Compensation for our staff typically consists of base salary and a performance-based salary. We decide the base salary of employees based on position value and evaluation performances and decide the performance-based salary based on performance of our Company and the employee. The remuneration distribution shows more consideration for strategic talent and ensures the market competitiveness in the salary of core talent. We make dynamic adjustments to our staff remuneration policy based on various factors, including regional differences, talent supply, staff turnover, changes in the industry and financial conditions of our Company.

We place great emphasis on talent cultivation and promotion. To accelerate employee growth, we have established a comprehensive training system around the different stages of employees' needs, including new employee orientation, job skill training, and leadership development training. We continuously iterate 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, we formulate career development plans for employees, provide dual-track promotions, including professional track and management track, and offer opportunities for internal job rotation.

We typically enter into employment agreements with our employees. We further enter into confidentiality agreements and non-compete agreements with our senior management and core employees. These employees are prohibited from joining companies that compete with us or our affiliates during their employment and for a certain period of time thereafter. We maintain a good working relationship with our employees, and have not experienced any material labor disputes.

Non-compliance of Social Insurance and Housing Provident Funds

As required by laws and regulations in China, we participate in various employee social security plans, including pension insurance, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans. During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for certain of our employees as required by relevant PRC laws and regulations, primarily due to (i) our large labor force with relatively high mobility, (ii) certain employees' unwillingness to bear the full costs associated with social insurance and housing provident fund contributions strictly in proportion to their salaries, and we have provided dormitory space as staff welfare for our employees, and (iii) a number of migrant workers who generally do not participate in the social welfare schemes of the cities where they temporarily reside due to lack of transferability among cities.

Our social security contributions shortfall amounted to approximately RMB1.6 million, RMB3.8 million, RMB12.4 million, and RMB3.2 million in 2022, 2023, 2024 and the three months ended March 31, 2025, respectively, accounting for less than 0.5% of our net profit in each corresponding year, respectively. According to our PRC Legal Advisors, for the shortfall in social security contributions, if the employer fails to pay the contributions in full and on time, and still fails to do so within the period specified by the competent authorities, the relevant authorities may impose a fine of between one to three times the amount of the social security contributions shortfall. Therefore, the maximum potential fine for the social security contributions shortfall during the Track Record Period will be up to RMB63.0 million, accounting for approximately 0.1% of our revenue of during the Track Record Period.

Our housing provident fund contributions shortfall amounted to approximately RMB0.8 million, RMB1.7 million, RMB3.3 million, and RMB0.7 million in 2022, 2023, 2024 and the three months ended March 31, 2025, respectively, accounting for approximately 0.1% of our net profit in each corresponding year, respectively. According to our PRC Legal Advisors, for the shortfall in housing provident fund contributions, if the employer is overdue in paying or underpays the housing provident fund, the competent authorities may order it to pay within a prescribed period. If the employer still fails to do so, it may be subject to compulsory enforcement by the people's court. However, there is no additional penalty potential beyond the requirement to pay the outstanding RMB6.5 million, if and when requested by the competent authorities.

The above-mentioned maximum potential penalties refer to the scenario where we fail to make full payment or settle any shortfall within the specified time limit if and when requested by the relevant authorities. Considering that we will make contribution within the specified time limit if and when requested by the relevant authorities, and we have obtained the written undertaking (see below for details) from Mr. ZHENG Jianjiang, one of our Controlling Shareholders, we are of the view that the likelihood we will be subject to the maximum potential penalties is remote.

Based on confirmations from the relevant social insurance and housing provident fund authorities, the Group had not been subject to any material administrative penalties in relation to these matters during the Track Record Period. Pursuant to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》), local authorities are strictly forbidden to conduct self-initiated collection of historical unpaid social insurance contributions from enterprises.

As further advised by our PRC Legal Advisors, considering the above and the current regulatory environment, the likelihood that we would be subject to a centralized recovery of historical contributions or material administrative penalties is remote. Accordingly, the Directors are of the view that the foregoing matters are unlikely to have any material adverse impact on our business operations or financial performance.

We have adopted the following rectification measures to enhance compliance:

- ***Training***. Strengthen legal compliance training to our employees responsible for compliance matters, finance and human resources;

- ***Policy***. Formulate an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have started to implement;

- ***Review and record-keeping***. Designate our human resources staff to review and monitor the payment status on a monthly basis;

- ***Increasing awareness of development in laws and regulations***. Regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and

- ***External consultation***. Consult external PRC legal counsel for advice on relevant PRC laws and regulations.

We undertake to make full payment or settle any shortfall within a prescribed time period if and when requested by the relevant authorities. One of our Controlling Shareholders, Mr. ZHENG Jianjiang, has provided a written undertaking. In this undertaking, he has committed to voluntarily make any required retrospective payments or additional contributions related to social insurance and housing provident fund discrepancies at our domestic subsidiaries if and when requested by the relevant authorities. He will also bear any administrative penalties or economic losses resulting from such discrepancies if and when requested by the relevant authorities.

INSURANCE

We consider our insurance coverage to be adequate and in accordance with the commercial practices in the industries in which we operate. We have purchased property insurance covering all risks of physical loss, destruction or damage to the inventory of our products and our fixed assets. We have also purchased product liability insurance for some of our products covering certain potential risks and liabilities. We mitigate our credit risks by insuring certain sales to our customers, protecting us from non-payment of commercial debts covering trade receivables.

We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees in China and statutorily required insurance coverage for overseas employees. In addition, we have defined benefit plans for employees of certain overseas companies, providing supplemental retirement benefits beyond the national regulatory insurance system. Our management will evaluate the adequacy of our insurance coverage from time to time and purchase additional insurance policies as needed.

RISK MANAGEMENT AND INTERNAL CONTROL

We recognize 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 of Directors 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.

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.

We employ a systematic approach to risk assessment, utilizing quantitative and qualitative methods to evaluate the likelihood and potential impact of identified risks. This process involves regular risk assessments at both the enterprise and departmental levels, enabling us to prioritize risks based on their significance to our business objectives. Mitigation strategies are tailored to address specific risks, encompassing measures such as diversification of supply chains, implementation of cybersecurity protocols, and establishment of contingency plans for critical operations.

Maintaining compliance with all relevant laws, regulations, and industry standards is paramount to our operations. Our compliance department oversees adherence to regulatory requirements, conducts regular audits, and provides training to employees to ensure awareness and understanding of compliance obligations. We proactively engage with regulatory bodies and participate in industry forums to stay abreast of evolving regulatory landscapes, thereby minimizing the risk of non-compliance and associated penalties.

We have established a comprehensive risk management system that encompasses strategic, operational, financial, and compliance-related risks, such as:

- *Sanctions and export controls*. To comply with applicable sanctions and export controls regulations, we maintain a trade compliance program which includes policies, standard operating procedures, automated control systems, compliance governance organization and an inquiry and reporting mechanism. We have been continually investing resources to enhance the program. During the Track Record Period and up to the Latest Practicable Date, the tariff rates for most of the categories of our products subject to foreign tariffs remained stable. In terms of export control, we currently have production bases in China and Thailand. During the Track Record Period and up to the Latest Practicable Date, we consistently complied with the applicable licensing, documentation and other requirements in accordance with export control rules in jurisdictions we operate and did not encounter any material issue related to export control measures including with respect to obtaining and renewing necessary licenses and fulfilling other requirements, as applicable. During the Track Record Period and up to the Latest Practicable Date, although tariffs and export control policies have been implemented in various overseas markets for products from China, such measures have not had a material impact on our business operations or financial performance. This is primarily because our revenue base is well diversified and not significantly dependent on any single overseas country or region. During the Track Record Period, Mexico was the only overseas market that contributed more than 5% of our total revenue, and revenue generated from the U.S. amounted to less than 2% of our total revenue. During the Track Record Period and up to the Latest Practicable Date, we have not directed, and to the best knowledge of our Directors, are not aware of any instances where our customers in non-U.S. countries have subsequently sold our products to the U.S.. Moreover, tariffs and export control policies in most major overseas markets, including Mexico, remained relatively stable, and changes in U.S. tariffs and export controls over recent years did not materially affect our business given the limited amount of revenue generated from this region. In addition, we have established production bases in mainland China and Thailand, allowing us to flexibly adjust production and delivery locations in response to evolving trade policies. In light of the above, our Directors are of the view, which is concurred by the Sole Sponsor, that the tariffs and export control measures currently in place have no material impact on our business and financial performance. Future developments in geopolitics could have further impacts on our business and financial performance. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We conduct operations worldwide and are exposed to legal, regulatory, political, economic, commercial and other risks in each country in which we operate."

- *Anti-bribery*. We have established a comprehensive anti-bribery framework to uphold ethical business conduct and mitigate integrity risks. Our "Nine Integrity Articles" serve as the foundation of our ethical guidelines and are disseminated through posters, internal meetings, and employee handbooks. We incorporate integrity clauses in agreements with business partners and conduct regular integrity training, with enhanced programs before sensitive periods such as the Spring Festival. New employees must sign an "Integrity Commitment Letter", while disciplinary actions for integrity violations are promptly announced to reinforce awareness. Employees in sensitive roles, such as procurement, finance, and HR, are subject to regular job rotations, with a rotation notice and handover audit required to enhance accountability and reduce risks. Through these measures, we are committed to maintaining the highest standards of professional ethics.

- *Intellectual property management*. Since 2018, we have gradually established a dedicated intellectual property management team to oversee our IP management activities, and have put in place a set of internal policies to govern various aspects of IP management, such as our Patent Management Regulations, Confidentiality Control Procedures, Patent Valuation and Maintenance Procedures, Intellectual Property Dispute Resolution Control Procedures, and Patent Risk Management Control Procedures. Our intellectual property management framework incorporates proactive risk management strategies to identify and mitigate potential risks. For instance, upon identifying potential conflicts in the design of a new air conditioner model, we evaluate the infringement risk and examines product appearance, packaging, and structure at multiple working levels to mitigate patent infringement risks. Based on the evaluation report, we will implement necessary design adjustments to ensure compliance and protect our market position.

  Since 2018, we established a structured reporting mechanism for patent litigation matters. In the event of disputes, our established protocols facilitate timely and effective resolution through administrative and judicial channels. When intellectual property disputes arise, we implement our structured reporting protocol by promptly notifying the R&D department head. Our legal department subsequently takes the lead in assembling and coordinating the litigation response team. Based on our litigation experience, we have developed a comprehensive litigation analysis framework incorporating four assessment matrices since 2020. These include our defense point checklist, infringement assessment matrix, patent stability review chart, and invalidity analysis table. For example, our defense point checklist evaluates five dimensions in patent disputes: standing to sue, non-infringement arguments, infringement exemptions, patent validity status, and compensation defenses. This checklist helps us identify critical issues in patent litigation. This systematic approach has significantly improved our success rate in intellectual property litigations.

To ensure the effective implementation of our intellectual property strategies, we maintain detailed management ledgers and classified archives, updated in accordance with our archival management policies. These records encompass patent management ledgers, copyright management ledgers, and patent value assessment forms. Such documentation ensures that all intellectual property assets are accurately tracked, maintained, and readily accessible for strategic decision-making. In 2024, we took steps to further enhance our risk control processes and tools, including the development of a "Patent Search Control Table" to strengthen our approach. This table provides a structured framework for analyzing relevant factors, such as the number of competitor patents, the range of competitive products and components, as well as the search strategies employed.

We undergo annual certification of our intellectual property management system by qualified third parties to verify our compliance with national standards such as GB/T29490-2023. Additionally, before advancing core projects to production, we engage qualified third parties to conduct comprehensive infringement risk analyses, ensuring proper risk mitigation and freedom to operate.

Our independent internal control consultant has confirmed that our Company's internal control systems are well designed and operational effective. In particular, it has confirmed that the results of the internal control review related to intellectual property infringement risks indicated no findings, demonstrating that our internal control systems and processes are operating effectively and properly designed while the internal control measures are operational effective to mitigate key risks. Our internal control consultant possesses strong expertise in IP management, including policies, procedures (application, licensing, protection), and relevant laws. Their team includes senior specialists with experience in IP audits and identifying risks like unclear rights or infringement. They have a proven track record of advising clients on improving IP management systems, confidentiality, licensing, and strategic planning. This includes implementing tools and databases to minimize infringement risks and avoid legal/commercial disputes. Based on the independent due diligence steps conducted by the Sole Sponsor, including its review of relevant rules and policies under our Company's intellectual property management framework, nothing has come to the attention of the Sole Sponsor that would reasonably cause the Sole Sponsor to disagree with the internal control consultant's view above.

We are dedicated to fostering a culture of continuous improvement in our risk management and internal control practices. Regular internal and external audits are conducted to evaluate the effectiveness of our control measures and identify areas for enhancement. Feedback mechanisms and performance metrics are in place to monitor the efficacy of risk management initiatives, ensuring that our strategies remain responsive to the dynamic business environment. Furthermore, our commitment to building organizational resilience enables us to swiftly adapt to unforeseen challenges, thereby sustaining our operational integrity and competitive advantage. We recognize that, despite having established and maintained internal control policies and procedures to prevent corruption, bribery and fraudulent activities, no system is completely immune to human error or intentional misconduct, especially as our business operations expand. In response, we have further enhanced our anti-corruption framework by strengthening compliance training, upgrading whistle-blowing channels, improving due diligence on counterparties, and increasing audit coverage in high-risk areas. To our Directors' best knowledge, apart from otherwise disclosed in "— Legal Proceedings and Compliance — Bribery Case Relating to a Former Employee of Our Subsidiary," during the Track Record Period and up to the Latest Practicable Date, there have been no bribery cases involving our Group or our Directors.

By integrating these comprehensive risk management and internal control practices into our corporate framework, we ensure the safeguarding of our assets, the integrity of our operations, and the continuous achievement of our strategic objectives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

We are steadfast in our commitment to ESG principles, recognizing that sustainable practices are integral to our long-term success and the well-being of our stakeholders. Our comprehensive ESG framework is meticulously designed to align with global standards and regulatory requirements, ensuring that our operations not only drive business growth but also contribute positively to society and the environment.

As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we had been in compliance with health, work safety and environmental laws and regulations applicable to our operations in all material respects and had not been subject to any material claims, fines or other penalties due to non-compliance with health, work safety or environmental regulations that would materially and adversely affect our business, financial condition or results of operations. By integrating robust governance, environmental stewardship and social responsibility into our core operations, we create lasting value for our stakeholders and uphold our reputation as a responsible and forward-thinking key player in the air conditioner industry.

Governance on ESG Matters

We consider ESG essential to our continuous development and have adopted a set of policies on ESG governance ("**ESG Policies**") to guide our daily operations, which include (i) the appropriate risk governance on ESG matters; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) our ESG governance structure; (iv) our ESG strategy formation procedures; (v) our ESG risk management and monitoring; and (vi) the identification of key performance indicators and mitigating measures. Our Board has the collective and overall responsibility for managing the impact of the material ESG risks and opportunities affecting us, formulating and establishing our ESG-related mechanisms, and reviewing our performance against the ESG objectives on a regular basis and revising the ESG Policies as appropriate if significant deviations from the objectives are identified. Going forward, it is our objective to proactively identify and assess the actual and potential ESG risks that may impact our business, strategy and financial performance, and integrate considerations of ESG issues into our business, strategic and financial planning.

Recognizing the risks and opportunities associated with ESG, we are also dedicated to identifying and addressing these factors through environmental impact assessments and management. We are exploring various measures to mitigate ESG-related risks while striving to balance cost-effectiveness with sustainable development. We are at a preliminary stage of studying the environmental impact of our operations and establishing ESG targets. We intend to implement achievable ESG targets upon the Listing that align with our expansion while minimizing environmental impact and risks. Furthermore, we are committed to fostering a culture of compliance, with a goal to ensure that all employees are well-informed of and adhere to relevant ESG regulations and requirements through cross-departmental collaboration. Our Board discusses and determines the ESG-related risks and opportunities, supervises the review of ESG policies and targets on a regular basis, and escalates certain key ESG proposals as the ESG strategic projects of the year. Our Board and executive leadership are dedicated to fostering an environment of corporate responsibility for our employees, suppliers and distributors.

Environmental Stewardship

Our dedication to environmental sustainability is evidenced by our robust environmental management systems and proactive initiatives aimed at minimizing our ecological footprint. We have achieved ISO 14001 Environmental Management System certification, underscoring our commitment to continuous improvement in environmental performance.

Energy

We actively explore strategies to reduce energy consumption, primarily electricity consumption. For instance, our manufacturing facilities are equipped with photovoltaic and solar energy systems to harness renewable energy sources. We have also adopted intelligent and digitalized internal systems, which allows for comprehensive control and real-time monitoring of energy consumption across our operations.

Water Resources

We focus on water resources issue and actively shoulder the social responsibility of protecting water resources. Municipal water supply networks are the main incoming source of our water supply, and we have not encountered any major difficulties seeking suitable water sources during the Track Record Period. Our water resources were mainly used for daily use in offices and production facilities to support our in-house R&D activities, pilot and mass productions during the Track Record Period.

Emissions

Waste

We have procedures in place for waste management to ensure compliant waste disposal and reduce environmental impact. The waste we produce is divided into hazardous waste, such as chemical waste and liquid, and non-hazardous waste, such as domestic waste from general office operations. Through regular monitoring and third-party evaluations, we ensure that the discharge of wastewater, waste gas and solid waste during the manufacturing and operation process meets the requirements under national and local laws and regulations. We have implemented state-of-the-art pollution control technologies across all our manufacturing facilities in Ningbo, Nanchang, Ma'anshan, and Thailand, effectively managing emissions of particulate matter, SO_2, NOx, VOCs, and other pollutants through advanced filtration, active carbon adsorption, and catalytic oxidation processes. For instance, our Nanchang facility employs a cutting-edge alkaline scrubbing tower capable of processing 270,000 m^3/h of exhaust gases, ensuring compliance with stringent national emission standards.

Greenhouse Gas Emission

Our greenhouse gas emissions primarily include the greenhouse gas emissions from our usage of purchased electricity. In response to the national target of carbon neutrality, we actively focus on reducing the greenhouse gas emissions generated during our operations.

We rely on various metrics to measure the impact of environmental risks, in line with industry standards. These metrics include the number of resources consumed, the amount of wastewater generated, and the amount of hazardous waste generated.

With the expansion of our business and the continuous broadening of our product portfolio, we expect an increase in resource consumption and emissions. However, we remain committed to implementing a wide range of measures to mitigate these impacts. These measures include strengthening source control, implementing cleaner production practices, optimizing resource utilization, ensuring responsible treatment of waste and water discharge, and reducing pollution throughout our processes. Additionally, we are dedicated to fostering a corporate culture of environmental protection and collaborating closely with our business partners to create an ecosystem that promotes environmental sustainability.

Metrics and Indicators

We have also assessed quantitative information that reflects our management of environmental, social and climate-related risks, which includes resource consumption and emissions. Our total greenhouse gas emission in 2024 was 187,811 tonnes of CO_2 equivalent or 0.063 tonne of CO_2 equivalent per RMB10,000 worth of product output. By comparison, the average greenhouse gas emission of selected listed air conditioning companies[1] was 0.051 tonne of CO_2 equivalent per RMB10,000 worth of product output in 2023. Greenhouse gas emissions consists of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the greenhouse gas emissions from our production facilities. Scope 2 energy indirect emissions include the greenhouse gas emissions from usage of purchased electricity. The following table sets forth the information of our resource consumption and emissions during the Track Record Period:

	For the year ended December 31,			For the three months ended March 31,
	2022	**2023**	**2024**	**2025**
Resource Consumption				
Electricity usage (KWh) *(in thousands)*	156,091	198,230	240,653	60,331
Electricity usage intensity[(1)] *('000 kWh/RMB million)*	7.993	7.983	8.087	6.451
Water consumption (tonnes) *(in thousands)*	1,286	1,531	1,820	459
Water consumption intensity[(1)] *('000 tonnes/RMB million)*	0.066	0.062	0.061	0.049
Emissions				
Hazardous waste (tonnes)[(2)]	401	605	2,326	206
Hazardous waste intensity[(1)(2)] *(tonnes/RMB million)*	0.021	0.024	0.078	0.022
Non-hazardous waste (tonnes)	45,038	54,460	71,035	16,674
Non-hazardous waste intensity[(1)] *(tonnes/RMB million)*	2.306	2.193	2.387	1.783
Greenhouse gas emissions (tonnes CO_2 equivalent)	107,704	149,040	187,811	47,914
Greenhouse gas emissions intensity[(1)] *(tonnes CO_2 equivalent/RMB million)*	5.515	6.002	6.311	4.589
Scope 1 (direct emissions)[(3)] (tonnes CO_2 equivalent)	8,388	13,178	20,207	4,954

1 Including four listed leading air conditioning companies, namely Midea Group Co., Ltd., Gree Electric Appliances, Inc. of Zhuhai, Haier Smart Home Co., Ltd., and Hisense Home Appliances Group Co., Ltd.

	For the year ended December 31,			For the three months ended March 31,
	2022	2023	2024	2025
Scope 1 (direct emissions) intensity[1][3] *(tonnes CO_2 equivalent/RMB million)* . .	0.430	0.531	0.679	0.530
Scope 2 (indirect emissions) (tonnes CO_2 equivalent)[4] . .	99,316	135,862	167,603	42,961
Scope 2 (indirect emissions) intensity[1][4] *(tonnes CO_2 equivalent/RMB million)* . .	5.086	5.471	5.632	4.594

Notes:

(1) The amount used as the denominator for calculating intensity is our total revenue for the year/period indicated, in millions of RMB.

(2) The increase in hazardous waste we produced and the corresponding hazardous waste intensity in 2024 was primarily due to the reclassification of aluminum foil waste from non-hazardous waste to hazardous waste according to updated classification standards in certain areas.

(3) The increase in Scope 1 emissions we produced and the corresponding Scope 1 emissions intensity in 2023 and 2024 was primarily due to proactive inventory buildup at our production bases. In anticipation of reaching full production capacity and to safeguard against potential supply shortages, we ramped up manufacturing output, which led to higher on-site fuel consumption and direct emissions.

(4) The increase in Scope 2 emissions we produced and the corresponding Scope 2 emissions intensity in 2023 and 2024 was primarily due to the installation and operation of new environmental protection equipment at our facilities. While these devices are designed to reduce pollutants and improve overall environmental performance, their operation requires additional electricity consumption.

Our resource consumption and emissions generally increased during the Track Record Period, primarily due to our business expansion. In addition, the emissions are largely affected by our production volume.

Quantitative Targets and Implementation Measures

We are determined to enhance the environmental performance of our entire value chain, encompassing office operations, supplier selection, raw material inflow, manufacturing processes and waste management. Our goal is to improve energy efficiency and optimize energy usage to support sustainable business growth, while maintaining alignment with industry standards and best practices. To realize these long-term objectives, we are progressively optimizing production processes, improving energy efficiency, and increasing the proportion of green energy used in our operations.

In setting targets for the concerned metrics, we have taken into account the historical levels during the Track Record Period and have thoroughly and prudently considered our future business expansion with a view to balancing business growth and environmental protection to achieve sustainable development. As we anticipate an increase in the number of employees and the production scale resulting from the expansion of our business operations, we have set a target to maintain our total electricity and water usage at a similar level, ensuring that it does not exceed a 20% increase in 2025 compared to 2024. Based on this, and recognizing that electricity consumption is the primary source of our carbon emissions, we also aim to maintain a similar level of GHG emissions, ensuring that the increase does not exceed 20% in 2025 compared to 2024.

We have established clear targets for green energy adoption and carbon reduction. We plan to raise the proportion of green electricity consumption during our operation and production to 18% by 2025 and further to 30% by 2030 through expanded solar power utilization and energy structure optimization. Specifically, we are in the process of constructing solar power generation facilities in Ningbo, Wuhu, Ma'anshan, and Zhengzhou. The projects in Ningbo and Wuhu are scheduled for completion by the end of 2025. The Ma'anshan project will be built in three phases and is expected to be fully completed by 2026, while the Zhengzhou project is also planned for completion by 2026. Our commitment extends to reducing greenhouse gas emission intensity per unit of production value through enhanced energy efficiency and renewable energy adoption. We are aligned with national climate goals, targeting carbon peak by 2030 and carbon neutrality by 2060.

To implement these targets, we have undertaken several key measures:

- *Solar Power Implementation*: Our solar photovoltaic systems generated over 91,000 MWh of electricity during 2023, 2024 and the three months ended March 31, 2025. We plan to further invest in solar stations to expand our renewable energy capacity.

- *Energy Management Systems*: Our proprietary system spans all manufacturing facilities, enabling real-time monitoring and optimization of energy usage through comprehensive data collection and analysis.

- *Greenhouse Gas Management*: We have established an environmental safety management department that monitors emissions data, conducts industry benchmarking, and refines carbon reduction strategies in alignment with national regulations.

- *Technological Innovation*: Through internal research and external partnerships, we enhance production efficiency and achieve environmental emission targets.

- *Employee Training Programs*: We maintain comprehensive training initiatives focused on energy management and sustainable manufacturing to ensure effective implementation of environmental measures.

Green Transformation Initiatives

We integrate green transformation initiatives across the entire lifecycle of our operations, from design, procurement, and manufacturing to logistics, services and product end-of-life management, aiming to minimize the environmental impact of our business activities. To further strengthen our sustainability efforts, we have implemented rigorous supply chain management and risk assessment mechanisms to identify and address climate-related risks and opportunities. Below are the specific measures and achievements of us in green design, green procurement, green manufacturing, green logistics and services, as well as our approach to green product lifecycle management.

Green Design

In the product design phase, we prioritize safety, environmental sustainability, and socio-economic considerations, with a strong focus on technological innovation to develop, promote, and apply eco-friendly refrigerants. Since 2014, we have systematically advanced the application of eco-friendly refrigerants by optimizing product system design to accommodate the specific characteristics of these refrigerants, ensuring all products meet or exceed national environmental standards. These efforts aim to minimize environmental impact by addressing critical aspects such as preventing refrigerant leakage, enhancing energy efficiency, and ensuring product safety. Our research is guided by principles of safety, environmental responsibility, and economic feasibility, striving to achieve zero ozone depletion potential, low global warming potential, and a balanced cost-benefit approach. Through persistent R&D efforts, we successfully introduced a product line utilizing eco-friendly refrigerants in 2017. Since then, in response to evolving national energy efficiency regulations, we have upgraded our entire product portfolio to incorporate eco-friendly refrigerants, establishing ourselves as a leader in the industry's green transformation.

To ensure product safety and performance, we have implemented innovative measures, including sealed electric control box designs and explosion-proof features for products using flammable refrigerants. Additionally, small-diameter, multi-path heat exchangers have been developed to enhance energy efficiency and reduce energy consumption. To further promote eco-friendly refrigerants, we provide training programs for employees and collaborate with external institutions to raise awareness and encourage adoption.

Green Procurement

We incorporate environmental protection principles into our supply chain management by enforcing stringent controls across supplier selection, evaluation, and management. Suppliers are required to provide certifications, such as ISO 14001 certification, and are prioritized based on their adoption of renewable energy, low-carbon production processes, or circular economy models. Localized procurement is encouraged to reduce carbon emissions from transportation.

In support of our green transformation, we have established dedicated procurement programs to source eco-friendly manufacturing equipment and materials, especially those needed for the application and handling of new refrigerants. Through close collaboration with qualified suppliers and the expertise of specialized teams, we ensure that our procurement activities align with relevant environmental and safety requirements. These practices support the adoption of eco-friendly refrigerants and strengthen the sustainability of our supply chain.

To ensure compliance and innovation, we conduct on-site inspections to evaluate suppliers' environmental measures, such as wastewater treatment facilities and clean energy usage. Suppliers are also required to provide real-time energy consumption and emissions data.

Green Manufacturing

We are committed to reducing waste, pollution, and energy consumption throughout our manufacturing processes by adopting green manufacturing technologies. We have established comprehensive waste management framework for wastewater, waste gas, and solid waste, with regular monitoring and third-party evaluations to ensure compliance with national and local regulations.

To accelerate the industrial application of eco-friendly refrigerants, we initiated a comprehensive green transformation of our manufacturing lines as early as 2014. This included large-scale hardware upgrades, such as the installation of specialized production equipment by professional engineering teams, ensuring the stable and safe operation of upgraded production lines. These efforts have laid a solid foundation for the large-scale adoption of eco-friendly refrigerants across all product categories.

To reduce carbon emissions, we have installed rooftop solar photovoltaic systems at our manufacturing facilities. Additionally, energy-efficient equipment and optimized production processes have been adopted to lower energy consumption per unit. Annual energy audits conducted by third-party agencies further ensure compliance with regulatory standards.

Green Logistics and Services

We extend our environmental initiatives to logistics and services by leveraging technology and optimizing operational efficiency. In logistics, we apply IoT, big data, and intelligent algorithms to optimize warehouse layouts and transportation routes. In services, we recommend high-efficiency air conditioning products that meet national Grade 1 energy efficiency standards and works with customers to optimize installation designs based on room size and user needs. These measures improve energy efficiency and reduce resource consumption. Additionally, professional maintenance services are offered to extend product lifespans, reducing equipment replacement frequency and minimizing waste. To further promote sustainability, biodegradable and non-polluting cleaning agents are used to monitor product performance and reduce the need for on-site services, thereby lowering carbon emissions.

Green Product Lifecycle Management

In addition to our efforts in green design, procurement, manufacturing, logistics and services, we recognize the importance of managing the full lifecycle of our products, including their end-of-life disposal. Although we currently do not directly engage in the recycling or collection of used air conditioners, nor have formal cooperation arrangements with third-party recycling partners, we remain committed to complying with all applicable environmental regulations regarding the disposal of electrical and electronic equipment. We actively monitor policy developments and industry trends related to product lifecycle management and waste reduction, and regularly assess our operations to identify opportunities for further enhancing our environmental practices. Going forward, we will continue to explore feasible models and best practices for recycling and circular economy initiatives that are suitable for our business, with a view to further minimizing the environmental impact of our products and contributing to the sustainable development of the industry.

Social Responsibility

We believe that our employees are our greatest asset, and fostering a supportive and inclusive workplace is paramount to our success. We are committed to providing our employees with continuous professional development opportunities, offering a range of comprehensive welfare benefits designed to enhance their well-being and support their career growth. These benefits include complimentary shuttle services, team-building activities, ongoing training and educational opportunities, and regular health examinations.

Furthermore, we strive to provide a safe and healthy working environment for our employees. To achieve this, we have established stringent safety protocols. These protocols are reinforced by regular safety training initiatives that equip our employees with the necessary awareness and technical expertise to perform their duties safely and efficiently. Our safety measures encompass our operations as well as our primary operational sites. We have specific protocols in place for managing emergency matters. Regular meetings and periodic inspections are conducted to ensure continuous adherence to our safety standards. Through these efforts, we maintain a secure and productive working environment that supports the well-being of our employees and the success of our enterprise. During the Track Record Period and up to the Latest Practicable Date, we did not have any major workplace accidents.

We are committed to philanthropy and actively contributed to charitable causes, demonstrating our corporate social responsibility and dedication to stable employment and community empowerment. Our commitment to social responsibility has been recognized through numerous awards, reflecting our efforts to make a meaningful impact beyond our business operations.

Workforce Composition and Diversity

Our workforce reflects a strong commitment to diversity and inclusivity. Gender diversity is a key focus, with female employees playing significant roles across various levels and functions, including research and development, production management, and sales operations. We actively promote gender equality, particularly in management and technical positions, by providing female employees with ample career development opportunities to help them achieve their professional aspirations.

We also value age diversity, with a team structure that combines experienced senior staff and dynamic younger employees. As of March 31, 2025, our workforce covered a broad age spectrum, with most employees falling between 30 and 50 years old, alongside a meaningful representation of both younger staff under 30 and seasoned professionals over 50. In terms of workforce diversity, we place a strong emphasis on a broad range of practical skills and technical expertise across our team. Our employees bring together backgrounds in various disciplines such as engineering, production, quality control, and equipment maintenance, with many holding relevant technical certifications and hands-on experience. This diversity of skills and expertise enables us to effectively meet the complex operational requirements of modern manufacturing, while ongoing training and development programs further enhance our team's adaptability and innovative capacity. This balance ensures the integration of industry expertise with innovative perspectives, fostering a workforce that supports our sustainable development.

Recruitment and Retention

We have implemented a robust recruitment system to attract and retain top talent. Our recruitment policies emphasize transparency, fairness, and meritocracy, fostering an open and competitive hiring environment. By combining internal referrals with external talent acquisition strategies, we have enhanced the efficiency and precision of our recruitment efforts.

To ensure consistency and quality, we have standardized our hiring processes, from identifying recruitment needs to onboarding and probation management. During the probation period, employees undergo evaluations to ensure they are well-suited for their roles.

Compensation and Promotion

We adhere to a fair, transparent, and performance-driven compensation and promotion system that aligns with market standards, job value, and employee contributions. Our compensation structure includes monthly salaries, allowances, and other benefits, with flexibility to offer competitive premiums for exceptional talent.

Promotions are based on a clear and transparent system that emphasizes merit and performance. Employees in specialized roles, such as research and development, are evaluated across multiple dimensions, including technical expertise and general competencies. This ensures employees who meet the requirements can advance promptly, with immediate adjustments to their roles and compensation.

PROPERTIES

Owned Properties

Our corporate headquarters are located in Ningbo, Zhejiang Province, China. As of the Latest Practicable Date, we owned land use rights to 69 parcels of land that are material to our R&D and operations in the PRC, with an aggregate site area of approximately 4,374,100 square meters, and owned 58 properties that are material to our R&D and operations in China with a total GFA of approximately 2,258,990 square meters. We also had seven construction-in-progress projects in China as of the same date for production factories construction and upgrade. In line with the progress of these construction-in-progress projects for production factories construction, we had obtained requisite license and permits for these properties, such as the report form on environmental impact of construction project (建設項目環境影響報告表), construction land planning permit (建設用地規劃許可證), construction work planning permit (建設工程規劃許可證) and construction work commencement permit (建築工程施工許可證). We also own certain properties overseas. As of Latest Practicable Date, we owned one property with an aggregate site area of over 113,200 square meters in Thailand. The properties we owned are primarily used for production, warehouse or office purposes.

The Property Valuation Report from JLL, an independent property valuer, set out in Appendix III of this prospectus, sets out details of our selective property interest as of May 31, 2025. JLL valued the property interest at an amount of RMB477.6 million as of May 31, 2025. Except for the property interest set forth in the Property Valuation Report from JLL, no other property interests are used for property activities as defined under Rule 5.01 of the Listing Rules. No single property interest that forms part of our non-property activities had a carrying amount representing 15% or more of our total assets as of May 31, 2025.

Leased Properties

As of the Latest Practicable Date, we leased 65 properties in China with a total GFA of approximately 165,160 square meters mainly for office, products storage and employee dormitory. As of the same date, we leased certain properties overseas with a total GFA of approximately 25,000 square meters.

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, 34 of our lease agreements in China had not been registered. Our PRC Legal Advisors are of the view that the non-registration of our lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities may require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. We may be subject to the risks of fines if lease registration is not completed as required by the relevant local housing administrative authorities. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of the lease agreements. For some of our leased properties in the PRC, the lessors may not be able to provide documents evidencing the authorization or consent from the property owners for subleasing. In such case, our rights in relation to such properties might not be entirely protected. In addition, the actual usages of certain leased properties were used for purposes inconsistent with their respective permitted usage, which may also challenge or interrupt our use and occupation of the relevant properties. See "Risk Factors — Risks Relating to Our Operations — Our leased properties may be subject to non-compliances or challenges that could potentially affect our future use of them" for details.

LICENCES, PERMITS, APPROVALS AND CERTIFICATES

During the Track Record Period and up to the Latest Practicable Date, we have obtained all licenses, approvals, permits and certificates that are material and necessary for our business operations in jurisdictions where we operate, and such licenses, permits, approvals and certificates are valid and subsisting.

LEGAL PROCEEDINGS AND COMPLIANCE

Historical Intellectual Property Infringement Claims

Before the Track Record Period, Ningbo Aosheng (a wholly-owned subsidiary of AUX Group as of the Latest Practicable Date, for details of the business restructuring in relation to Ningbo Aosheng, see "History, Reorganization and Corporate Structure — Major Corporate Developments and Pre-IPO Reorganization of Our Group — Business Restructuring." After the business restructuring, Ningbo Aosheng was not part of our Group. To the best knowledge of our Directors, Ningbo Aosheng had no substantial business operation after the business restructuring and up to the Latest Practicable Date) has been involved in several intellectual property litigations as the defendant or a co-defendant. For example, Ningbo Aosheng was the defendant or a co-defendant in many intellectual property litigations raised by a market player (the "**Historical IP Cases**") before and around 2018 and some of which may be raised as a way of competition. Our Directors are of the view that intellectual property-related disputes are not uncommon in our industry, particularly among market participants with overlapping technological fields. While Ningbo Aosheng has successfully defended some cases through non-infringement findings or successful invalidation of plaintiffs' patents through its counterclaims, there have been instances where courts determined that Ningbo Aosheng infringed third parties' intellectual property rights and thus it was subject to compensatory payments. We, after receiving certain patents from Ningbo Aosheng during the business restructuring, have updated certain design of our products to avoid further infringement, and implemented comprehensive improvements to our intellectual property protection system. For details, see "— Intellectual Property." Our Directors are of the view that these claims did not have any material adverse effect on our business, results of operations and financial conditions, considering (i) all of these Historical IP Cases have been concluded and fully executed, with judgments implemented in their entirety, (ii) some of the disputed patents have expired, alleviating concerns about future infringements, (iii) while certain disputed patents remain valid, they are not material to the design and production of our products. We have proactively made strategic product modifications and innovations in relation to products related to above-mentioned disputed patents to steer clear of technologies infringing the disputed patents and we currently do not use these disputed patents in the design and production of our products, (iv) the aggregate compensation amount paid to the plaintiff in these Historical IP Cases, amounting to approximately RMB116.3 million, has been paid by Ningbo Aosheng as we were not listed as the defendant in these Historical IP Cases, and (v) we have continuously refined our intellectual property management system and set up an intellectual property management team within its R&D IP Department. Following these IP cases, the Group has continuously refined our intellectual property management system. For details, see "— Risk Management and Internal Control." There have been no additional patent infringement claims from third parties related to our air conditioner products raised during the Track Record Period.

Historically, Ningbo Aosheng and/or our Group have also filed certain civil lawsuits or administrative proceedings related to intellectual property as the plaintiff. According to searches conducted on Qichacha (企查查https://www.qcc.com) by our PRC Legal Advisors and confirmed by our Company, as of the Latest Practicable Date, there were a total of 30 civil lawsuits or administrative proceedings filed by Ningbo Aosheng or our Group against the Plaintiff, among which two were supported by the courts, six were withdrawn by our Group, and the remaining cases were rejected by the courts. The Company is of the view that cases where Ningbo Aosheng and/or our Group acted as plaintiffs will not have any material adverse effect on our business operations and financial performance, because (i) an unfavorable outcome would not result in financial losses or business disruption, and (ii) even in the worst-case scenario where certain patents of Ningbo Aosheng and/or our Group were invalidated due to the defendants' counterclaims, Ningbo Aosheng and/or our Group can continue using the technology related to such patents as a patent that is declared invalid is deemed to have never existed.

Considering (i) our Company has conducted thorough inquiries with the Directors and confirmed that the Historical IP Cases do not involve any specific allegations against the Directors personally, nor do they pertain to any dishonesty, fraud, or willful misconduct. Importantly, the Directors were not directly involved in the alleged infringement of intellectual property rights in these cases, (ii) the Historical IP Cases occurred during a relatively concentrated period and involved other market players as counterparties. Our Company is of the view that these claims were, in essence, commercial competition measures, rather than as a reflection of any misconduct or failure by the Directors, (iii) under the leadership and oversight of the Directors, we have proactively implemented a series of robust remedial actions and strengthened our internal controls. For details, see "— Risk Management and Internal Control," (iv) the Directors have demonstrated their commitment to regulatory compliance, professional development, and corporate governance standards by attending training sessions on directors' general duties under the Listing Rules and the laws of Hong Kong. These training sessions have enhanced their understanding of their fiduciary duties, legal obligations, and the importance of upholding high governance standards. The Directors' proactive participation in these sessions reflects their dedication to maintaining the integrity and compliance of our Company's operations, and (v) based on our Company's thorough review of documents related to the Historical IP Cases, as well as litigation and background searches conducted by

Independent Third Parties, the Company has not identified any definitive facts or evidence indicating that the Directors may be personally liable for the alleged intellectual property infringements or that they failed to act appropriately in relation to these matters. Furthermore, as of the Latest Practicable Date, no other disputes, litigations, regulatory disciplinary actions, or investigations involving the Directors have been identified that would materially or adversely affect their suitability to serve as directors of our Company, the Directors are of the view that the Historical IP Cases do not impact on the suitability of the Directors to act as the Company's directors. Based on the independent due diligence steps conducted by the Sole Sponsor, including but not limited to interviews with the Company and its litigation counsel as well as interviews with the Directors, review of relevant litigation papers and discussion with the Company's PRC Legal Advisers, nothing has come to the attention of the Sole Sponsor that would reasonably cause the Sole Sponsor to disagree with the Directors' view above.

During the Track Record Period and up to the date of this prospectus, there have been no IP infringement issues, IP-related legal proceedings, lawsuits, or arbitrations involving our Group that have had a material adverse effect on our business operations or financial performance.

Trade Secrets and Intellectual Property Infringement Proceeding

On December 8, 2022, a company (the "Plaintiff") filed a claim against Ningbo Aosheng, us and five individuals, two of whom were our current employees and three of whom were our former employees as of the same date, alleging infringement of the Plaintiff's business secrets and technical secrets related to eight patents. These five individuals are current or former employees who worked in our R&D or supply chain positions. Three of them were the primary authors of the eight patents involved in this case. Apart from their current or former employment with our Group, these individuals have no other relationships with us. The Plaintiff's claims include (i) demanding the defendants immediately cease infringing on the Plaintiff's trade secrets and transfer the eight involved patents to the Plaintiff, (ii) seeking compensation from the defendants for economic losses and reasonable rights protection costs totaling RMB99.0 million.

In April 2025, we received the first-instance decision from the court, which decided, among others, that (i) Ningbo Aosheng 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) we shall transfer the three involved patents to the Plaintiff and the creation rights of five involved patents (which have expired as of the date of the first-instance decision due to the expiration of their ten-year validity period) belonged to the Plaintiff. The court also concluded, among others, (i) that the Plaintiff acknowledges that we and Ningbo Aosheng did not use the eight involved patents in the production activities, (ii) we did not infringe the Plaintiff's trade secrets primarily because (a) we received the patents from Ningbo Aosheng in 2018, (b) we were not involved in the development and registration of relevant patents by Ningbo Aosheng which incurred before the establishment of our Company, (c) the relevant patents were public and therefore did not constitute trade secrets before the transfer from Ningbo Aosheng to our Group, and (iii) there was no ongoing infringement of the Plaintiff's trade secrets mainly because the technical information had been disclosed when the patent documents were published, with five of the eight patents even expired as of the first-instance decision date. As of the date of this prospectus, Ningbo Aosheng has filed an appeal against the decision, and the appeal has been accepted by the court. As of the same date, the above-mentioned three involved patents remain valid and have not been transferred to the Plaintiff.

Our Directors are of the view that this proceeding did not have a material adverse effect on us, primarily because (i) we were not involved in the monetary damages to the Plaintiff, (ii) as concluded by the court, we did not infringe the Plaintiff's trade secrets, and (iii) our Group and Ningbo Aosheng did not and never used the aforementioned eight patents, which are developed based on industry wide technology. Nothing has come to the attention of the Sole Sponsor that would reasonably cause the Sole Sponsor to disagree with our Directors' view above, taking into consideration the independent due diligence steps conducted by the Sole Sponsor, including interviews with our Company and our litigation counsel, discussion with our PRC Legal Advisors and review of the litigation papers and other documentation.

Bribery Case Relating to a Former Employee of Our Subsidiary

In October 2023, a former employee of our subsidiary, AUX Air Conditioner, was arrested for accepting bribes. The incident involved the receipt of an aggregate of over RMB290,000 in bribes or improper benefits through a mix of cash and bank transfers during transactions with suppliers or potential suppliers. These actions were intended to ease contract signing, payment processing, and business collaboration for suppliers. The implicated former employee's employment contract was terminated following the incident. To the best knowledge of our Directors, no current employees are related to this bribery case or currently operate under this former employee's instruction. Despite the implementation of our rigorous internal controls and integrity management systems, the bribery incident involved multiple small cash bribes and covert bank transfers, which rendered it difficult to identify irregular behavior in a timely manner.

Our Directors are of the view that the bribery incident has not significantly affected our financial situation or operational performance given the relatively small financial amount involved. To prevent future instances of bribery, we have enhanced internal control policies and refined our integrity management policies. For details, see "— Risk Management and Internal Control."

Legal Compliance

We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business. During the Track Record Period and as of the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against our Company or any of our directors which could have a material and adverse effect on our financial condition or results of operations.

We believe that, during the Track Record Period and up to the Latest Practicable Date, we had complied in all material respects with the applicable laws and regulations relating to our business operations. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. For potential impact of legal or administrative proceedings on us, see "Risk Factors — Risks Relating to Our Operations — Our business may suffer as a result of adverse outcomes of current or future litigation and regulatory actions, including with respect to anti-competitive practices."

AWARDS AND RECOGNITIONS

During the Track Record Period, we received numerous recognitions for our technologies as well as our products. Some of the significant awards and recognition we received are set forth below.

Award Year	Award/Recognition	Awarding Institution/Authority
2022	First Prize of the Zhejiang Science Progress Award (浙江省科學進步獎一等獎)	The People's Government of Zhejiang Province (浙江省人民政府)
2022	First Prize of Invention and Entrepreneurship Award (發明創業獎一等獎)	China Association of Inventions (中國發明協會)
2022	Gold Award at the International Exhibition of Inventions of Geneva (日內瓦國際發明展金獎)	Swiss Federal Government, Geneva Cantonal Government, the City of Geneva government, World Intellectual Property Organization (瑞士聯邦政府、日內瓦州政府、日內瓦市政府、世界知識產權組織)
2022	Design Excellence Awards (IDEA) 2022 (美國IDEA 2022 Finalist獎項)	Bloomberg Businessweek, Industrial Designers Society of America (美國商業週刊、美國工業設計師協會)

Award Year	Award/Recognition	Awarding Institution/Authority
2023	Intelligent Manufacturing Demonstration Factory Listed Unit (智慧製造示範工廠揭榜單位)	Ministry of Industry and Information Technology, NDRC, Ministry of Finance, State-owned Assets Supervision and Administration Commission of the State Council, State Administration for Market Regulation (工業和信息化部、國家發改委、財政部、國務院國有資產監督管理委員會、國家市場監督管理總局)
2023	List of Demonstrative Enterprises for Green Industrial Products Design (Fifth Batch) (工業產品綠色設計示範企業名單(第五批))	Ministry of Industry and Information Technology (工業和信息化部)
2023	2023 Zhejiang Province Benchmark Enterprise for "Robot +" Applications (2023年浙江省"機器人+"應用標桿企業)	Economy and Information Technology Department of Zhejiang (浙江省經濟和信息化廳)
2023	Second Prize of the Science and Technology Progress Award by China National Light Industry Council (中國輕工業聯合會科學技術進步獎二等獎)	China National Light Industry Council (中國輕工業聯合會)
2024	Zhejiang Province Key Industrial New Products (浙江省重點工業新產品)	Economy and Information Technology Department of Zhejiang (浙江省經濟和信息化廳)
2024	China High-end Household Appliances & Consumer Electronics Red-Top Award (中國高端家電及消費性電子紅頂獎)	Red-Top Award Organizing Committee (紅頂獎組委會)

OVERVIEW

As of the Latest Practicable Date, Mr. ZHENG Jianjiang, through Ze Hui, China Prosper and AUX Holdings, controlled approximately 96.36% of voting rights in our Company. Immediately following completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), Mr. ZHENG Jianjiang, through Ze Hui, China Prosper and AUX Holdings, will control approximately 83.54% of voting rights in our Company. Therefore, Mr. ZHENG Jianjiang, Ze Hui, China Prosper and AUX Holdings are and will continue to be a group of Controlling Shareholders of our Company upon the Listing.

Each of Ze Hui, China Prosper and AUX Holdings was primarily engaged in investment holding business as of the Latest Practicable Date.

COMPETITION

In addition to their interest in our Group, as of the Latest Practicable Date, the Controlling Shareholders and their close associates were also actively involved in businesses beyond the air conditioner sector. These businesses span industries such as investment management, finance, property management, power equipment, healthcare, and new energies. There is a clear business delineation between these other businesses of our Controlling Shareholders and our Group's operations. Specifically: (i) AUX Group is primarily engaged in investment management, finance, healthcare, power equipment, and new energies; and (ii) Sanxing Medical is primarily engaged in the manufacturing of electrical meters, the provision of healthcare services, and businesses related to new energies.

As of the Latest Practicable Date, none of the Controlling Shareholders and their respective close associates had any interest in any business that competes or is likely to compete, either directly or indirectly with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

We believe that we are capable of carrying on our business independently from the Controlling Shareholders and/or their respective close associates upon the Listing for the following principal reasons:

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the Listing, our Board will consist of eight Directors comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. For more information, please see the section headed "Directors and Senior Management."

Our Directors believe that our Company is capable of maintaining management independence due to the following reasons:

(1) Mr. ZHENG Jianjiang serves as a director of Sanxing Medical and its subsidiaries with non-executive nature, primarily representing his controlling equity interest in Sanxing Medical. He does not hold any executive senior management position and does not participate in the daily management or operations of such companies;

(2) Mr. XIN Ning, the other executive Director, and other senior management members of our Company do not hold any role as an executive director or member of senior management in our Controlling Shareholder or any of their close associates save for the investment holding companies which do not have any substantial business operations;

(3) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

(4) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(5) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Controlling Shareholders or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and will abstain from voting at the relevant meeting in accordance with the Listing Rules; and

(6) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see "— Corporate Governance Measures" in this section for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. Our Group holds all material licenses and owns all relevant intellectual properties necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders. As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company and our Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

(1) under the Articles of Association, where our Company has knowledge that any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to vote only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted;

(2) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(3) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(4) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

(5) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its interim and/or annual reports or by way of announcements as required by the Listing Rules;

(6) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;

(7) we have appointed Somerley Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

(8) we have established the Audit Committee, the Remuneration Committee and the Nomination Committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules. All of the members of our audit committee, including the chairman, are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

OVERVIEW

Prior to the Listing, we have entered into certain transactions with parties who will, upon the Listing, become connected persons of our Company. Details of such continuing connected transactions are set out below.

The table below sets forth certain parties who will become our connected persons upon the Listing and the nature of their relationships with our Company.

Connected Person	Connected Relationship
Shuyi Property. . . .	As of the Latest Practicable Date, Shuyi Property was wholly owned by AUX International Holdings Limited (奧克斯國際控股有限公司), a company listed on the Stock Exchange (stock code: 2080) and owned as to 68.55% as to Huiri Limited, a company incorporated in the BVI with limited liability, which is in turn owned as to 90% by Ze Hui. Therefore, Shuyi Property is a connected person of our Company under Rule 14A.07 of the Listing Rules.
Longzhicheng	As of the Latest Practicable Date, 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.
Jiahuikai	As of the Latest Practicable Date, 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.
Wenbang	As of the Latest Practicable Date, 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.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

Procurement of Property Management Services

Ningbo Aux Electric entered into a framework agreement with Shuyi Property with a term of three years commencing on January 1, 2024 and ending on December 31, 2026, under which we have agreed to procure property management services, including maintenance, cleaning and/or security services in respect of industrial park properties owned or occupied by our Group, from Shuyi Property and its subsidiaries. The service fees will be agreed between the parties on an arm's length basis and set out in each specific service agreement, and calculated on the basis of, among others, (i) the service fee per worker, (ii) the average number of workers to be sent by Shuyi Property and its subsidiaries for the provision of services during the period covered under the specific service agreement and (iii) the prevailing market rates for similar services.

Our Directors currently expect that the highest applicable percentage ratio in respect of the aggregate transaction amount of such transactions, calculated for the purpose of Chapter 14A of the Listing Rules, will be less than 0.1% on an annual basis. Under Rule 14A.76(1) of the Listing Rules, these transactions will be fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our partially-exempt continuing connected transactions upon the Listing:

Transaction	Applicable Listing Rules	Waivers sought	Proposed annual caps for the year ending December 31, 2025	2026	2027
Partially-exempt continuing connected transactions					
Longzhicheng Components Procurement Framework Agreement .	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	RMB170.00 million	RMB230.00 million	RMB300.00 million
Jiahuikai Components Procurement Framework Agreement . .	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	RMB150.00 million	RMB190.00 million	RMB250.00 million

Transaction	Applicable Listing Rules	Waivers sought	Proposed annual caps for the year ending December 31, 2025	2026	2027
Wenbang Components Procurement Framework Agreement . .	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	RMB60.00 million	RMB80.00 million	RMB100.00 million

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, 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 following table sets forth the historical transaction amounts of the procurement of Longzhicheng Components by our Group from Longzhicheng during the Track Record Period:

	For the year ended December 31, 2022	2023	2024	For the three months ended March 31, 2025
Historical Transaction Amount *(RMB in million)* .	54.95	106.61	126.37	26.43

Annual Cap

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

	For the year ending December 31,		
	2025	2026	2027
Proposed Annual Cap *(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 Track Record 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.

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, 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 following table sets forth the historical transaction amounts of the procurement of Jiahuikai Components by our Group from Jiahuikai during the Track Record Period:

	For the year ended December 31,			For the three months ended March 31,
	2022	2023	2024	2025
Historical Transaction Amount *(RMB in million)*	41.05	65.89	111.04	31.38

Annual Cap

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

	For the year ending December 31,		
	2025	2026	2027
Proposed Annual Cap *(RMB in million)*	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 Track Record 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.

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, 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 following table sets forth the historical transaction amounts of the procurement of Wenbang Components by our Group from Wenbang during the Track Record Period:

	For the year ended December 31,			For the three months ended March 31,
	2022	**2023**	**2024**	**2025**
Historical Transaction Amount *(RMB in million)* .	20.07	44.91	42.30	11.67

Annual Cap

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

	For the year ending December 31,		
	2025	**2026**	**2027**
Proposed Annual Cap *(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.

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 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.

Internal Control Procedures

Our Group adopts the following internal control measures to ensure that the transactions will be carried out in accordance with the terms of the CCT Framework Agreements, including the pricing policies, and in compliance with all the applicable requirements under the Listing Rules:

(i) to meet the management requirements of the Stock Exchange in relation to the CCT Framework Agreements and transactions contemplated thereunder, our Group has formulated internal guidelines for connected transactions based on the applicable requirements under the Listing Rules, which further clarifies the duties of each functional department with respect to the connected transactions so as to ensure that all transactions under the CCT Framework Agreements are effectively monitored and supervised and are in the interests of our Company and our Shareholders as a whole;

(ii) the supply chain department of our Group will supervise and monitor the individual agreements to be entered into under the CCT Framework Agreements to ensure that they will be entered into in accordance with the pricing policies under the CCT Framework Agreements;

(iii) our Group will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, and review and compare at least two quotations from Independent Third Parties, with the quotes from Longzhicheng, Jiahuikai or Wenbang when determining which supplier to engage with, so as to ensure that the price provided by Longzhicheng, Jiahuikai or Wenbang is fair and reasonable, and is determined on normal commercial terms or on terms no less favorable to our Group than the terms available from Independent Third Parties;

(iv) upon the Listing, our Group will comply with the annual review requirements in respect of the transactions contemplated under the CCT Framework Agreements in accordance with Chapter 14A of the Listing Rules, such as engaging our Company's auditor to conduct annual review and having the independent non-executive Directors to review the transactions contemplated under such agreements and give opinions/confirmations in our Company's annual reports;

(v) the finance department of our Group will monitor the transaction amounts under each of the CCT Framework Agreements by preparing designated management accounts for the continuing connected transactions therein on a monthly basis to make sure that the actual contract amounts do not exceed the relevant annual caps. If it is expected that the transaction amount of any continuing connected transaction that is or will be incurred in the financial year will reach or exceed the relevant annual caps, the finance department of our Group shall report to the management and consider the measures to be taken to ensure that the requirements under the Listing Rules are complied with, including obtaining the approval of Independent Shareholders (if required); and

(vi) if any revision or adjustment on the terms (including without limitation, the price of the Longzhicheng Components, Jiahuikai Components and Wenbang Components) of the individual agreement under the CCT Framework Agreements is necessary, provided such revision or adjustment is in compliance with the CCT Framework Agreements, an approval application will be made by the supply chain department of our Group and approved by, among others, the legal team, the board secretary office and other responsible department (if applicable) of our Group.

WAIVER

In respect of the transactions as contemplated under the CCT Framework Agreements described above, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules. Save for the announcement requirement for which a waiver has been sought, our Group will comply with all other relevant requirements under Chapter 14A of the Listing Rules with respect to the CCT Framework Agreements and the transactions contemplated thereunder.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that (i) the CCT Framework Agreements and the transactions contemplated thereunder set out above are entered into in the ordinary and usual course of our business on normal commercial terms or better which are fair and reasonable and in the interests of our Group and our Shareholders as a whole; (ii) the proposed monetary annual caps in respect of the CCT Framework Agreements are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Having considered the above, the Sole Sponsor is of the view that (i) the CCT Framework Agreements and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of our Company on normal commercial terms or better which are fair and reasonable, and in the interests of our Company and the Shareholders as a whole; and (ii) the proposed monetary annual caps in respect of the CCT Framework Agreements are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

BOARD OF DIRECTORS

Our Board consists of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. The following table sets forth the key information about our Directors as of the Latest Practicable Date.

Name	Age	Positions	Roles and responsibilities	Time of first joining our Group	Date of appointment as a Director
Mr. ZHENG Jianjiang (鄭堅江)(1)(2) . . .	64	Chairman of the Board and executive Director	Responsible for overseeing the overall management and business operation, Board affairs, formulating strategies and operation plans and making major business decisions of our Group	Founder of our Group	October 23, 2024
Mr. XIN Ning (忻寧)	49	Executive Director and president	Responsible for overseeing the daily business operations and the execution of strategies and operation plans of our Group	February 2011	October 23, 2024
Mr. ZHENG Jiang (鄭江)(1)	59	Non-executive Director	Responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group	June 2003	October 23, 2024
Mr. HE Xiwan (何錫萬)(2)	69	Non-executive Director	Responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group	June 2003	October 23, 2024

Name	Age	Positions	Roles and responsibilities	Time of first joining our Group	Date of appointment as a Director
Ms. LI Jian (李健)	70	Non-executive Director	Responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group	July 2015	October 23, 2024
Mr. XIANG Wei (項偉)	58	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	September 2018	October 23, 2024
Dr. JING Xian (荊嫻)	62	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	September 2018	October 23, 2024
Mr. TAO Shengwen (陶勝文)	58	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	December 2023	October 23, 2024

Notes:

(1) Mr. ZHENG Jianjiang is the elder brother of Mr. ZHENG Jiang.

(2) Mr. HE Xiwan is the brother-in-law of Mr. ZHENG Jianjiang.

Executive Directors

Mr. ZHENG Jianjiang (鄭堅江), aged 64 , is our founder, chairman of the Board, an executive Director and one of our Controlling Shareholders. 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 Electrics.

Mr. Zheng started his business in the 1980s. He founded Ningbo Sanxing Instrument Factory (寧波三星儀錶廠) ("**Sanxing Instrument**"), 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 the chairman of the board, 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 since May 2003. Mr. Zheng has been serving as a director of 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 49, 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.

Mr. Xin possesses extensive experience in the air conditioning industry. He initially joined 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 59, is a non-executive Director. 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 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.

Ms. LI Jian (李健), aged 70, 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
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 (荊嫺), aged 62, 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).

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 an 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 58, 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

Our senior management is responsible for the day-to-day management of our business. The following table sets forth the key information about our senior management as of the Latest Practicable Date.

Name	Age	Positions	Roles and Responsibilities	Time of first joining our Group	Time of appointment as a senior management
Mr. XIN Ning (忻寧)	49	President	Responsible for overseeing the daily business operations and the execution of strategies and operation plans of our Group	February 2011	January 2019

Name	Age	Positions	Roles and Responsibilities	Time of first joining our Group	Time of appointment as a senior management
Mr. ZHUO Senqing (卓森慶).	45	General manager of R&D	Responsible for the technology strategy and the management of the R&D of our Group	March 2015	January 2022
Mr. ZHANG Bo (張波)	35	Finance director and Board secretary	Responsible for the overall financial management of our Group	July 2012	October 2022

Mr. XIN Ning (忻寧), aged 49, is our president. For his biography, see "— Board of Directors — 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 and Ningbo AUX Electric.

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 35, 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 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.

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, save as disclosed in the section headed "Appendix V — Statutory and General Information — E. Further Information about Our Directors, Chief Executive and Substantial Shareholders — 1. Disclosure of Interest," each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there were no material matters relating to their appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his or her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

Save as disclosed in this section, none of our Directors and senior management held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

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 35, 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.

BOARD COMMITTEES

Our Company has established three committees under the Board pursuant the corporate governance practice requirements under the Listing Rules, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and paragraphs D.3.3 and D.3.7 of Part 2 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties 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; and (iii) perform other duties and responsibilities as may be assigned by the Board.

The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely, Ms. LI Jian, Mr. XIANG Wei and Dr. JING Xian. Mr. XIANG Wei is the chairperson of the Audit Committee. He holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and code provision E.1.2 of Part 2 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. 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; and (iii) reviewing and approving matters relating to share schemes of our Company.

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.

Nomination Committee

We have established a Nomination Committee in compliance with Rule 3.27A of the Listing Rules and code provision of B.3.1 of Part 2 of 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.

REMUNERATION OF OUR DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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.

The aggregate amount of remuneration for our Directors for the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2025 was approximately RMB9.3 million, RMB14.1 million, RMB6.5 million and RMB2.3 million, respectively.

The five highest paid employees for the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2025 included one, one, one and one Director, respectively. The aggregate amount of remuneration for the remaining four, four, four and four highest paid individuals of our Group, who is neither a director nor chief executive of our Company, for the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2025 was approximately RMB15.8 million, RMB37.9 million, RMB11.6 million and RMB7.2 million, respectively.

According to existing effective arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to Directors for the financial year ending December 31, 2025 is expected to be approximately RMB6.5 million.

During the Track Record 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.

Our Board will review and determine the remuneration and compensation package of our Directors and senior management and will, following the Listing, 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.

Save as disclosed in this section and in Appendix I to this prospectus, no other payments have been made or are payable in respect of the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2025 by our Group to the Directors and senior management.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases; and

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the applicable requirements under the Listing Rules and laws and regulations.

The term of appointment of our Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE

We recognize the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability. We have adopted the code provisions stated in the Corporate Governance Code. We are committed to the view that the Board should include 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 that can effectively exercise independent judgment.

To accomplish the high standards of corporate governance, our Company expects to comply with the Corporate Governance Code and the associated Listing Rules after the Listing. Any deviation from the Corporate Governance Code shall be carefully considered, and the reasons for any deviation and explanation of how good corporate governance was achieved by means other than strict compliance with the code provisions shall be given in the interim report and the annual report in respect of relevant period.

BOARD DIVERSITY POLICY

Our Board has adopted a 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 49 to 70 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.

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 after the Listing. 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. Additionally, female representatives of our investors are also considered as potential candidates for Board appointments. 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.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the Listing, our Nomination Committee will review our 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.

CONFIRMATIONS FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors (other than our Independent Non-executive Directors) confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

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

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

So far as is known to our Directors, immediately after the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the following persons are expected to have an interest and/or short positions in our Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of any member of our Group:

		Shares held as of the Latest Practicable Date		Shares held immediately after the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised)	
Name	**Nature of interest**	**Number of Shares(1)**	**Approximate percentage of interest in our Company**	**Number of Shares(1)**	**Approximate percentage of interest in our Company**
AUX Holdings(2)	Beneficial owner	1,300,921,250	96.36%	1,300,921,250	83.54%
China Prosper(2)	Interest in controlled corporation	1,300,921,250	96.36%	1,300,921,250	83.54%
Ze Hui(2)	Interest in controlled corporation	1,300,921,250	96.36%	1,300,921,250	83.54%
Mr. ZHENG Jianjiang(2)	Interest in controlled corporation	1,300,921,250	96.36%	1,300,921,250	83.54%

Notes:

(1) All interests stated are long positions.

(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.

Except as disclosed above, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), have any interests and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of any member of our Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

Authorized Share Capital	Nominal value
	(US$)
10,000,000,000 Shares	**50,000.00**

The following is a description of the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid as of the Latest Practicable Date and immediately after the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:		Nominal value
		(US$)
1,350,000,000	Shares in issue as of the Latest Practicable Date	6,750.00
207,161,200	Shares to be issued pursuant to the Global Offering	1,035.81
1,557,161,200	**Total**	**7,785.81**

The above table assumes that the Global Offering becomes unconditional and the issuance of Shares pursuant to the Global Offering is made as described herein. The above tables do not take into account any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the Over-allotment Option, or any Shares which may be issued or repurchased by our Company under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares are Shares in the share capital of our Company and rank *pari passu* with all Shares currently in issue or to be issued and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meetings are required

A company may, by an ordinary resolution of its members, if so authorized by its articles of association, alter the conditions of its memorandum of association to (a) increase its share capital by new shares of such amount as it thinks expedient provided that an exempted company having no shares of a fixed amount may increase its share capital by such number of shares without nominal or par value, or may increase the aggregate consideration for which such shares may be issued, as it thinks expedient; (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (c) convert all or any of its paid-up shares into stock, and reconvert that stock into paid-up shares of any denomination; (d) subdivide its shares or any of them, into shares of an amount smaller than that fixed by the memorandum of association so, however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and (e) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled or, in the case of shares without nominal or par value, diminish the number of shares into which its capital is divided. Subject to the provisions of the Companies Act and to confirmation by the Cayman Islands Court, a company limited by shares may, if so authorized by its articles of association, by special resolution, reduce its share capital in any way. Please see "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix IV to this prospectus for details.

As a matter of the Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meetings or class meetings is prescribed for under the Articles of Association. Accordingly, our Company will hold general meetings and class meetings as prescribed for under the Articles of Association, a summary of which is set forth in the paragraph headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix IV to this prospectus.

General Mandate to Issue Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with (including the sale or transfer of Treasury Shares) any Shares or securities convertible into Shares of not more than the sum of:

(a) 20% of the total number of Shares in issue (excluding Treasury Shares) immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(b) the total number of Shares repurchased by our Company pursuant to the authority referred to in "— General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association; and

(c) the passing of an ordinary resolution by Shareholders in a general meeting revoking or varying the authority.

General Mandate to Repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue (excluding Treasury Shares) immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This repurchase mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association; and

(c) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See "Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of Shareholders of Our Company Passed on August 20, 2025" in Appendix V to this prospectus for further details of the general mandate to issue and repurchase Shares.

The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

We are one of the global top five air conditioner providers, with capabilities covering the design, R&D, production, sales and related services of household and central air conditioners. We capture opportunities in the global air conditioner industry with market size of RMB1,312.8 billion in 2024. Our operations have expanded from China to the world, covering over 150 countries and regions worldwide. In 2024, we are the fifth largest air conditioner provider in the global market in terms of sales volume with a market share of 7.1%, according to Frost & Sullivan.

We achieved sustained growth in our revenue and profit during the Track Record Period, primarily driven by the increasing demand of our air conditioners. Our revenue increased by 27.2% from RMB19,527.6 million in 2022 to RMB24,831.8 million in 2023, and further increased by 19.8% to RMB29,759.3 million in 2024. Furthermore, our revenue increased by 27.0% from RMB7,362.6 million for the three months ended March 31, 2024 to RMB9,352.4 million for the three months ended March 31, 2025. Our gross profit experienced steady growth throughout the Track Record Period, which amounted to RMB4,149.9 million, RMB5,422.2 million, RMB6,240.3 million, RMB1,577.5 million and RMB1,975.7 million in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

Our net profit increased by 72.5% from RMB1,441.7 million in 2022 to RMB2,486.8 million in 2023, and further increased by 17.0% to RMB2,910.2 million in 2024. Furthermore, our net profit increased by 23.0% from RMB751.6 million for the three months ended March 31, 2024 to RMB924.5 million for the three months ended March 31, 2025. To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRS, we also use adjusted net profit (non-HKFRS measure), EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) as non-HKFRS measures, which are not required by, or presented in accordance with, HKFRS. Our EBITDA (non-HKFRS measure) amounted to RMB2,364.1 million, RMB3,498.4 million, RMB3,937.5 million, RMB1,059.3 million and RMB1,353.6 million in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively. For details, please see "— Non-HKFRS Measures."

BASIS OF PRESENTATION AND PREPARATION

As disclosed in "History, Reorganization and Corporate Structure — Our Major Subsidiaries — Pre-IPO Reorganization" in this prospectus, our Company became the holding company of the companies now comprising our Group on November 22, 2024 pursuant to a series of transactions which were part of our Pre-IPO Reorganization. Our companies now comprising our Group were under the common control of Mr. ZHENG Jianjiang before and after the Pre-IPO Reorganization. Accordingly, our historical financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Pre-IPO Reorganization had been completed at the beginning of the Track Record Period.

Our historical financial information has 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**"). All HKFRS Accounting Standards effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been adopted by us in the preparation of the historical financial information throughout the Track Record Period. Our historical financial information has been prepared under the historical cost convention, except for certain financial assets at fair value through other comprehensive income, financial assets at FVTPL and derivative financial instruments, which are carried at fair value.

For more information on the basis of presentation and preparation of our historical financial information, see Notes 2.1 and 2.2 to the Accountants' Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the following.

Economic Conditions, Consumer Spending and Competitive Landscape in Key Markets

We operate a business that reaches more than 150 countries and regions worldwide. China represents our largest individual market, contributing 57.1%, 58.1%, 50.7%, 49.7% and 42.9% of our total revenue in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively. Our business and operational performance are influenced by global economic trends and the spending habits of consumers in these regions.

According to the F&S Report, the global sales value of air conditioners increased from RMB1,018.6 billion in 2018 to RMB1,312.8 billion in 2024, representing a CAGR of 4.3%. Driven by various factors including the increasing disposable income level, improved living standard and urbanization rate, the market size is expected to reach RMB1,533.2 billion in 2028, representing a significant global market opportunity. Within the global air conditioners market, China has the largest market, generating a sales value of RMB464.3 billion in 2024, accounting for 35.3% of the global market. The prospects of consumer demand in global and regional air conditioner markets are subject to the influence of a number of macroeconomic factors, such as global or regional economic conditions, purchasing power and disposable income of consumers, unemployment rates, fluctuation in energy prices, currency and interest rate and government policies, as well as global and regional political uncertainties and other force majeure events.

We operate in highly competitive global markets marked by intense price competition and the frequent launch of new products. The industry is characterized by the rapid adoption of technological advancements and product innovations, ongoing enhancements in features, design, and performance, and a focus on energy efficiency. We adapt quickly to changing customer preferences and evolving industry standards by frequently launching innovative products through various sales and distribution channels. Furthermore, we have captured and will continue to capture the rapid growth in the mass market for air conditioners.

Given our established market share and brand awareness, rapid product iteration, broad customer base and improved operational efficiency, we believe we are resilient against changes in macroeconomic conditions and are well-positioned to capture the most attractive growth opportunities in the air conditioner markets in China and continue to expand globally.

Demand for and Sales of Our Air Conditioners

Our business growth and financial performance depend on consumer demand for our air conditioners. Substantially all of our revenue during the Track Record Period were derived from the sales of air conditioners.

In line with improved urbanization and rising living standards, there is an increasing demand for household air conditioners. In particular, as consumers prioritize cost-effectiveness, the demand for household air conditioners within the mass market is expected to grow significantly. In addition, the growing demand from both industrial and residential customers is fueling the needs of the central air conditioners. Central air conditioners are becoming more widely adopted not only in residential homes, but also across various industrial sectors. We collect and analyze consumer feedback to enhance our products and improve the user experience more effectively.

The expansion of diverse sales and distribution channels and the increased penetration rates have substantially enhanced the sales of air conditioners. We have not only established a strong online presence through our collaboration with multiple prominent e-commerce platforms such as JD.com, Tmall and Douyin but also launched a new online retail model that integrates advantages of online and offline channels. This has enabled us to flat our distribution system and improve overall operating efficiency. For details, please see “Business — Sales and Marketing — Our Sales Networks — Online Retail Model and “Hello AUX (小奧直賣)” — Mixed Model Integrates Online and Offline Advantages.” We believe our business growth will continue to align with the increasing air conditioner market, driven by our continuing product innovation and sales channel integration.

In addition, our sales are affected by the government policies and incentive schemes in China and other regions. For details, see "Industry Overview — Market Drivers and Future Trends — Market Drivers of Global and China Air Conditioner Industry." For example, the "Several Measures on Strengthening Support for Large-Scale Equipment Renewal and Consumer Goods Trade-in" (《關於加力支持大規模設備更新和消費品以舊換新的若干措施》) (the "**Trade-in Regulation**") was issued by relevant authorities in July 2024 and requires manufacturers to annually apply for the adoption of such regulation. We have completed the application for the adoption of the Trade-in Regulation on our products for 2024 adoption and 2025 adoption. In the fourth quarter of 2024 and the first quarter of 2025, approximately 90% and 72% of household air conditioners manufactured by us for sales in China comply with Level 2 or higher energy standards, respectively. The decrease in the portion of household air conditioners we manufactured for sale in China that complied with Level 2 or higher energy efficiency standards in the first quarter of 2025 was primarily because we produced more products with Level 3 energy standard to fulfill large-scale purchases from enterprise customers per their specific product requirements.

Expansion and Penetration in Overseas Markets

Our results of operation are affected by our ability to continue our expansion and penetration in international markets. We have established our presence in multiple geographic markets and achieved significant growth in our overseas sales. Our revenue from overseas sales amounted to RMB8,386.0 million, RMB10,412.4 million, RMB14,680.7 million, RMB3,700.0 million and RMB5,335.8 million in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively, accounting for 42.9%, 41.9%, 49.3%, 50.3% and 57.1% of our total revenue for the same period, respectively.

As we expand our business globally, we have invested and will continue to invest in augmenting our manufacturing capabilities, strengthening our R&D efforts, broadening our sales channels and attracting top talent. In 2019, we established our R&D center in Japan, which integrates worldwide consumer demands and cutting-edge technology trends to form a cutting-edge product innovation and talent development hub. In the same year, we established a production facility in Thailand to further penetrate into global markets. Similar investments in the future will affect our business and the results of operations.

We plan to continue expanding our global footprint through a multifaceted strategy. We plan to utilize our strong network capabilities to enhance the sales of our own-branded products and establish our own sales companies and local teams, enabling us to reach a wider customer base and better address local needs. For example, we will actively promote the proven online retail model and "Hello AUX" ecosystem, with the goal of replicating its success and expanding our sales both online and offline across global markets. We have also built long-term and stable ODM partnerships with renowned global brands, representing the trust placed in our quality standards and manufacturing capabilities by these industry leaders. Further, we intend to establish and improve our service and after-sales network in overseas markets. We expect such investments will significantly affect our business and the results of operations.

Our ability to continue expanding our existing market share in overseas markets and establishing a presence in new overseas markets may significantly affect our business and the results of operations. For more details, please see "Risk Factors — Risks Relating to Our Business and Industry — We conduct operations worldwide and are exposed to legal, regulatory, political, economic, commercial and other risks in each country in which we operate."

Ability to Manage Costs and Improve Operational Efficiency

Our ability to effectively manage the cost of sales related to raw materials and operating expenses is crucial for driving our growth and success.

The majority of our cost of sales during the Track Record Period consisted of raw materials and components that we used in product manufacturing. Several factors beyond our control will have a substantial impact on the prices of these materials, including fluctuations in market supply and demand, international trade policies and tariffs, transportation costs, and variations in currency exchange rates. We managed our raw material costs through hedging measures and centralized procurement during the Track Record Period. To mitigate the impact of raw material price fluctuations, we have implemented hedging strategies and utilized derivative financial instruments to reduce potential losses resulting from price fluctuations. Our large-scale production enables us to centralize the procurement of many raw materials and components with lower costs. In addition, we maintain stable collaborations with suppliers within our supplier pool to ensure stable procurement of raw materials or components. We have made and will continue to make significant investments in expanding our manufacturing capabilities, especially our in-house manufacturing for certain key components of air conditioners to ensure consistent quality and supply of key components. For example, we collaborate with Panasonic regarding the research and production of compressor, which is a core component for our products. The phase I of our Wuhu factory has commenced the operation and mass production of compressors in June 2025.

Our operating expenses during the Track Record Period primarily consisted of expenses in relation to selling and distribution, research and development, and administrative activities. Our total operating expenses amounted to RMB1,924.0 million, RMB2,535.0 million, RMB3,012.1 million, RMB609.3 million and RMB761.3 million in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively, accounting for 9.9%, 10.2%, 10.1%, 8.3% and 8.1% of our total revenue during the same period, respectively. Our ability to effectively manage our operating expenses may significantly affect our profitability.

Currency Fluctuation

Due to the global presence of our business, our results of operations are affected by foreign exchange rate movements, both on a conversional and transactional basis. Our overseas sales are primarily conducted in the local currencies of the countries and regions where we operate. We prepare our consolidated financial statements in RMB for reporting purposes. Foreign currencies, such as the U.S. dollar, Euro, and Japanese yen and Thai Baht, are converted into RMB at the exchange rates effective on the date of the transaction. Additionally, assets and liabilities denominated in foreign currencies are translated into RMB amounts at the exchange rates effective at the end of each period during the Track Record Period. Consequently, we are exposed to risks arising from fluctuations in the exchange rates of RMB against foreign currencies and may record gains or losses from these currency conversion transactions and translations.

Gains and losses resulting from currency conversion and translation are recognized in our profit or loss. As a result, fluctuations in the exchange rates between Renminbi and foreign currencies could significantly affect our results of operations. In 2022, 2023 and 2024, we recorded net foreign exchange income of RMB114.0 million, RMB97.9 million and RMB86.0 million, respectively. For the three months ended March 31, 2024 and 2025, we recorded net foreign exchange losses of RMB2.5 million and RMB28.7 million, respectively. The value of the Renminbi against foreign currencies may fluctuate due to a number of factors, all of which are beyond our control. We use hedging arrangements to mitigate the impact of foreign exchange rate fluctuations. However, we may not be able to fully mitigate the risk of foreign exchange loss through these arrangements. See "Risk Factors — Risks Relating to Financial, Accounting and Tax Matters — Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment."

MATERIAL ACCOUNTING POLICY INFORMATION AND MATERIAL JUDGEMENTS AND ESTIMATES

The preparation of our historical financial information 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. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations.

Set out below are a summary of the material accounting policy information, judgements and estimates which we believe are most important for understanding our results of operations and financial condition. See Notes 2 and 3 to the Accountants' Report in Appendix I to this prospectus for a detailed description of our material accounting policy information, judgments and estimates.

Material Accounting Policy Information

Revenue Recognition

The following is a description of the accounting policy for our principal revenue streams:

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

(a) Sales of goods

We principally engage in manufacturing and sales of household air conditioners and central air conditioners in China and other countries/jurisdictions.

Revenue from domestic sales of goods is recognized when we have 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 both parties. 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 recognized 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 us 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 that 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 we will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied 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 the cost of sales) is also recognized as the right to recover products from a customer.

We base our estimates of sales return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(ii) Sales rebates

We provide 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. We have 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

We provide certain customers with 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 conditioners 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 us for the purpose of obtaining brand authorization rights. We appropriate and recognize revenue over the term of the brand authorization 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.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a 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 for completion and disposal.

Share-based Payments

We operate an employee share incentive plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including the Directors) 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. For details, see Note 35 to the Accountants' Report in Appendix I of this prospectus.

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 year during the Track Record Period until the vesting date reflects the extent to which the lock-up restricted period has expired and our 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 of the beginning and end of that period.

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 our 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.

Derivative Financial Instruments and Hedge Accounting

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. 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.

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, we formally designate and document the hedge relationship to which we wish to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

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, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on a 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 the end of each year during the Track Record Period.

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.

Critical Judgments and Estimates

Deferred Tax Assets

Deferred tax assets are recognized for unused tax losses and deducible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the number of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognized tax losses and deductible temporary differences as of December 31, 2022, 2023, 2024 and March 31, 2025 were RMB61.8 million, RMB132.2 million, RMB169.0 million, RMB198.4 million, respectively. Further details are included in Note 26 to the Accountants' Report set out in Appendix I to this prospectus.

Revenue From Contracts With Customers

We applied the following judgement that significantly affects 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, we are 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, we 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, we consider whether the amount of variable consideration is constrained. We 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.

Variable Consideration for Sales Rebates

We estimate variable consideration to be included in the transaction price for the sale of air conditioners with sales rebates.

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

We have 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 us.

We update our 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 our previous experience regarding rebate entitlements may not be representative of customers' actual rebate entitlements in the future. The refund liabilities at the end of each year during the Track Record Period are recorded as "sales rebate accruals and payables" in Note 28 to the Accountants' Report in Appendix I to this prospectus.

Provision for Expected Credit Losses on Trade Receivables at Amortized Cost

We use a provision matrix to calculate expected credit losses (ECLs) for trade receivables. The provision rates are based on an aging analysis of customers that have similar loss patterns.

The provision matrix is initially based on our historical observed default rates. We will calibrate 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 historically 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. Our 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 our trade receivables is disclosed in Note 20 in the Accountants' Report to this prospectus.

Net Realizable Value of Inventories

The net realizable value of inventories is based on estimated selling prices less any estimated costs to be incurred for 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. We reassess the estimation at the end of each year during the Track Record Period.

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 Accountants' Report set out in Appendix I to this prospectus.

Warranty Provision

We provide a warranty in accordance with the laws and regulations related to the air conditioners. Under the terms of warranty, we undertake 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 provision 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 Accountants' Report set out in Appendix I to this prospectus.

IMPACT OF COVID-19 ON OUR OPERATIONS

The outbreak of COVID-19, which was first reported in December 2019, quickly developed into a worldwide pandemic that materially and adversely affected the global economy and business environment. During 2019 to 2022, the outbreak of COVID-19 shifted consumer behaviors and impacted the market size of air conditioner industry both in China and global.

During the Track Record Period, we were occasionally exposed to certain global logistics congestion and temporary suspension of port terminals in the PRC due to COVID-19 pandemic, which prolonged the port dwell time of our products. For example, our finished goods in transit in inventories decreased from RMB405.2 million as of December 31, 2022 to RMB185.5 million as of December 31, 2023, primarily because we had more finished goods in transit as of December 31, 2022 due to the extended logistic transit period and advanced preparation for delivery during the pandemic. However, since we generally bear the costs and risks related to the shipment of ordered products before the products have been loaded on board and shipped out of the port for overseas sales, we are not exposed to risks from international transportation delays. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material delays in product delivery.

On the other hand, the pandemic has spurred consumers' greater emphasis on cost-effective products, leading to higher growth rate of the sales of household air conditioners in the mass market compared to the medium and high-end segments. The heightened consumer sensitivity to price and value during the pandemic was largely attributable to increased economic uncertainty and a shift in spending priorities. According to Frost & Sullivan, the sales volume of household air conditioners in the mass market in China increased from 24.1 million units in 2018 to 26.0 million units in 2024, representing a CAGR of 1.3%, and is expected to reach 29.7 million units in 2028, representing a CAGR of 3.6% from 2024 to 2028. Therefore, despite the challenges posed by COVID-19 to public at large, our affordable products have seen substantial growth in revenue and profitability during the Track Record Period.

Overall, while COVID-19 introduced operational challenges during its early stages, particularly related to logistics and customer demand fluctuations, we believe that COVID-19 did not have a material adverse effect on the Group's business, considering that (i) our revenue increased by 27.2% from RMB19,527.6 million in 2022 to RMB24,831.8 million in 2023, and further increased by 19.8% to RMB29,759.3 million in 2024. Our revenue increased by 27.0% from RMB7,362.6 million for the three months ended March 31, 2024 to RMB9,352.4 million for the three months ended March 31, 2025; and (ii) our business operations fully resumed as restrictive measures were gradually eased since December 2022.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years/periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* (Unaudited)	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	**19,527,585**	**100.0**	**24,831,833**	**100.0**	**29,759,319**	**100.0**	**7,362,572**	**100.0**	**9,352,397**	**100.0**
Cost of sales	(15,377,689)	(78.7)	(19,409,654)	(78.2)	(23,518,994)	(79.0)	(5,785,050)	(78.6)	(7,376,697)	(78.9)
Gross profit	**4,149,896**	**21.3**	**5,422,179**	**21.8**	**6,240,325**	**21.0**	**1,577,522**	**21.4**	**1,975,700**	**21.1**
Other income and gains	321,657	1.6	465,572	1.9	616,263	2.1	101,623	1.4	124,222	1.3
Selling and distribution expenses	(785,288)	(4.0)	(1,019,264)	(4.1)	(1,276,678)	(4.3)	(263,936)	(3.6)	(363,619)	(3.9)
Administrative expenses	(741,182)	(3.8)	(949,135)	(3.8)	(1,025,375)	(3.4)	(221,844)	(3.0)	(269,329)	(2.9)
Research and development expenses	(397,563)	(2.0)	(566,630)	(2.3)	(710,035)	(2.4)	(123,509)	(1.7)	(128,335)	(1.4)
Impairment (loss)/gain on financial assets, net	(13,075)	(0.1)	2,965	0.0	(43,233)	(0.1)	(65,920)	(0.9)	(67,872)	(0.7)
Other expenses	(604,106)	(3.1)	(151,804)	(0.6)	(207,074)	(0.7)	(31,412)	(0.4)	(44,577)	(0.5)
Finance costs	(96,032)	(0.5)	(61,483)	(0.2)	(45,146)	(0.2)	(12,868)	(0.2)	(17,458)	(0.2)
Profit before tax	**1,834,307**	**9.4**	**3,142,400**	**12.7**	**3,549,047**	**11.9**	**959,656**	**13.0**	**1,208,732**	**12.9**
Income tax expense	(392,569)	(2.0)	(655,606)	(2.6)	(638,876)	(2.1)	(208,061)	(2.8)	(284,184)	(3.0)
Profit for the year/period	**1,441,738**	**7.4**	**2,486,794**	**10.0**	**2,910,171**	**9.8**	**751,595**	**10.2**	**924,548**	**9.9**
Profit attributable to:										
Owners of the parent	1,441,738	7.4	2,486,794	10.0	2,910,171	9.8	751,595	10.2	924,548	9.9

Non-HKFRS Measures

To supplement our consolidated financial statements that are presented in accordance with HKFRS, we also use adjusted net profit (non-HKFRS measure), EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with, HKFRS. Adjusted net profit for the year/period (non-HKFRS measure) was calculated by taking profit for the year/period and adding back (i) Listing expenses, which represented expenses in relation to the Global Offering; and (ii) share based compensation paid to our employees, which was non-cash in nature. We define adjusted EBITDA (non-HKFRS measure) as EBITDA (non-HKFRS measure) (which refers to profit for the year/period plus (i) depreciation and amortization, which represents the depreciation of property, plant and equipment, right-of-use assets and investment property and the amortization of intangible assets; (ii) finance costs, which represent interest expense from financing activities; and (iii) income tax expenses, minus interest income) for the year/period adjusted by adding back (i) Listing expenses, which represented expenses in relation to the Global Offering; and (ii) share based compensation paid to our employees, which was non-cash in nature.

We believe that these non-HKFRS measures facilitate comparisons of operating performance from year to year and company to company. We believe that these measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-HKFRS measure), EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

The following table sets forth a reconciliation of our adjusted net profit (non-HKFRS measure), EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) in accordance with HKFRS for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2022	**2023**	**2024**	**2024**	**2025**
			RMB'000		
				(Unaudited)	
Profit for the year/period	**1,441,738**	**2,486,794**	**2,910,171**	**751,595**	**924,548**
Add:					
Listing expenses in connection with Global Offering	–	–	20,471	–	8,257
Share-based payment expenses	7,455	24,298	4,245	4,770	5,090
Adjusted net profit (non-HKFRS measure)	**1,449,193**	**2,511,092**	**2,934,887**	**756,365**	**937,895**

	For the year ended December 31,			For the three months ended March 31,	
	2022	2023	2024	2024	2025
			RMB'000		
				(Unaudited)	
Profit for the year/period	**1,441,738**	**2,486,794**	**2,910,171**	**751,595**	**924,548**
Add:					
Depreciation and amortization	480,350	480,996	561,134	132,101	151,988
Finance costs	96,032	61,483	45,146	12,868	17,458
Income tax expenses	392,569	655,606	638,876	208,061	284,184
Less:					
Interest income	(46,612)	(186,525)	(217,790)	(45,280)	(24,531)
EBITDA (non-HKFRS measure)	**2,364,077**	**3,498,354**	**3,937,537**	**1,059,345**	**1,353,647**
Add:					
Listing expenses in connection with Global Offering	–	–	20,471	–	8,257
Share-based payment expenses	7,455	24,298	4,245	4,770	5,090
Adjusted EBITDA (non-HKFRS measure)	**2,371,532**	**3,522,652**	**3,962,253**	**1,064,115**	**1,366,994**

Revenue

During the Track Record Period, we primarily generated revenue from sales of products, including household air conditioners and central air conditioners. We also generated revenue from other businesses, such as sales of raw materials, royalty fees and leasing of properties. Our royalty fees represent brand authorization fees from a variety of domestic manufacturers for certain kitchen appliances and other small home appliances, for example, floor fan and air fryer.

The following table sets forth the breakdown of our revenue by types of goods, both in absolute amounts and as percentages of total revenue, for the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Household air conditioners	17,283,960	88.5	21,683,095	87.3	25,904,463	87.1	6,542,323	88.9	8,376,177	89.5
– Wall-mounted units	14,457,926	74.0	18,208,560	73.3	22,082,388	74.2	5,610,017	76.2	7,080,880	75.7
– Cabinet-style units	2,309,927	11.8	3,242,497	13.1	3,624,983	12.2	835,747	11.4	1,134,891	12.1
– Mobile units[(1)]	516,108	2.7	232,038	0.9	197,093	0.7	96,559	1.3	160,406	1.7
Central air conditioners	1,885,156	9.7	2,750,134	11.1	3,223,500	10.8	734,978	10.0	865,208	9.3
Others	358,469	1.8	398,604	1.6	631,356	2.1	85,271	1.1	111,012	1.2
Total	**19,527,585**	**100.0**	**24,831,833**	**100.0**	**29,759,319**	**100.0**	**7,362,572**	**100.00**	**9,352,397**	**100.00**

Note:

(1) During the Track Record Period, the sales performance of our mobile unit air conditioners did not correspond with the overall increase in our revenue. This was primarily due to our strategic decision to adjust certain orders to mitigate low-margin transactions from 2022 to 2024. The revenue generated from mobile units increased from RMB96.6 million for the three months ended March 31, 2024 to RMB160.4 million for the same period in 2025, primarily driven by growing demand for portable air conditioners in the European market, coupled with the successful launch of a new low-noise product that gained strong market acceptance.

Our overall growth in revenue during the Track Record Period was primarily driven by the increase sales of household air conditioners and central air conditioners. Revenue from sales of household air conditioners and central air conditioners accounted for 98.2%, 98.4%, 97.9%, 98.9% and 98.8% of our total revenue in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively. We sold 10.2 million units, 14.0 million units, 17.1 million units, 4.5 million units and 5.5 million units of household air conditioners in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively; and sold 0.9 million units, 1.3 million units, 1.6 million units, 0.4 million units and 0.4 million units of central air conditioners during the same period, respectively.

The following table sets forth the breakdown of our revenue by brand, both in absolute amounts and as percentages of total revenue, for the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(Unaudited)			
Aux	11,937,605	61.1	14,460,808	58.2	15,522,916	52.2	3,699,215	50.2	4,470,388	47.8
Hutssom	150,022	0.8	1,230,613	5.0	1,358,375	4.6	242,632	3.3	204,725	2.2
AUFIT	–	–	–	–	–	–	–	–	30,660	0.3
ODM	7,081,489	36.3	8,741,808	35.2	12,246,672	41.1	3,335,454	45.3	4,535,612	48.5
Other businesses	358,469	1.8	398,604	1.6	631,356	2.1	85,271	1.2	111,012	1.2
Total	**19,527,585**	**100.0**	**24,831,833**	**100.0**	**29,759,319**	**100.0**	**7,362,572**	**100.00**	**9,352,397**	**100.00**

As our flagship brand, we launched the brand "AUX" in 1994. During the Track Record Period, we primarily derived our revenue from product sales of AUX products, which contributed 61.1%, 58.2%, 52.2%, 50.2% and 47.8% of our total revenue in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively. We have developed the brands "Hutssom" (華蒜) and "AUFIT." Our revenue from product sales of Hutssom products increased significantly from RMB150.0 million in 2022 to RMB1,230.6 million in 2023, and further increased by 10.4% to RMB1,358.4 million in 2024. Our revenue from product sales of Hutssom products decreased slightly from RMB242.6 million in the three months ended March 31, 2024 to RMB204.7 million in the three months ended March 31, 2025. We started to generate revenue from sales of AUFIT products in 2025 and recorded revenue of RMB30.7 million from sales of AUFIT products in the three months ended March 31, 2025.

The following table sets forth a breakdown of our revenue by geographical locations, both in absolute amounts and as percentages of total revenue, for the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(Unaudited)			
China	11,141,582	57.1	14,419,477	58.1	15,078,580	50.7	3,662,583	49.7	4,016,628	42.9
Asia (except China)	4,800,131	24.6	5,734,525	23.1	7,339,872	24.7	1,956,838	26.6	2,944,806	31.5
Europe	1,789,547	9.2	2,282,070	9.2	3,024,817	10.2	810,999	11.0	1,091,794	11.7
North America[(1)]	1,041,432	5.3	1,132,694	4.6	2,095,134	7.0	579,639	7.9	392,876	4.2
South America	460,827	2.4	719,836	2.9	1,507,028	5.0	184,027	2.5	518,585	5.6
Other countries/regions[(2)]	294,066	1.4	543,231	2.1	713,888	2.4	168,486	2.3	387,708	4.1
Total	**19,527,585**	**100.0**	**24,831,833**	**100.0**	**29,759,319**	**100.0**	**7,362,572**	**100.00**	**9,352,397**	**100.00**

Notes:

(1) During the Track Record Period, our revenue generated from North America was primarily represented revenue generated from Mexico.

(2) Primarily include Africa and Oceania.

Cost of Sales

Our cost of sales mainly consists of (i) raw materials and components, primarily including copper, aluminum, steel, plastic, compressors and motors; (ii) employee salaries and benefits, primarily include wages and salaries for our production employees; (iii) installation and transportation costs, primarily in relation to the transportation and installation services in relation to the sales of our air conditioners to our customers; (iv) manufacturing-related costs, primarily include the cost of production of air conditioners; (v) depreciation and amortization, mainly represent depreciation of our property, plant and equipment; and (vi) others, mainly include warranty fees, taxes and surcharges and accessory materials.

The following table sets forth the breakdown of our cost of sales by nature, both in absolute amounts and as percentages of total cost of sales, for the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Raw materials and components	12,957,524	84.3	16,242,540	83.7	19,638,504	83.5	5,044,192	87.2	6,550,075	88.8
Employee salaries and benefits	491,895	3.2	704,054	3.6	878,434	3.7	231,662	4.0	243,819	3.3
Installation and transportation costs	1,059,591	6.9	1,455,244	7.5	1,736,057	7.4	203,962	3.5	223,716	3.0
Manufacturing-related costs	318,747	2.1	388,654	2.0	474,982	2.0	157,562	2.7	206,247	2.8
Depreciation and amortization	284,865	1.9	288,051	1.5	298,079	1.3	70,503	1.2	66,905	0.9
Others	265,067	1.6	331,111	1.7	492,938	2.1	77,169	1.4	85,935	1.2
Total	**15,377,689**	**100.0**	**19,409,654**	**100.0**	**23,518,994**	**100.0**	**5,785,050**	**100.00**	**7,376,697**	**100.00**

The following table sets forth the breakdown of our cost of sales by types of goods, both in absolute amounts and as percentages of total cost of sales, for the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Household air conditioners	13,833,829	90.0	17,243,254	88.8	20,924,633	89.0	5,236,988	90.5	6,716,281	91.1
Central air conditioners	1,366,240	8.9	1,954,356	10.1	2,244,233	9.5	506,087	8.8	605,358	8.2
Others	177,620	1.2	212,044	1.1	350,128	1.5	41,975	0.7	55,058	0.7
Total	**15,377,689**	**100.0**	**19,409,654**	**100.0**	**23,518,994**	**100.0**	**5,785,050**	**100.00**	**7,376,697**	**100.00**

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 the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Household air conditioners	3,450,131	20.0	4,439,841	20.5	4,979,830	19.2	1,305,335	20.0	1,659,896	19.8
Central air conditioners	518,916	27.5	795,778	28.9	979,267	30.4	228,891	31.1	259,850	30.0
Others	180,849	50.5	186,560	46.8	281,228	44.5	43,296	50.8	55,954	50.4
Total	**4,149,896**	**21.3**	**5,422,179**	**21.8**	**6,240,325**	**21.0**	**1,577,522**	**21.4**	**1,975,700**	**21.1**

Our overall gross profit margin during the Track Record Period was primarily influenced by changes in the product mix, including variations in product types (e.g., household and central air conditioners) and business models (e.g., OBM and ODM models).

The gross profit margin for central air conditioners is generally higher than that of household air conditioners, primarily because more complex manufacturing processes and more advanced technical requirements required for central air conditioning systems. The gross profit margin for other business is higher than that of sales of air conditioners as our leasing of properties generally had lower cost of sales. In addition, there is no cost of sales associated with providing brand authorization.

In addition, our gross profit margin under the ODM model is generally lower than that of the OBM model, primarily because (i) under the OBM model, we maintain full control over our brand, enabling independent product design, research and development, production, and sales. This autonomy allows for premium pricing and greater market pricing power, thereby enhancing product value and profit margins. Furthermore, the OBM model strengthens consumer loyalty and market competitiveness through continuous brand-building and marketing efforts, further driving profitability. In contrast, while we possess design and R&D capabilities under the ODM model, we rely on client brands, resulting in relatively lower profit margins. During the Track Record Period, increased sales under the ODM model contributed to the growth of our total revenue. However, this also temporarily exerted pressure on our overall gross margin. Historically, rather than being limited to the ODM model, we have consistently enhanced our capabilities to promote our own brands. For details, see "Business — Sales and Marketing — Our Sales Networks — Offline Channels" as well.

We recorded total gross profit of RMB4,149.9 million, RMB5,422.2 million, RMB6,240.3 million, RMB1,577.5 million and RMB1,975.7 million, and gross profit margins of 21.3%, 21.8%, 21.0%, 21.4% and 21.1%, for the years ended December 31, 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

Other Income and Gains

Our other income and gains primarily consist of (i) government grants, primarily related to subsidies received from the local governments in relation to, among others, certain of our investment schemes, the purchase of specific equipment, and certain R&D projects. During the Track Record Period, the increase in our government grants was primarily due to the enhanced incentives provided by local government authorities in China. These incentives included various forms of financial support and preferential tax treatments aimed at rewarding our contributions to the development of local economies. In particular, we received tax refunds for embedded software in 2023. In 2024, we received additional government grants primarily in relation to the construction of the intelligent production line of our production bases, along with further tax refunds for embedded software, (ii) bank interest income, primarily resulting from our bank deposits, (iii) fair value gains on derivative financial instruments, (iv) compensations from suppliers, primarily related to suppliers that fail to meet our rigorous internal quality standards, (v) net foreign exchange differences, (vi) fair value gains on financial assets at FVTPL, primarily related to structured deposits, (vii) realized gains on derivative financial instruments, primarily related to gains on our forward foreign exchange contracts, (viii) gains on disposal of leasehold land, and (ix) others.

The following table sets forth a breakdown of our other income and gains, in absolute amounts and as percentages of total other income and gains, for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2022	2023	2024	2024	2025
			RMB'000		
				(Unaudited)	
Government grants	83,069	136,791	235,767	47,101	57,373
Bank interest income	46,612	186,525	217,790	45,280	24,531
Other Income	**129,681**	**323,316**	**453,557**	**92,381**	**81,904**
Fair value gains on derivative financial instruments[1]	2,780	–	–	–	–
Compensations from suppliers	16,438	27,475	22,723	4,764	3,282
Fair value gains on financial assets at fair value through profit or loss	34,835	14,582	28,389	–	1,191
Foreign exchange differences, net	114,000	97,875	86,042	–	–
Realized gains on derivative financial instruments[1]	–	–	19,099	3,667	37,501
Gains on disposal of leasehold land	17,943	–	–	–	–
Others	5,980	2,324	6,453	811	344
Other Gains	**191,976**	**142,256**	**162,706**	**9,242**	**42,318**
Total	**321,657**	**465,572**	**616,263**	**101,623**	**124,222**

Note:

(1) For details of our derivative financial instruments, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Positions — Derivative Financial Instruments."

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee salaries and benefits, primarily including salaries, share-based payments and other benefits for our sales and marketing employees, (ii) advertising and marketing expenses, primarily related to our advertising activities, such as promotion fees and online platform commissions, (iii) warehousing and logistics costs, primarily including warehouse rental expenses and freight fees in relation to our products, (iv) business development and travel costs, (v) insurance expenses, representing the insurance premium to a governmental insurance company in connection with our overseas business, and (vi) others, primarily including depreciation and amortization and miscellaneous maintenance fees for equipment and systems used by our sales department.

The following table sets forth the breakdown of our selling and distribution expenses, in absolute amounts and as percentages of total selling and marketing expenses, for the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(Unaudited)			
Employee salaries and benefits	264,724	33.7	379,923	37.3	434,603	34.0	91,529	34.7	120,458	33.1
Advertising and marketing expenses	292,445	37.2	327,592	32.1	335,363	26.3	65,229	24.7	92,165	25.4
Warehousing and logistics costs	112,001	14.3	146,115	14.3	269,703	21.1	52,568	19.9	93,217	25.6
Business development and travel costs	45,770	5.8	73,763	7.2	100,023	7.8	21,367	8.1	20,790	5.7
Insurance expenses	40,951	5.2	54,005	5.3	63,432	5.0	15,893	6.0	23,586	6.5
Others	29,397	3.8	37,866	3.8	73,554	5.8	17,350	6.6	13,403	3.7
Total	**785,288**	**100.0**	**1,019,264**	**100.0**	**1,276,678**	**100.0**	**263,936**	**100.00**	**363,619**	**100.00**

Our selling and distribution expenses as a percentage of our revenue remained relatively stable during the Track Record Period, amounting to approximately 4.0%, 4.1%, 4.3%, 3.6% and 3.9% of our revenue in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee salaries and benefits, primarily including salaries, share-based payments and other benefits for our administrative employees, (ii) depreciation and amortization, primarily related to our office equipment, (iii) taxes and surcharges, (iv) service and maintenance fees, primarily including utility expenses, bank service charges and office maintenance fees, (v) professional service fees, primarily including fees for legal, accounting and consulting services, (vi) Listing expenses, primarily relating to our proposed Global Offering, and (vii) others, primarily including business development fees and travel expenses, as well as miscellaneous fees related to our properties.

The following table sets forth the breakdown of our administrative expenses, in absolute amounts and as percentages of total administrative expenses, for the years/periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Employee salaries and benefits	321,737	43.4	439,516	46.3	452,306	44.1	100,696	45.4	130,733	48.6
Depreciation and amortization	167,970	22.7	166,617	17.6	181,655	17.7	39,201	17.7	41,782	15.5
Taxes and surcharges	126,374	17.1	160,447	16.9	119,079	11.6	26,788	12.1	31,830	11.8
Service and maintenance fees	70,880	9.6	79,658	8.4	113,528	11.1	19,409	8.7	19,756	7.3
Professional service fees	13,570	1.8	34,389	3.6	31,597	3.1	3,451	1.5	3,595	1.3
Listing expenses	–	–	–	–	20,471	2.0	–	–	8,257	3.1
Others	40,651	5.4	68,508	7.2	106,738	10.4	32,299	14.6	33,376	12.4
Total	**741,182**	**100.0**	**949,135**	**100.0**	**1,025,375**	**100.0**	**221,844**	**100.00**	**269,329**	**100.00**

Our administrative expenses as a percentage of our revenue remained relatively stable during the Track Record Period, amounting to approximately 3.8%, 3.8%, 3.4%, 3.0% and 2.9% of our revenue in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee salaries and benefits, primarily including salaries, share-based payments and other benefits for our R&D employees, (ii) external service fees, primarily related to certification and IP related fees, as well as design and technology related expenses, (iii) depreciation and amortization, primarily related to patents and the equipment used during the R&D process, (iv) direct R&D expenses, primarily including raw material and mold costs to develop new products, and (v) others, primarily including utility expenses, consulting and travel expenses, as well as miscellaneous fees related to our R&D.

The following table sets forth the breakdown of our research and development expenses, in absolute amounts and as percentages of total research and development expenses, for the years indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Employee salaries and benefits	193,743	48.7	289,529	51.1	396,036	55.8	53,625	43.4	75,460	58.8
External service fees	62,939	15.8	82,115	14.5	68,794	9.7	24,585	19.9	15,737	12.3
Depreciation and amortization	10,880	2.7	12,456	2.2	61,204	8.6	14,503	11.7	16,601	12.9
Direct R&D expenses	110,525	27.8	160,386	28.3	130,055	18.3	23,312	18.9	13,130	10.2
Others	19,476	5.0	22,144	3.9	53,946	7.6	7,484	6.1	7,407	5.8
Total	**397,563**	**100.0**	**566,630**	**100.0**	**710,035**	**100.0**	**123,509**	**100.00**	**128,335**	**100.00**

Our research and development expenses as a percentage of our revenue remained relatively stable during the Track Record Period, amounting to approximately 2.0%, 2.3%, 2.4%, 1.7% and 1.4% of our revenue in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

Impairment (Loss)/Gain on Financial Assets, Net

Our net impairment (loss)/gain on financial assets primarily consists of impairment (loss)/gain for movement in loss allowance for trade receivables at amortized cost based on the expected credit loss model. Our net impairment loss on financial assets amounted to RMB13.1 million, RMB43.2 million, RMB65.9 million and RMB67.9 million in 2022, 2024 and the three months ended March 31, 2024 and 2025, respectively. We recorded net impairment gain on financial assets of RMB3.0 million in 2023.

Other Expenses

Our other expenses primarily include (i) realized losses on derivative financial instruments, primarily related to our futures contracts and forward foreign exchange contracts; (ii) loss on derecognition of receivables at fair value through other comprehensive income; (iii) donations, primarily represent our donations to local foundations for charitable, education and poverty alleviation purposes; (iv) losses on disposal of property, plant and equipment and intangible assets; (v) fair value losses on derivative financial instruments; and (vi) others.

The following table sets forth the breakdown of our other expenses for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2022	2023	2024	2024	2025
			RMB'000		
				(Unaudited)	
Realized losses on derivative financial instruments[1][2]	579,663	91,508	–	–	–
Related to:					
Futures contracts for the purchase of copper	*262,344*	*45*	–	–	–
Forward foreign exchange contracts	*317,319*	*91,463*	–	–	–
Foreign exchange differences, net	–	–	–	2,459	28,669
Loss on derecognition of receivables at fair value through other comprehensive income	13,030	25,283	21,537	6,007	3,874
Donations	1,230	1,025	1,020	1,000	1,000
Losses on disposal of items of property, plant and equipment and intangible assets	4,174	4,395	5,674	2,805	386
Fair value losses on derivative financial instruments[1]	–	18,204	165,102	17,598	2,870
Others	6,009	11,389	13,741	1,543	7,778
Total	**604,106**	**151,804**	**207,074**	**31,412**	**44,577**

Notes:

(1) For details of our derivative financial instruments, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Positions — Derivative Financial Instruments." While these hedging activities may result in gains or losses, they help stabilize our costs and offset foreign exchange fluctuations in our overseas sales revenue. Thus fluctuations in copper prices and foreign exchange rate do not materially affect our gross profit.

(2) In 2022, we recorded significant realized losses on derivative financial instruments of RMB579.7 million as a result of the fluctuation of copper price and the foreign exchange market during 2022. The global copper price demonstrated significant volatility in 2022, which reached its peak in March 2022 at approximately RMB75,000 per ton, followed by a substantial decline to approximately RMB55,000 per ton in July 2022, being the lowest price level in nearly two years. Similarly, the USD/RMB exchange rate fluctuated significantly in 2022, ranging from US$1.00 = RMB7.2555 at the highest to US$1.00 = RMB6.3014 at the lowest. This annual change in the exchange rate of 15.1% in 2022 was the biggest shift from 2020 to 2024. As a result, we recorded significant realized losses on derivative financial instruments in 2022. Although copper price volatility resulted in significant losses on our future contracts, we have effectively managed our cost of sales while maintaining flexibility for spot purchases. In other words, when our incurred significant losses on copper future contracts, we were able to procure the copper needed for production at relatively low prices in the spot market. The combination of the futures and spot market positions allowed us to ultimately manage and stabilize our overall copper procurement costs, which in turn manage our overall profitability. In addition, although USD/RMB exchange rate fluctuated significantly and resulted in significant losses on our future contracts, we recorded net foreign exchange differences under other income and gains of RMB114.0 million in 2022, and thus managed our overall foreign currency risk.

Finance Costs

Our finance costs primarily represent interests incurred on our bank borrowings and interests on lease liabilities. The following table sets forth the breakdown of our finance costs for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2022	2023	2024	2024	2025
			RMB'000		
				(Unaudited)	
Interests on bank borrowings	95,796	61,373	43,832	12,510	16,190
Interests on lease liabilities	236	110	1,314	358	1,268
Total	**96,032**	**61,483**	**45,146**	**12,868**	**17,458**

Income Tax Expenses

Our income tax expenses primarily consist of current income tax and deferred income tax. During the Track Record Period, certain entities within our Group enjoyed preferential tax treatments. In 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, we recorded income tax expenses of RMB392.6 million, RMB655.6 million, RMB638.9 million, RMB208.1 million and RMB284.2 million, respectively. We are subject to varying tax rates in different jurisdictions. See Note 11 to the Accountants' Report set out in Appendix I to this prospectus.

China

In China, pursuant to the EIT Law and Implementation Regulation of the EIT Law, the tax rate of our Company and our subsidiaries in China was 25% during the Track Record Period. Certain of our subsidiaries in China enjoyed preferential tax treatments, mainly including a tax rate of 15% due to preferential tax policies for being approved as a "High and New Technology Enterprise." In addition, we have made our best estimate for the additional tax deduction in relation to our R&D activities to be claimed for certain of our subsidiaries in ascertaining assessable profits during the Track Record Period.

Cayman Islands and British Virgin Islands

Under the current laws of the Cayman Islands and British Virgin Islands, our Company and our subsidiaries incorporated in the British Virgin Islands are not subject to tax on income or capital gains during the Track Record Period.

Hong Kong

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record 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, our subsidiaries incorporated in Thailand are not subject to tax on income or capital gains during the Track Record Period.

Other Jurisdictions

Income tax on profit arising from other jurisdictions, including Singapore, Japan, Malaysia, USA, UAE and KSA is calculated on the estimated assessable profit for each of the year during the Track Record Period at the respective rates prevailing in the relevant jurisdictions.

During the Track Record Period and as of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

Profit for the Year/Period

We recorded profit of RMB1,441.7 million, RMB2,486.8 million, RMB2,910.2 million, RMB751.6 million and RMB924.5 million in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

YEAR/PERIOD TO YEAR/PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024

Revenue

Our revenue increased by 27.0% from RMB7,362.6 million for the three months ended March 31, 2024 to RMB9,352.4 million for the three months ended March 31, 2025, primarily attributable to the rise in sales volume of our products along with our business expansion.

Specifically, our revenue generated from sales of air conditioners increased by 27.0% from RMB7,277.3 million for the three months ended March 31, 2024 to RMB9,241.4 million for the three months ended March 31, 2025.

Household Air Conditioners

The revenue from sales of our household air conditioners increased by 28.0% from RMB6,542.3 million for the three months ended March 31, 2024 to RMB8,376.2 million for the three months ended March 31, 2025, primarily because the sales volume of our household air conditioners increased from 4.5 million units for the three months ended March 31, 2024 to 5.5 million units for the three months ended March 31, 2025. Such increase was primarily attributable to (i) the expansion of our distributor network, with the number of distributors in China and overseas growing from 6,722 as of March 31, 2024 to 8,312 as of March 31, 2025; (ii) our strategic expansion of the overseas customer base and penetration with our key customers for household air conditioners, primarily including the Middle East and Southeast Asia, as well as expanding our regional presence by establishing and growing sales companies and local teams in these key overseas markets; and (iii) the strengthened market presence of our household air conditioners in certain overseas counties and regions as we introduced several new products with enhanced intelligence and energy efficiency. For instance, we launched the "AUFIT" brand in the three months ended March 31, 2025 with an objective to capture a larger market share.

Central Air Conditioners

The revenue from sales of our central air conditioners increased by 17.7% from RMB735.0 million for the three months ended March 31, 2024 to RMB865.2 million for the three months ended March 31, 2025, primarily because the sales volume of our central air conditioners increased from 354.5 thousand units for the three months ended March 31, 2024 to 440.9 thousand units for the three months ended March 31, 2025. Such increase was primarily attributable to (i) the strategic expansion and enhanced penetration of our customer base for central air conditioners, particularly in Southeast Asia, Middle East and South America; (ii) the successful launch of several new central air conditioners during the three months ended March 31, 2025, which were specifically tailored to meet the needs of regional overseas markets, such as multi-split air conditioners; and (iii) the increased market presence of our heat pumps in selected European countries as we enhanced our marketing efforts that leverage favorable local policies.

Others

Our other revenue increased by 30.2% from RMB85.3 million for the three months ended March 31, 2024 to RMB111.0 million for the three months ended March 31, 2025, primarily because of the increased sales of raw materials as a result of expanded customer base.

Cost of Sales

Our cost of sales increased by 27.5% from RMB5,785.1 million for the three months ended March 31, 2024 to RMB7,376.7 million for the three months ended March 31, 2025, primarily due to (i) an increase of RMB1,505.9 million in raw materials and components used for the same period, which was generally along with our increased production and sales; and (ii) an increase of RMB48.7 million in manufacturing-related costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 25.2% from RMB1,577.5 million for the three months ended March 31, 2024 to RMB1,975.7 million for the three months ended March 31, 2025.

Our overall gross profit margin decreased from 21.4% for the three months ended March 31, 2024 to 21.1% for the three months ended March 31, 2025. The slight decrease in our gross profit margin was primarily due to a slight decrease in gross profit margin of the sales of household air conditioners. Despite an increase in the average selling price of our household air conditioners during the same period driven by our strategic optimization of the order structure while maintaining overall sales volume, the proportion of sales through ODM increased which typically have lower gross profit margins.

Other Income and Gains

Our other income and gains increased by 22.2% from RMB101.6 million for the three months ended March 31, 2024 to RMB124.2 million for the three months ended March 31, 2025, primarily due to (i) an increase of RMB33.8 million in realized gains on derivative financial instruments along with the fair value changes of our forward foreign exchange contracts; (ii) an increase of RMB10.3 million in government grants; partially offset by a decrease of RMB15.0 million in bank interest income.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 37.8% from RMB263.9 million for the three months ended March 31, 2024 to RMB363.6 million for the three months ended March 31, 2025, primarily due to (i) an increase of RMB40.6 million in warehouse and logistic costs mainly related to our increased storage and transportation needs along with our increased production and sales; (ii) an increase of RMB28.9 million in employee salaries and benefits, primarily because of the increased number of sales and marketing employees to support our business growth; and (iii) an increase of RMB26.9 million in advertising and marketing expenses primarily to support our overseas sales.

Our selling and distribution expenses as a percentage of revenue remained relatively stable at 3.6% and 3.9% for the three months ended March 31, 2024 and 2025, respectively.

Administrative Expenses

Our administrative expenses increased by 21.4% from RMB221.8 million for the three months ended March 31, 2024 to RMB269.3 million for the three months ended March 31, 2025, primarily due to (i) an increase of RMB30.0 million in employee salaries and benefits because we hired more administrative staff and increased their salaries to support our business expansion; (ii) an increase of RMB8.4 million in professional service fee related to our proposed Global Offering; and (iii) an increase of RMB5.0 million in taxes and surcharges along with our business growth.

Our administrative expenses as a percentage of revenue remained relatively stable at 3.0% and 2.9% for the three months ended March 31, 2024 and 2025, respectively.

Research and Development Expenses

Our research and development expenses increased by 3.9% from RMB123.5 million for the three months ended March 31, 2024 to RMB128.3 million for the three months ended March 31, 2025, primarily due to (i) an increase of RMB21.8 million in employee salaries and benefits driven by the growth in R&D staff numbers and their compensation to support our business; (ii) an increase of RMB2.1 million in depreciation and amortization mainly related to our patents and R&D equipment. This was partially offset by a decrease of RMB10.2 million in direct R&D expenses as we strategically developed molds in late 2024 in line with our business expansion plan.

Our research and development expenses as a percentage of revenue remained relatively stable at 1.7% and 1.4% for the three months ended March 31, 2024 and 2025, respectively.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets increased from RMB65.9 million for the three months ended March 31, 2024 to RMB67.9 million for the three months ended March 31, 2025, mainly because we recorded higher balance amount of trade receivables.

Other Expenses

Our other expenses increased from RMB31.4 million for the three months ended March 31, 2024 to RMB44.6 million for the three months ended March 31, 2025, primarily due to an increase of RMB26.2 million in foreign exchange differences due to the continued appreciation of the U.S. dollar in the fourth quarter in 2024, which led to increased expected losses on forward foreign exchange contracts; partially offset by a decrease of RMB14.7 million in fair value losses on derivative financial instruments.

Finance Costs

Our finance costs increased by 35.7% from RMB12.9 million for the three months ended March 31, 2024 to RMB17.5 million for the three months ended March 31, 2025, primarily due to an increase of RMB3.7 million in interest on bank borrowings in line with our increased bank borrowings.

Income Tax Expenses

Our income tax expense increased from RMB208.1 million for the three months ended March 31, 2024 to RMB284.2 million for the three months ended March 31, 2025, along with our business expansion.

Profit for the Period

For the foregoing reasons, our profit increased by 23.0% from RMB751.6 million for the three months ended March 31, 2024 to RMB924.5 million for the three months ended March 31, 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased by 19.8% from RMB24,831.8 million for the year ended December 31, 2023 to RMB29,759.3 million for the year ended December 31, 2024, primarily attributable to the rise in sales volume of our products along with our business expansion.

Specifically, our revenue generated from sales of air conditioners increased by 19.2% from RMB24,433.2 million for the year ended December 31, 2023 to RMB29,128.0 million for the year ended December 31, 2024.

Household Air Conditioners

The revenue from sales of our household air conditioners increased by 19.5% from RMB21,683.1 million for the year ended December 31, 2023 to RMB25,904.5 million for the year ended December 31, 2024, primarily because the sales volume of our household air conditioners increased from 14.0 million units in 2023 to 17.1 million units in 2024. Such increase was primarily attributable to (i) the enhanced penetration of "Hello AUX" and expansion of our distributor network, with the number of distributors in China and overseas growing from 6,643 as of December 31, 2023 to 7,605 as of December 31, 2024; (ii) our strategic expansion of the overseas customer base for household air conditioners, primarily including the Middle East and Southeast Asia, as well as the establishment of sales companies and local teams in certain key markets; and (iii) the strengthened market presence of our household air conditioners in certain overseas counties and regions as we introduced a wider variety of product models, enhanced features such as energy efficiency and smart technology, increased marketing efforts to raise brand awareness, offered competitive pricing strategies.

Central Air Conditioners

The revenue from sales of our central air conditioners increased by 17.2% from RMB2,750.1 million for the year ended December 31, 2023 to RMB3,223.5 million for the year ended December 31, 2024, primarily because the sales volume of our central air conditioners increased from 1.3 million units for the year ended December 31, 2023 to 1.6 million units for the year ended December 31, 2024. Such increase was primarily attributable to (i) the strategic expansion and enhanced penetration of our customer base for central air conditioners, particularly in South America, Southeast Asia and Europe; (ii) the successful launch of several new central air conditioners during the year ended December 31, 2024, which were specifically tailored to meet the needs of regional overseas markets, such as variable frequency ducted and multi-split air conditioners; and (iii) the increased market presence of our heat pumps in selected European countries as we enhanced our marketing efforts that leverage favorable local policies.

Others

Our other revenue increased by 58.4% from RMB398.6 million for the year ended December 31, 2023 to RMB631.4 million for the year ended December 31, 2024, primarily because of the increased sales of raw materials as a result of expanded customer base.

Cost of Sales

Our cost of sales increased by 21.2% from RMB19,409.7 million for the year ended December 31, 2023 to RMB23,519.0 million for the year ended December 31, 2024, primarily due to (i) an increase of RMB3,396.0 million in raw materials and components used for the same period, which was generally along with our increased production and sales; (ii) an increase of RMB280.8 million in installation and transportation costs; and (iii) an increase of RMB174.4 million in employee salaries and benefits primarily due to the increase in the number of our production employees and their average salaries in response to the ongoing growth in our product demand.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 15.1% from RMB5,422.2 million for the year ended December 31, 2023 to RMB6,240.3 million for the year ended December 31, 2024.

Our overall gross profit margin decreased slightly from 21.8% for the year ended December 31, 2023 to 21.0% for the year ended December 31, 2024. The slight decrease in our gross profit margin was primarily due to a decrease in gross profit margin of the sales of household air conditioners, primarily attributable to the decline in the average selling price and increased sales through ODM which typically have lower gross profit margins, partially offset by an increase in gross profit margin of the sales of central air conditioners, primarily because of the change of product mix as we sold more products with higher gross profit margins.

Other Income and Gains

Our other income and gains increased by 32.4% from RMB465.6 million for the year ended December 31, 2023 to RMB616.3 million for the year ended December 31, 2024, primarily due to (i) an increase of RMB99.0 million in government grants; (ii) an increase of RMB31.3 million in bank interest income; (iii) the RMB19.1 million in realized gains on derivative financial instruments we recorded in 2024 as we effectively managed foreign exchange risks utilizing forward exchange contracts and other financial derivatives to hedge against potential risks caused by currency fluctuations; and (iv) an increase of RMB13.8 million in fair value gains on financial assets at FVTPL, primarily because we purchased more structured deposits.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 25.3% from RMB1,019.3 million for the year ended December 31, 2023 to RMB1,276.7 million for the year ended December 31, 2024, primarily due to (i) an increase of RMB123.6 million in warehousing and logistics expenses mainly related to our increased storage and transportation needs along with our increased production and sales; (ii) an increase of RMB54.7 million in employee salaries and benefits, primarily because of the increased number of sales and marketing employees to support our business growth; and (iii) an increase of RMB26.3 million in business development and travel costs in line with the rapid growth of our overseas business.

Our selling and distribution expenses as a percentage of revenue remained relatively stable at 4.1% and 4.3% for the years ended December 31, 2023 and 2024, respectively.

Administrative Expenses

Our administrative expenses increased by 7.9% from RMB949.1 million for the year ended December 31, 2023 to RMB1,025.4 million for the year ended December 31, 2024, primarily due to (i) an increase of RMB33.9 million in service and maintenance fees mainly in relation to our office and factories, (ii) the recognition of RMB20.5 million in Listing expenses related to our proposed Global Offering, (iii) an increase of RMB15.0 million in depreciation and amortization mainly associated with our office building, and (iv) an increase of RMB38.2 million in others, primarily attributable to an increase in travel and business development costs along with our business expansion. This was partially offset by a decrease of RMB41.3 million in taxes and surcharges. Our taxes and surcharges decreased by 25.8% from RMB160.4 million for the year ended December 31, 2023 to RMB119.1 million in 2024, while our revenue continued to grow. This reduction is mainly due to the discontinuation of collecting funds for discarded electrical and electronic products starting in 2024, as mandated by government policies. For details, see "Regulatory Overview — Laws and Regulations Related to Our Business in the PRC — Laws and Regulations Relating to Environment Protection and Product Disposal — Announcement on Matters Related to the Suspension of the Collection of Waste Electrical and Electronic Products Processing Fund (《關於停徵廢棄電器電子產品處理基金有關事項的公告》)."

Our administrative expenses as a percentage of revenue decreased from 3.8% for the year ended December 31, 2023 to 3.4% for the year ended December 31, 2024 because our revenue increased at a higher pace than our administrative expenses as a result of our enhanced operation efficiency.

Research and Development Expenses

Our research and development expenses increased by 25.3% from RMB566.6 million for the year ended December 31, 2023 to RMB710.0 million for the year ended December 31, 2024, primarily due to (i) an increase of RMB106.5 million in employee salaries and benefits, driven by the growth in R&D staff numbers and their compensation to support our business expansion; and (ii) an increase of RMB47.8 million in depreciation and amortization mainly related to our patents and R&D equipment.

Our research and development expenses as a percentage of revenue remained relatively stable at 2.3% and 2.4% for the years ended December 31, 2023 and 2024, respectively.

Impairment Losses on Financial Assets, Net

We recorded net impairment gains on financial assets of RMB3.0 million in 2023 and net impairment losses on financial assets of RMB43.2 million in 2024. This is mainly because we recorded higher balance amount of trade receivables.

Other Expenses

Our other expenses increased by 36.4% from RMB151.8 million for the year ended December 31, 2023 to RMB207.1 million for the year ended December 31, 2024, primarily due to an increase of RMB146.9 million in fair value losses on derivative financial instruments due to the continued appreciation of the U.S. dollar in the fourth quarter in 2024, which led to increased expected losses on forward foreign exchange contracts, partially offset by a decrease of RMB91.5 million in realized losses on derivative financial instruments leveraging our effective risk management through hedging with forward contracts.

Finance Costs

Our finance costs decreased by 26.6% from RMB61.5 million for the year ended December 31, 2023 to RMB45.1 million for the year ended December 31, 2024, primarily due to a decrease of RMB17.5 million in interest on bank borrowings as most of our borrowings in 2024 were obtained in August and the fourth quarter, which had relatively short period for interest expenses in 2024.

Income Tax Expenses

Our income tax expense decreased from RMB655.5 million for the year ended December 31, 2023 to RMB638.9 million for the year ended December 31, 2024. This was mainly due to the lower tax rates applicable to certain subsidiaries and favorable government policies.

Profit for the Year

For the foregoing reasons, our profit increased by 17.0% from RMB2,486.8 million for the year ended December 31, 2023 to RMB2,910.2 million for the year ended December 31, 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 27.2% from RMB19,527.6 million for the year ended December 31, 2022 to RMB24,831.8 million for the year ended December 31, 2023, attributable to the rise in sales volume of our products along with our business expansion.

Specifically, our revenue generated from sales of air conditioners increased by 27.5% from RMB19,169.1 million for the year ended December 31, 2022 to RMB24,433.2 million for the year ended December 31, 2023.

Household Air Conditioners

The revenue from the sales of our household air conditioners increased by 25.5% from RMB17,284.0 million for the year ended December 31, 2022 to RMB21,683.1 million for the year ended December 31, 2023, primarily because the sales volume of our household air conditioners increased from 10.2 million units in 2022 to 14.0 million units in 2023. This growth was primarily attributable to (i) our strengthened market presence, as demonstrated by the increase in the number of distributors in China and overseas from 5,024 as of December 31, 2022 to 6,643 as of December 31, 2023, particularly in tier-two cities and below in China; (ii) the strengthened collaborations with e-commerce platforms, including JD and Tmall, which significantly expanded our market presence and brand awareness; and (iii) the increased sales volume of our "Hutssom" (華蒜) products from 2022 to 2023 with revenue growth from RMB150.0 million in 2022 to RMB1,230.6 million in 2023, as a result of the market acceptance and customer preference for the more competitive pricing of our Hutssom products.

Central Air Conditioners

The revenue from the sales of our central air conditioners increased by 45.9% from RMB1,885.2 million for the year ended December 31, 2022 to RMB2,750.1 million for the year ended December 31, 2023, primarily because the sales volume of our central air conditioners increased from 0.9 million units in 2022 to 1.3 million units in 2023. Such increase was primarily attributable to (i) the enhanced global presence and market diversification, primarily in Europe and North America; (ii) the strengthened collaborations with major existing overseas customers in Southeast Asia, South America and the Middle East as we launched regionally customized product lines and penetrated the medium market, resulting in an increase in their purchases of our central air conditioners; and (iii) the launch of several new central air conditioners, such as heat pump air conditioners.

Others

Our other revenue increased from RMB358.5 million for the year ended December 31, 2022 to RMB398.6 million for the year ended December 31, 2023.

Cost of Sales

Our cost of sales increased by 26.2% from RMB15,377.7 million for the year ended December 31, 2022 to RMB19,409.7 million for the year ended December 31, 2023, primarily due to (i) an increase of RMB3,285.0 million in raw materials and components for the same period, along with our increased production and sales; and (ii) an increase of RMB395.7 million in installation and transportation costs, along with the increased sales volume of our products.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 30.7% from RMB4,149.9 million for the year ended December 31, 2022 to RMB5,422.2 million for the year ended December 31, 2023.

Our overall gross profit margin increased from 21.3% in 2022 to 21.8% in 2023. This is primarily attributable to an increase in gross profit margin in the sale of central air conditioners from 27.5% in 2022 to 28.9% in 2023, and an increase in gross profit margin in the sale of household air conditioners from 20.0% in 2022 to 20.5% in 2023, because of the continued improvement in our product mix to include more items with higher gross profit margins, cost reduction and efficiency enhancement.

Other Income and Gains

Our other income and gains increased by 44.7% from RMB321.7 million for the year ended December 31, 2022 to RMB465.6 million for the year ended December 31, 2023, primarily due to (i) an increase of RMB139.9 million in interest income, primarily attributable to the increase in bank balance and pledged deposits; and (ii) an increase of RMB53.7 million in government grants.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 29.8% from RMB785.3 million for the year ended December 31, 2022 to RMB1,019.3 million for the year ended December 31, 2023, primarily due to (i) an increase of RMB115.2 million in employee salaries and benefits, which was primarily driven by the increase of our sales and marketing team and their respective average salaries to support our business growth; and (ii) an increase of RMB35.1 million in advertising and marketing expenses as we increased our marketing efforts to promote our brands.

Our selling and distribution expenses as a percentage of revenue remained relatively stable at 4.0% and 4.1% for the years ended December 31, 2022 and 2023, respectively.

Administrative Expenses

Our administrative expenses increased by 28.1% from RMB741.2 million for the year ended December 31, 2022 to RMB949.1 million for the year ended December 31, 2023, primarily due to (i) an increase of RMB117.8 million in employee salaries and benefits mainly because we hired more administrative staff and increased their salaries to support our business expansion; and (ii) an increase of RMB34.1 million in taxes and surcharges along with our business growth.

Our administrative expenses as a percentage of revenue remained stable at 3.8% and 3.8% for the years ended December 31, 2022 and 2023, respectively.

Research and Development Expenses

Our research and development expenses increased by 42.5% from RMB397.6 million for the year ended December 31, 2022 to RMB566.6 million for the year ended December 31, 2023, primarily due to (i) an increase of RMB95.8 million in employee salaries and benefits due to increased R&D employee headcounts and their respective average salaries to support our business expansion; and (ii) an increase of RMB49.9 million in direct R&D expenses because of our increased investments and purchases of molds to support our R&D of new products.

Our research and development expenses as a percentage of revenue increased from 2.0% for the year ended December 31, 2022 to 2.3% for the year ended December 31, 2023 mainly due to our greater investment in research and development.

Impairment (Loss)/Gain on Financial Assets, Net

We recorded net impairment losses on financial assets of RMB13.1 million and net impairment gains on financial assets of RMB3.0 million for the years ended December 31, 2022 and 2023, respectively. This is mainly due to a decreased amount of long-aged receivables.

Other Expenses

Our other expenses decreased by 74.9% from RMB604.1 million for the year ended December 31, 2022 to RMB151.8 million for the year ended December 31, 2023, primarily because we recorded significant realized losses on derivative financial instruments of RMB579.7 million in 2022 as a result of the fluctuation of copper price and the foreign exchange market during 2022, while our realized losses on derivative financial instruments decreased to RMB91.5 million in 2023. The global copper price demonstrated significant volatility in 2022, which reached its peak in March 2022 at approximately RMB75,000 per ton, followed by a substantial decline to approximately RMB55,000 per ton in July 2022, being the lowest price level in nearly two years. Similarly, the USD/RMB exchange rate fluctuated significantly in 2022, ranging from US$1.00 = RMB7.2555 at the highest to US$1.00 = RMB6.3014 at the lowest. This annual change in the exchange rate of 15.1% in 2022 was the biggest shift from 2020 to 2024. As a result, we recorded significant realized losses on derivative financial instruments in 2022. Although copper price volatility resulted in significant losses on our future contracts, we have effectively managed our cost of sales while maintaining flexibility for spot purchases. In addition, although USD/RMB exchange rate fluctuated significantly and resulted in significant losses on our future contracts, we recorded net foreign exchange differences under other income and gains of RMB114.0 million in 2022, and thus managed our overall foreign currency risk.

In response to the losses on derivative financial instruments in 2022 due to copper price and foreign exchange fluctuations, we have strengthened our risk management. Our head of procurement risk and financial team now evaluate risks based on annual hedging plans approved by the Board. Additionally, we have enhanced training for our risk management team to better handle complex market risks.

Finance Costs

Our finance costs decreased by 36.0% from RMB96.0 million for the year ended December 31, 2022 to RMB61.5 million for the year ended December 31, 2023, primarily due to a decrease of RMB34.4 million in interest on bank borrowings as we took on fewer borrowings in 2023.

Income Tax Expense

Our income tax expense increased by 67.0% from RMB392.6 million for the year ended December 31, 2022 to RMB655.6 million for the year ended December 31, 2023, primarily along with our business growth.

Profit for the Year

For the foregoing reasons, our profit increased by 72.5% from RMB1,441.7 million in 2022 to RMB2,486.8 million in 2023.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a breakdown of our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			
Non-current assets				
Property, plant and equipment	4,407,115	4,316,945	5,006,191	5,101,544
Investment property	348,893	353,355	331,489	325,845
Right-of-use assets	976,236	1,027,026	1,217,277	1,216,690
Intangible assets	61,606	68,717	322,203	312,773
Pledged deposits	–	816,398	839,453	–
Deferred tax assets	576,651	480,341	498,699	535,078
Prepayments	20,392	86,354	172,399	140,746
Total non-current assets	**6,390,893**	**7,149,136**	**8,387,711**	**7,632,676**

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			
Current assets				
Inventories	2,841,937	2,707,905	5,878,841	5,227,435
Trade and bills receivables	1,427,542	1,944,902	3,003,430	4,764,574
Receivables at fair value through other comprehensive income	155,907	670,606	964,806	1,905,411
Prepayments, deposits and other receivables	719,870	497,408	1,448,033	1,339,964
Tax recoverable	–	–	155,413	34,502
Financial assets at fair value through profit or loss ("FVTPL")	–	–	–	300,000
Derivative financial instruments	38,728	20,762	–	41,290
Pledged deposits	600,834	1,231,371	1,424,909	2,621,775
Cash and bank balances	2,389,724	5,610,379	2,907,756	3,708,047
Amounts due from related parties	141,514	137,001	73	366
Total current assets	**8,316,056**	**12,820,334**	**15,783,261**	**19,943,364**
Current liabilities				
Trade and bills payables	5,436,034	6,436,447	10,395,125	11,948,435
Other payables and accruals	1,964,235	3,098,603	3,660,304	3,819,287
Contract liabilities	1,330,375	2,209,731	2,850,473	2,805,624
Derivative financial instruments	–	238	173,370	69,981
Interest-bearing bank borrowings	1,062,303	1,200,444	657,841	1,507,832
Lease liabilities	4,625	6,190	29,902	31,979
Income tax payable	169,125	85,077	126,736	255,395
Deferred income	47,416	49,700	57,317	50,745
Provision	175,734	185,346	159,864	164,828
Amounts due to related parties	1,316,189	1,578,002	141,890	120,441
Total current liabilities	**11,506,036**	**14,849,778**	**18,252,822**	**20,774,547**
Net current liabilities	**(3,189,980)**	**(2,029,444)**	**(2,469,561)**	**(831,183)**
Total assets less current liabilities	**3,200,913**	**5,119,692**	**5,918,150**	**6,801,493**

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			
Non-current liabilities				
Interest-bearing bank borrowings	602,101	880	895,493	800,389
Lease liabilities	433	4,538	88,000	95,062
Deferred tax liabilities	–	–	54,045	20,879
Other payables	–	–	109,040	109,040
Deferred income	549,488	547,112	573,637	579,069
Provision	321,189	324,883	362,229	372,844
Total non-current liabilities	**1,473,211**	**877,413**	**2,082,444**	**1,977,283**
Net assets	**1,727,702**	**4,242,279**	**3,835,706**	**4,824,210**

Inventories

Our inventories primarily consist of finished goods, finished goods in transit, raw materials, and work in progress. The following table sets forth details of our inventories as of the date indicated.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			
Finished goods	1,773,654	1,745,886	3,890,577	3,152,705
Finished goods in transit	405,177	185,527	405,671	639,399
Raw materials	399,323	434,942	936,380	912,093
Work in progress	263,783	341,550	646,213	523,238
Total	**2,841,937**	**2,707,905**	**5,878,841**	**5,227,435**

Our inventories decreased from RMB2,841.9 million as of December 31, 2022 to RMB2,707.9 million as of December 31, 2023, primarily because we had more finished goods in transit as of December 31, 2022 due to the extended logistic transit period and advanced preparation for delivery during the COVID-19 pandemic. The logistics gradually recovered from the epidemic in 2023, which subsequently reduced the finished goods in transit. Our inventories increased from RMB2,707.9 million as of December 31, 2023 to RMB5,878.8 million as of December 31, 2024, mainly because we stock up inventory primarily for overseas sales at the end of 2024 in response to the accelerating demand for our products abroad. Our inventory stocking plan was primarily guided by confirmed orders from customers as well as projected orders for the upcoming year. For instance, as of December 31, 2024, we secured contracts with overseas customers totaling an order value of RMB13,072.6 million, representing a key indicator of our sales projections and inventory stocking up plan for the upcoming year. In addition, we proactively adjusted our production schedules to increase production by the end of 2024, aiming at optimizing and balancing our production capacity utilization while preparing for orders in 2025. Our inventories decreased from RMB5,878.8 million as of December 31, 2024 to RMB5,227.4 million as of March 31, 2025, mainly attributable to the reduction in finished goods, as the first quarter of each year represents the peak shipping season.

The following is an aging analysis of our inventories as of the dates indicated.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			
Within 3 months	2,758,001	2,552,982	5,442,699	4,725,871
3 to 6 months	75,687	152,845	340,803	427,964
6 to 12 months	25,053	14,824	121,618	96,658
1 to 2 years	11,563	16,066	5,981	9,049
2 to 3 years	2,163	3,114	1,751	1,556
Less: impairment of inventories	30,530	31,926	34,011	33,663
Total	**2,841,937**	**2,707,905**	**5,878,841**	**5,227,435**

The following table sets forth our inventory turnover days for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,
	2022	2023	2024	2025
Inventory turnover days(1)	62.1	52.2	66.6	67.8

Note:

(1) Calculated as the average of the beginning and ending balance of inventories for the year/period divided by the cost of sales for that year/period and multiplied by 365 days (for a year) or 90 days (for the three-month period).

Our inventory turnover days were 62.1 days, 52.2 days, 66.6 days and 67.8 days in 2022, 2023, 2024 and the three months ended March 31, 2025, respectively. The decrease in our inventory turnover days from 62.1 days in 2022 to 52.2 days in 2023 was primarily because of the improved efficiency in our logistics and warehousing management as we refined our inventory management. The increase in our inventory turnover days from 52.2 days in 2023 to 66.6 days in 2024 was primarily because we stock up inventory for overseas sales at the end of 2024. Our inventory turnover days remained relatively stable at 67.8 days for the three months ended March 31, 2025.

As of July 31, 2025, we have utilized approximately RMB5,160.8 million, or 98.1% of our inventories as of March 31, 2025.

Trade and Bills Receivables

We allow our customers to use cash, letters of credit and bank acceptance bills issued by licensed banks registered in the PRC to settle their purchase with us. Our trade and bills receivables primarily represent outstanding amounts due from our overseas customers. For a substantial portion of our sales of products in China, we generally require full payment before the delivery of goods. Depending on the credit history of our overseas customers and their transaction amount with us, we generally collect a certain amount of deposits from them. We generally allow flexibility by offering a credit period of 30 to 120 days for the remaining amount.

Under HKFRS 9, our trade and bills receivables, which were held by us for collecting contractual cash flows (provided they also meet the contractual cash flow test), were measured at amortized cost. Letters of credit and bills which were held by us for both collecting contractual cash flows and selling (provided they also meet the contractual cash flow test) were classified as receivables at FVTOCI. For details, see "— Receivables at FVTOCI" below.

The following table sets forth details of our trade and bills receivables as of the date indicated.

	As of December 31,			As of March 31,
	2022	**2023**	**2024**	**2025**
	RMB'000			
Trade receivables	866,552	1,270,782	2,221,953	4,142,971
Impairment	(72,943)	(67,962)	(109,379)	(157,339)
Trade receivables, net	793,609	1,202,820	2,112,574	3,985,632
Bills receivable	633,933	742,082	890,856	778,942
Trade and bills receivables	**1,427,542**	**1,944,902**	**3,003,430**	**4,764,574**

Our trade and bills receivables increased from RMB1,427.5 million as of December 31, 2022 to RMB1,944.9 million as of December 31, 2023, increased to RMB3,003.4 million as of December 31, 2024, and further increased to RMB4,764.6 million as of March 31, 2025, mainly because of our increased overseas sales, which typically have a longer credit period.

The following is an aging analysis of our net trade receivables based on the revenue recognition date and net of loss allowance as of the dates indicated.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			
Within 3 months	732,895	1,037,203	1,987,016	3,680,236
3 to 6 months	41,989	121,221	84,672	265,758
6 to 12 months	15,550	36,907	39,772	37,866
1 to 2 years	3,109	6,784	1,114	1,772
2 to 3 years	66	705	–	–
Total	**793,609**	**1,202,820**	**2,112,574**	**3,985,632**

The following table sets forth our trade and bills receivables turnover days for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,
	2022	2023	2024	2025
Trade receivables turnover days(1)	14.3	14.7	20.3	29.3
Bills receivables turnover days(2)	10.9	10.1	10.0	8.0
Trade and bills receivables turnover days(3)	**25.2**	**24.8**	**30.3**	**37.4**

Notes:

(1) Calculated as the average of the beginning and ending balance of trade receivables for the year/period divided by the revenue for that year/period and multiplied by 365 days (for a year) or 90 days (for the three-month period).

(2) Calculated as the average of the beginning and ending balance of bills receivables for the year/period divided by the revenue for that year/period and multiplied by 365 days (for a year) or 90 days (for the three-month period).

(3) Calculated as the average of the beginning and ending balance of trade and bills receivables for the year/period divided by the revenue for that year/period and multiplied by 365 days (for a year) or 90 days (for the three-month period).

Our trade receivables turnover days primarily represent turnovers of outstanding amounts due from our overseas customers. Our bills receivables turnover days primarily represent turnovers of outstanding amounts due from our domestic customers. Our trade receivables turnover days remained relatively stable at 14.3 days and 14.7 days in 2022 and 2023, respectively. It increased from 20.3 days in 2024 to 29.3 days in the three months ended March 31, 2025, primarily attributable to the increased portion of overseas sales. Our bills receivables turnover days decreased from 10.9 days in 2022 to 10.1 days in 2023, and decreased to 10.0 days in 2024, and further decreased to 8.0 days in the three months ended March 31, 2025. This trend was primarily in line with the decreased sales portion of our domestic sales.

Our trade and bills receivables turnover days remained relatively stable at 25.2 days in 2022 and 24.8 days in 2023. Our trade and bills receivables turnover days increased from 24.8 days in 2023 to 30.3 days in 2024, and further increased to 37.4 days for the three months ended March 31, 2025, primarily because of the increased overseas sales.

As of July 31, 2025, RMB3,465.7 million, or 87.0% of our trade receivables as of March 31, 2025 had been settled.

As of July 31, 2025, RMB538.3 million, or 69.1% of our bills receivables as of March 31, 2025 had been settled.

Receivables at FVTOCI

Our receivables at FVTOCI represent trade receivables from our overseas customers guaranteed by letters of credit made by overseas banks, and bills receivables from our domestic customers guaranteed by reputable banks registered in the PRC. For trade receivables from overseas customers guaranteed by letters of credit made by overseas banks, we are able to periodically transfer all or part of them to banks through forfeiting to receive funds in advance, based on our cash management strategy and bank limits. Similarly, for bills receivables from domestic customers guaranteed by reputable banks in the PRC, we may occasionally use discounting method to transfer all or part to banks to receive funds in advance.

According to HKFRS 9, a financial asset shall be measured at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Our Directors are of the view that (a) our trade receivables from overseas customers guaranteed by letters of credit made by overseas banks, and bills receivables from our domestic customers guaranteed by reputable banks registered in the PRC are held within a business model with double objective as our Group could choose to sell such receivables to banks through forfeiting/discounting or collect contractual cash flows when such receivables were due; and (b) such receivables also meet the contractual cash flow test, therefore these receivables were classified as receivables at FVTOCI in accordance with HKFRS 9.

During the Track Record Period, our receivables at FVTOCI represent the trade and bills receivables in relation to our daily operation. Our receivables at FVTOCI were RMB155.9 million, RMB670.6 million, RMB964.8 million and RMB1,905.4 million as of December 31, 2022, 2023, 2024 and March 31, 2025, respectively. The increase in our receivables at FVTOCI during the Track Record Period was largely due to the increase in our overseas sales.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consist of (i) VAT recoverable, mainly represents our input tax credit that can be refunded by the competent authority. Our VAT input tax credit is resulted from the difference between our VAT input tax (arising from our purchase of services, raw materials, equipment and other consumables) and our VAT output tax (arising from revenue), (ii) prepayments, mainly represent prepayments for raw materials, (iii) deposits and other receivables, mainly represent deposits we paid to our customers for performance and project tendering deposit, (iv) deferred listing expenses, and (v) prepayments for equipment.

The following table sets forth the details of our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			
Current				
Value-added-tax recoverable	506,967	198,162	896,828	728,673
Prepayments	182,784	176,131	408,117	467,111
Deposits and other receivables	23,025	106,524	122,774	115,132
Deferred listing expenses	–	–	3,472	5,182
Others	25,836	31,289	30,178	38,798
	738,612	512,106	1,461,369	1,354,896
Impairment allowance	(18,742)	(14,698)	(13,336)	(14,932)
	719,870	497,408	1,448,033	1,339,964
Non-current				
Prepayments for equipment	20,392	86,354	172,399	140,746

Our current portion of prepayments, deposits and other receivables decreased from RMB719.9 million as of December 31, 2022 to RMB497.4 million as of December 31, 2023, primarily attributable to the decrease of RMB308.8 million in VAT recoverable as we had more VAT refund.

Our current portion of prepayments, deposits and other receivables increased from RMB497.4 million as of December 31, 2023 to RMB1,448.0 million as of December 31, 2024 mainly due to (i) an increase of RMB698.7 million in VAT recoverable along with our increased purchase of materials to support our business expansion and increased overseas sales; and (ii) an increase of RMB232.0 million in prepayments, mainly related to our purchase of more raw materials.

Our current portion of prepayments, deposits and other receivables decreased from RMB1,461.4 million as of December 31, 2024 to RMB1,354.9 million as of March 31, 2025 mainly due to a decrease of RMB168.1 million in VAT recoverable as we had more VAT refund, partially offset by an increase of RMB59.0 million in prepayments as of March 31, 2025, mainly related to our purchase of more raw materials.

Our non-current portion of prepayments, deposits and other receivables increased from RMB20.4 million as of December 31, 2022 to RMB86.4 million as of December 31, 2023, and further to RMB172.4 million as of December 31, 2024, primarily because of the increases in prepayments for equipment associated with the construction of our Wuhu factory.

Our non-current portion of prepayments, deposits and other receivables decreased from RMB172.4 million as of December 31, 2024 to RMB140.7 million as of March 31, 2025, primarily attributable to the completion of construction work in light of the commencement of operation and mass production of our phase I of our Wuhu factory.

As of July 31, 2025, RMB658.5 million, or 87.2% of our prepayment, deposits and other receivables as of March 31, 2025 had been settled.

Derivative Financial Instruments

Our derivative financial instruments mainly represent forward currency contracts and swaps and future contracts for the purchase of copper. The following table sets forth details of our derivative financial instruments as of the dates indicated:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			
Assets:				
Forward currency contracts	38,728	15,584	–	–
Futures contracts for the purchase of copper	–	5,178	–	41,290
Total	**38,728**	**20,762**	**–**	**41,290**
Liabilities:				
Forward currency contracts	–	(238)	(144,578)	(69,981)
Futures contracts for the purchase of copper	–	–	(28,792)	–
Total	**–**	**(238)**	**(173,370)**	**(69,981)**

Our copper hedging strategy is designed to lock the price for purchase of copper, thus fluctuations in copper prices do not materially affect our gross profit. In other words, when our incurred significant losses on copper future contracts, we were able to procure the copper needed for production at relatively low prices in the spot market. The combination of the futures and spot market positions allowed us to ultimately manage and stabilize our overall copper procurement costs, which in turn manage our overall profitability. Similarly, forward currency contracts and foreign currency swaps are used to mitigate foreign currency risks, particularly for USD-denominated trade and bills receivables. Losses from these instruments due to rising exchange rates are offset by increased revenue from overseas sales and higher USD-denominated receivables, reflected as gains in revenue and net foreign exchange differences. In conclusion, fluctuations in copper prices and foreign exchange rate do not materially affect our gross profit.

Rationale and Accounting Treatment of our Derivative Financial Instruments

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. In particular, in the fourth quarter of each year, we entered into a number of future contracts for the purchase of copper considering the secured overseas sales orders and our domestic production plan, to hedge against copper price fluctuations and ensure the stable costs of copper used in our production for the following year. Although copper price volatility resulted in gains or losses on our future contracts, we have effectively managed our cost of sales while maintaining flexibility for spot purchases. Similarly, we use forward currency contracts and foreign currency swaps, to hedge against foreign currency risk. When we hold trade and bills receivables in foreign currencies, particularly USD, we purchase forward currency contracts to mitigate potential risks. If we incur losses on forward currency contracts or foreign currency swaps due to increase in foreign exchange rates, our revenue from overseas sales and the balance of trade and bills receivables denominated in USD will increase, leading to increases in revenue and net foreign exchange differences under other income and gains. For details of the accounting impacts of our derivative financial instruments during the Track Record Period, see "— Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Other Income and Gains" and "— Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Other Expenses." Although we do not have a specific quantitative threshold for losses on our investment in derivative financial instruments, we frequently evaluate cumulative investment fluctuation and value-at-risk assessments, and have effectively managed our overall foreign currency risk and commodity price risk.

We used to manage and hedge the commodity price risks by way of natural hedge. Since 2024, we formally implemented policies regarding hedge activities related to purchase of copper with an aim of hedging and value preservation so as to lock costs and circumvent risks. For details, see "— Implementation and Internal Control Measures for our Derivative Financial Instruments" below. As a result, 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. For details, see "Derivative financial instruments and hedge accounting — Cash flow hedges" in Note 2.4 to the Accountants' Report set out in Appendix I to this prospectus.

Implementation and Internal Control Measures for our Derivative Financial Instruments

In response to foreign exchange risks, raw material price fluctuations and investments in derivative financial instruments, we have established stringent treasury policies and measures to eliminate potential risks.

Our Board serves as the highest authority overseeing our treasury policies. We have established the financial professional team and the procurement risk team to effectively manage these risks. A dedicated decision-making team provides ongoing oversight and management of day-to-day treasury operations. Our Board reviews and approves the annual foreign exchange and commodity hedging plans, including parameters such as eligible commodities, annual limits and hedging instruments.

Our financial professional team comprises several employees from the financial department, who have extensive experience in financial markets and related industries. In particular, the head of our financial professional team brings over 10 years of extensive experience in managing financial risks and financial derivatives. The proven track record includes successfully navigating complex market environments, optimizing hedging programs, and ensuring compliance with regulatory requirements. They are responsible for managing our exposure to foreign exchange risks and investments in derivative financial instruments. We mitigate foreign exchange risk through a diversified portfolio of forward contracts, options, and swaps. Our financial professional team continuously monitors market conditions and derivative positions, and promptly reports any significant market movements to the decision-making team, which determines an appropriate course of action.

We also have a procurement risk team primarily responsible for managing fluctuations in raw material prices. Our procurement risk team is led by a manager who has been with our Group for over 20 years and brings extensive experience in raw material management. Throughout their tenure, they have successfully overseen risk mitigation strategies, supplier relationship management, and cost optimization initiatives, demonstrating a strong ability to navigate complex procurement challenges. Raw material price risk is hedged using a combination of futures and spot purchases. Our procurement risk team provides regular reports to the decision-making team. Our procurement risk team also sets the annual procurement volume for raw materials used in our production process based on our production plan and relevant market conditions, and divides the annual procurement volume to the monthly basis. Our procurement risk team entered into future contracts for purchase of copper, the terms (i.e. volume and period) of which match the expected procurement of copper products based on the aforesaid annual procurement plan, and designated a hedging relationship between such future contracts of purchase of copper and the corresponding procurement of copper products. The future contracts for the purchase of copper will be settled on the date when we complete the corresponding procurement of copper products. Our procurement risk team also regularly compares the changes in the fair value of the hedging instruments (i.e. futures contracts) against the changes in market value of the hedged items (i.e. copper products) to measure the hedge effectiveness. After implementing these policies regarding hedge activities related to purchase of copper with an aim of hedging and value preservation so as to lock costs and circumvent risks, we ceased to record realized losses on derivative financial instruments under other expenses. For details, see "— Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Other Expenses."

The financial professional team and procurement risk team report to our decision-making team, which is responsible for frequently evaluating cumulative investment fluctuation and value-at-risk assessments. Our decision-making team oversees the day-to-day implementation of treasury policies and procedures to ensure effective execution. We implement a risk diversification strategy that includes the use of multiple currencies, diversifying our raw material supply base across numerous suppliers, and utilizing a diversified portfolio of financial instruments to mitigate exposure to specific risks.

Provision

Our provision during the Track Record Period primarily represents our warranties in relation to the sale of air conditioners for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by us are initially recognized based on sales volume and past experience of the level of repairs. Our current portion of provision amounted to RMB175.7 million, RMB185.3 million, RMB159.9 million and RMB164.8 million as of December 31, 2022, 2023, 2024 and March 31, 2025, respectively. As of the same dates, our non-current portion of provision amounted to RMB321.2 million, RMB324.9 million, RMB362.2 million and RMB372.8 million, respectively.

Pledged Deposits

Our pledged deposits primarily represent the guarantee deposits for our bills payables. Our pledged deposits increased from RMB600.8 million as of December 31, 2022 to RMB2,047.8 million as of December 31, 2023, increased to RMB2,264.4 million as of December 31, 2024, and further increased to RMB2,621.8 million as of March 31, 2025, primarily along with our business growth and as a result of using more bills during our operations.

Trade and Bills Payables

Our trade and bills payables primarily represent the amounts due to our suppliers for purchasing of raw materials. For supplier who grant us a credit period, the typical term is ranging from 30 days to 90 days. We generally settle the aforementioned payables by cash or bills. The following table sets forth details of our trade and bills payables as of the dates indicated.

	As of December 31,			As of March 31,
	2022	**2023**	**2024**	**2025**
	RMB'000			
Trade payables	3,375,084	3,338,697	6,451,406	6,769,518
Bills payable	2,060,950	3,097,750	3,943,719	5,178,917
Total	**5,436,034**	**6,436,447**	**10,395,125**	**11,948,435**

Our trade and bills payables increased from RMB5,436.0 million as of December 31, 2022 to RMB6,436.4 million as of December 31, 2023, increased to RMB10,395.1 million as of December 31, 2024, and further increased to RMB11,948.4 million as of March 31, 2025, as we purchased more raw materials to support our production expansion during the Track Record Period.

The following is an aging analysis of our trade payables based on the invoice date as of dates indicated.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			
Within 3 months	3,297,741	3,214,470	6,292,210	6,617,239
3 to 6 months	48,013	97,301	125,223	133,068
6 to 12 months	12,362	13,834	20,721	12,822
1 to 2 years	8,519	5,109	4,600	2,594
2 to 3 years	3,898	2,658	2,922	1,344
Over 3 years	4,551	5,325	5,730	2,451
Total	**3,375,084**	**3,338,697**	**6,451,406**	**6,769,518**

The following table sets forth our trade and bills payables turnover days for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,
	2022	2023	2024	2025
Trade and bills payables turnover days(1)	116.8	111.6	130.6	136.3

Note:

(1) Calculated as the average of the beginning and ending balance of trade and bills payables for the year/period divided by the cost of sales for that year/period and multiplied by 365 days (for a year) or 90 days (for the three-month period).

Our trade and bills payables turnover days decreased from 116.8 days in 2022 to 111.6 days in 2023 mainly due to more efficient payment process and improved cash flow management. Our trade and bills payables turnover days increased from 111.6 days in 2023 to 130.6 days in 2024 and further increased to 136.3 days in the three months ended March 31, 2025, primarily because we purchased more raw materials to stock up for customer orders in 2025.

As of July 31, 2025, RMB9,021.4 million, or 75.5% of our trade and bills payables as of March 31, 2025 had been settled.

Other Payables and Accruals

Our other payables and accruals mainly represent (i) sales rebate accruals and payables, (ii) deposits, mainly represent deposits paid by our suppliers for performance and project tendering deposits, (iii) equipment and construction payables, (iv) other accrued expenses, which mainly represent accrued maintenance fees, advertising fees and transportation fees, (v) payroll payables, (vi) valued-added tax payables, (vii) other tax payables, (viii) accrual for Listing expenses, and (ix) others, which mainly consist of installation service fees to independent third party suppliers, maintenance fees, advertising fees payables, and transportation payables. The following table sets forth details of our other payables and accruals as of the dates indicated.

	As of December 31,			As of March 31,
	2022	**2023**	**2024**	**2025**
	RMB'000			
Current:				
Sales rebate accruals and payables	314,091	1,039,272	752,655	984,438
Deposits	545,252	608,185	806,964	842,306
Equipment and construction payables	173,354	238,698	723,247	667,811
Other accrued expenses	326,572	379,566	395,337	440,589
Payroll payables	389,964	491,445	582,358	498,637
Value-added tax payables	68,918	187,343	225,601	240,104
Other tax payables	49,524	59,144	63,612	65,578
Accrual for Listing expenses	–	–	17,342	14,006
Others	96,560	94,950	93,188	65,818
Non-current:				
Equipment and construction payables	–	–	109,040	109,040
Total	**1,964,235**	**3,098,603**	**3,769,344**	**3,928,327**

Our other payables and accruals increased from RMB1,964.2 million as of December 31, 2022 to RMB3,098.6 million as of December 31, 2023, primarily due to an increase in sales rebate accruals and payables as a result of the increased sales to our distributors. Our other payables and accruals further increased to RMB3,769.3 million as of December 31, 2024, primarily because the increased equipment and construction payables related to construction of our Wuhu factory. Our other payables and accruals then increased to RMB3,928.3 million as of March 31, 2025, primarily because an increase of RMB231.8 million in sales rebate accruals and payables as a result of the increased sales to our distributors, partially offset by a decrease of RMB83.7 million in payroll payables, primarily due to the payment of 2024 year-end bonuses and performance bonuses by some of our departments in the three months ended March 31, 2025.

As of July 31, 2025, RMB1,761.3 million, or 46.1% of our other payables and accruals as of March 31, 2025 had been settled.

Contract Liabilities

Our contract liabilities represent the liabilities recognized when the measure of the remaining performance obligations of a contract exceeds the measure of the remaining rights, primarily consisting of advances on sales of air conditioners from customers.

Our contract liabilities increased from RMB1,330.4 million as of December 31, 2022 to RMB2,209.7 million as of December 31, 2023, and further increased to RMB2,850.5 million as of December 31, 2024, primarily driven by the increased sales of air conditioners. The increase was primarily driven by the heightened demand for our air conditioners, resulting from the expansion into both existing and new markets, as well as the successful sales of our new products. Our contract liabilities remained relatively stable at RMB2,850.5 million as of December 31, 2024 and RMB2,805.6 million as of March 31, 2025.

As of July 31, 2025, RMB2,265.1 million, or 80.7%, of our contract liabilities as of March 31, 2025 were subsequently recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to manufacture our products, fund the construction of our manufacturing facilities, R&D, as well as other working capital needs. Historically, we have financed our operations and other capital requirements primarily through cash generated from our business operations, bank borrowings and equity contributions from our shareholders, and we plan to continue to do so.

Our anticipated cash needs primarily include costs associated with the R&D of our products and business operations. We expect to fund our future working capital and other cash requirements with cash generated from our operations, the net proceeds from Global Offering and, when necessary, bank and other borrowings.

As of July 31, 2025, the latest practicable date for determining our indebtedness, we had cash and bank balances of RMB4,341.3 million. Considering our internal resources, our cash flow from operations and the estimated net proceeds from the Global Offering, our Directors confirm that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this prospectus.

Net Current Liabilities

The following table sets forth a summary of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of March 31,	As of July 31,
	2022	2023	2024	2025	2025
			RMB'000		*(Unaudited)*
Current assets					
Inventories	2,841,937	2,707,905	5,878,841	5,227,435	3,199,446
Trade and bills receivables	1,427,542	1,944,902	3,003,430	4,764,574	5,434,521
Receivables at fair value through other comprehensive income	155,907	670,606	964,806	1,905,411	1,431,252
Prepayments, deposits and other receivables	719,870	497,408	1,448,033	1,339,964	1,211,040
Tax recoverable	–	–	155,413	34,502	266,210
Financial assets at fair value through profit or loss	–	–	–	300,000	1,237,318
Derivative financial instruments	38,728	20,762	–	41,290	65,105
Pledged deposits	600,834	1,231,371	1,424,909	2,621,775	2,583,751
Cash and bank balances	2,389,724	5,610,379	2,907,756	3,708,047	4,341,257
Amounts due from related parties	141,514	137,001	73	366	1,231
Total current assets	**8,316,056**	**12,820,334**	**15,783,261**	**19,943,364**	**19,771,129**
Current liabilities					
Trade and bills payables	5,436,034	6,436,447	10,395,125	11,948,435	11,802,347
Other payables and accruals	1,964,235	3,098,603	3,660,304	3,819,287	4,160,411
Contract liabilities	1,330,375	2,209,731	2,850,473	2,805,624	2,851,610
Derivative financial instruments	–	238	173,370	69,981	465
Interest-bearing bank borrowings	1,062,303	1,200,444	657,841	1,507,832	1,310,195
Lease liabilities	4,625	6,190	29,902	31,979	25,840
Income tax payable	169,125	85,077	126,736	255,395	69,973
Deferred income	47,416	49,700	57,317	50,745	47,486
Provision	175,734	185,346	159,864	164,828	169,328
Amounts due to related parties	1,316,189	1,578,002	141,890	120,441	137,231
Total current liabilities	**11,506,036**	**14,849,778**	**18,252,822**	**20,774,547**	**20,574,886**
Net current liabilities	**(3,189,980)**	**(2,029,444)**	**(2,469,561)**	**(831,183)**	**(803,757)**

We had net current liabilities of RMB3,190.0 million, RMB2,029.4 million, RMB2,469.6 million, RMB831.2 million and RMB803.8 million as of December 31, 2022, 2023, 2024, March 31, 2025 and July 31, 2025, respectively.

Our net current liabilities decreased from RMB3,190.0 million as of December 31, 2022 to RMB2,029.4 million as of December 31, 2023, primarily attributable to an increase in our current assets primarily as a result of an increase of RMB3,220.7 million in cash and bank balances primarily driven by an increase in profit; partially offset by an increase in our current liabilities, which primarily due to (i) an increase of RMB1,000.4 million in trade payables and bills payables primarily because we purchased more raw materials to support our production expansion; (ii) an increase of RMB1,134.4 million in other payables and accruals due to an increase in sales rebate accruals as a result of the increased sales to our distributors.

Our net current liabilities increased from RMB2,029.4 million as of December 31, 2023 to RMB2,469.6 million as of December 31, 2024, primarily attributable to an increase in our current liabilities mainly as a result of an increase of RMB3,958.7 million in trade payables and bills payables along with our increased procurement of raw materials to support our business expansion; partially offset by an increase in our current assets, primarily due to (i) an increase of RMB3,170.9 million in inventories mainly in response to the growing demand for our products; (ii) an increase of RMB1,058.5 million in trade and bills receivables due to our increased overseas sales which typically has a longer credit period; and (iii) an increase of RMB950.6 million in prepayments, deposits and other receivables along with our increased purchase of materials to support our business expansion and increased overseas sales.

Our net current liabilities decreased from RMB2,469.6 million as of December 31, 2024 to RMB831.2 million as of March 31, 2025, primarily attributable to an increase in our current assets, primarily as a result of (i) an increase of RMB1,761.1 million in trade and bills receivables mainly because of the increased overseas sales, which typically have a longer credit period, (ii) an increase of RMB1,196.9 million in pledged deposits, along with our business growth and as a result of using more bills during our operations; partially offset by an increase in our current liabilities, which primarily due to an increase of RMB1,553.3 million in trade and bills payables, primarily attributable to the increased procurement of raw materials to support our business expansion.

Our net current liabilities decreased from RMB831.2 million as of March 31, 2025 to RMB803.8 million as of July 31, 2025, primarily attributable to a decrease in our current liabilities, which primarily due to a decrease of RMB197.6 million in our interest-bearing bank borrowings as a result of proactive debt management and repayment strategies.

Although we recorded net current liabilities during the Track Record Period, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this prospectus, taking into account the financial resources available to us, including our cash and cash equivalents on hand, internally generated funds and the estimated net proceeds from the Global Offering.

We seek to improve our net current liabilities position by improving our operating cash flow through our expanding sales and business expansion. During the Track Record Period, we generated net cash flows from operating activities of RMB4,004.0 million, RMB4,631.4 million, RMB2,518.1 million, RMB1,817.9 million and RMB579.7 million in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively. We will continue to closely monitor our cash flow and plan to make continuous efforts to improve our financial positions, including (i) adopting various strategies and measures including expanding market share to continuously maintain and improve our revenue growth and profitability; (ii) adjust our financing structure to replace short-term bank loans with long-term bank loans; (iii) maintain our sound relationships with banks and other financial institutions to obtain financial facilities with favorable terms to support our business operations as required; and (iv) strictly follow our receivable collection rules and standards to ensure our cash flow and liquidity.

Summary of Consolidated Statements of Cash Flow

The following table sets forth a summary of our consolidated statements of cash flow for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2022	2023	2024	2024	2025
			RMB'000		
				(Unaudited)	
Net cash flows generated from operating activities	4,003,995	4,631,421	2,518,079	1,817,944	579,658
Net cash flows used in investing activities	(138,462)	(1,388,776)	(208,316)	(1,185,658)	(1,112,623)
Net cash flows (used in)/ generated from financing activities	(2,951,983)	(282,127)	(4,520,832)	133,352	730,389
Net increase/(decrease) in cash and cash equivalents	913,550	2,960,518	(2,211,069)	765,638	197,424
Cash and cash equivalents at beginning of the year/period	1,227,470	2,131,268	5,102,830	5,102,830	2,907,756
Effect of foreign exchange rate changes, net	(9,752)	11,044	15,995	16,501	19,233
Cash and cash equivalents at the end of the year/period	2,131,268	5,102,830	2,907,756	5,884,969	3,124,413

Operating Activities

For the three months ended March 31, 2025, we had net cash flows generated from operating activities of RMB579.7 million, primarily attributable to our profit before tax of RMB1,208.7 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB117.4 million; (ii) fair value gains on derivative financial instruments of RMB74.6 million; and (iii) impairment loss on financial assets of RMB67.9 million. The amount was further adjusted by changes in certain working capital accounts, primarily including (i) an increase of RMB1,553.3 million in trade and bills payables; (ii) an increase of RMB1,809.1 million in trade and bills receivables; (iii) an increase of RMB953.6 million in receivables at fair value through other comprehensive income; and (iv) an increase of RMB357.4 million in pledged deposits.

For the year ended December 31, 2024, we had net cash flows generated from operating activities of RMB2,518.1 million, primarily attributable to our profit before tax of RMB3,549.0 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB438.9 million; and (ii) interest income of RMB217.8 million. The amount was further adjusted by changes in certain working capital accounts, primarily including (i) an increase of RMB3,958.7 million in trade and bills payables; (ii) an increase of RMB3,170.9 million in inventories; (iii) an increase of RMB1,101.8 million in trade and bills receivables; (iv) an increase of RMB949.3 million in prepayments, deposits and other receivables; and (v) an increase of RMB640.7 million in contract liabilities.

For the year ended December 31, 2023, we had net cash flows generated from operating activities of RMB4,631.4 million, primarily attributable to our profit before tax of RMB3,142.4 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB415.4 million; and (ii) interest income of RMB186.5 million. The amount was further adjusted by changes in certain working capital accounts, primarily including (i) an increase of RMB1,069.0 million in other payables and accruals; (ii) an increase of RMB1,000.4 million in trade and bills payables; and (iii) an increase of RMB879.4 million in contract liabilities.

For the year ended December 31, 2022, we had net cash flows generated from operating activities of RMB4,004.0 million, primarily attributable to our profit before tax of RMB1,834.3 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB417.9 million; and (ii) finance cost of RMB96.0 million. The amount was further adjusted by changes in certain working capital accounts, primarily including (i) an increase of RMB1,030.5 million in trade and bills payables; (ii) a decrease of RMB568.2 million in prepayments, deposits and other receivables; and (iii) an increase of RMB449.8 million in inventories.

Investing Activities

For the three months ended March 31, 2025, we had net cash flows used in investing activities of RMB1,112.6 million, primarily attributable to (i) the purchase of financial assets at FVTPL of RMB2,300.0 million; and (ii) the placement of time deposits of RMB583.6 million; partially offset by the disposal of financial assets at FVTPL of RMB2,001.2 million.

For the year ended December 31, 2024, we had net cash flows used in investing activities of RMB208.3 million, primarily attributable to (i) the purchase of financial assets at FVTPL, representing structured deposits of RMB8,013.4 million; (ii) the placement of time deposits of RMB2,039.9 million; and (iii) the purchase of items of property, plant and equipment of RMB810.0 million; partially offset by (i) the disposal of financial assets at FVTPL of RMB8,041.8 million; and (ii) the withdrawal of time deposits of RMB2,547.4 million.

For the year ended December 31, 2023, we had net cash flows used in investing activities of RMB1,388.8 million, primarily attributable to (i) the placement of time deposits of RMB5,915.9 million; (ii) the purchase of financial assets at FVTPL of RMB1,900.0 million; and (iii) the purchase of items of property, plant and equipment of RMB328.0 million; partially offset by (i) the disposal of financial assets at FVTPL of RMB4,881.0 million; and (ii) the withdrawal of time deposits of RMB1,914.6 million.

For the year ended December 31, 2022, we had net cash flows used in investing activities of RMB138.5 million, primarily attributable to (i) the purchase of financial assets at FVTPL of RMB3,370.0 million; (ii) the placement of time deposits of RMB1,139.1 million; and (iii) the purchase of items of property, plant and equipment of RMB256.9 million; partially offset by (i) the disposal of financial assets at FVTPL of RMB3,404.8 million; and (ii) the withdrawal of time deposits of RMB885.0 million.

Financing Activities

For the three months ended March 31, 2025, we had net cash flows generated from financing activities of RMB730.4 million, primarily attributable to new bank loans of RMB1,437.5 million, partially offset by the repayment of bank loans of RMB682.6 million.

For the year ended December 31, 2024, we had net cash flows used in financing activities of RMB4,520.8 million, primarily attributable to (i) the repayment of bank loans of RMB6,785.8 million; (ii) dividends paid of RMB3,793.5 million; and (iii) repayments to related parties of RMB1,494.1 million; partially offset by new bank loans of RMB7,137.8 million.

For the year ended December 31, 2023, we had net cash flows used in financing activities of RMB282.1 million, primarily attributable to the repayment of bank loans of RMB6,350.3 million; partially offset by (i) new bank loans of RMB5,888.4 million; and (ii) advances from related parties of RMB254.0 million.

For the year ended December 31, 2022, we had net cash flows used in financing activities of RMB2,952.0 million, primarily attributable to (i) repayment bank loans of RMB7,707.3 million; and (ii) interest paid of RMB102.7 million; partially offset by new bank loans of RMB4,750.9 million.

INDEBTEDNESS

As of December 31, 2022, 2023 and 2024, and March 31 and July 31, 2025, the most recent practicable date for determining our indebtedness, except as disclosed in the table below, we did not have any material indebtedness.

	As of December 31,			As of March 31,	As of July 31,
	2022	2023	2024	2025	2025
			RMB'000		
					(Unaudited)
Current					
Interest-bearing bank borrowings	1,062,303	1,200,444	657,841	1,507,832	1,310,195
Lease liabilities	4,625	6,190	29,902	31,979	25,840
Derivative financial instruments	–	238	173,370	69,981	465
	1,066,928	1,206,872	861,113	1,609,792	1,336,499
Non-current					
Interest-bearing bank borrowings	602,101	880	895,493	800,389	433,689
Lease liabilities	433	4,538	88,000	95,062	91,823
Amounts due to related parties (non-trade nature)	1,243,538	1,494,052	–	–	–
	1,846,072	1,499,470	983,493	895,451	525,511
Total	**2,913,000**	**2,706,342**	**1,844,606**	**2,505,243**	**1,862,011**

Interest-bearing Bank Borrowings

As of December 31, 2022, 2023, 2024 and March 31, 2025, we had total interest-bearing bank borrowings of RMB1,664.4 million, RMB1,201.3 million, RMB1,553.3 million and RMB2,308.2 million, respectively. During the Track Record Period, our interest-bearing bank borrowings came from commercial banks and financial institutions bearing effective interest rates in the range of 0.65% to 3.85% per annum. The majority of our bank borrowings were unsecured as of March 31, 2025. Additionally, we maintain facilities with a number of commercial banks in support of our operations.

As of July 31, 2025, we had total interest-bearing bank borrowings of RMB1,743.9 million, which bearing effective interest rates in the range of 0.65% to 3.65% per annum. Our interest-bearing bank borrowings as of July 31, 2025 were expected to become mature by May 2030. As of July 31, 2025, we had RMB12,067.1 million of unutilized banking facilities.

Our loan agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. We also undertake financial covenants that require us to meet certain financial ratio requirements in our loan agreements. Our Directors confirm that there has not been any material default on our part in the payment of borrowings, or breaches of covenants during the Track Record Period and up to the date of this prospectus. During the same period, we have not experienced any difficulties in obtaining bank loans and others borrowings, default in payment of bank loans and other borrowings or breach of covenants.

Lease Liabilities

During the Track Record Period, our lease liabilities were primarily in relation to our lease of buildings used in our operations. As of December 31, 2022, 2023 and 2024, as well as March 31, 2025 and July 31, 2025, our total lease liabilities amounted to RMB5.1 million, RMB10.7 million, RMB117.9 million, RMB118.6 million, RMB127.0 million and RMB117.7 million, respectively.

Derivative Financial Liabilities

Our derivative financial instruments mainly represent forward currency contracts and swaps and future contracts for the purchase of copper. During the Track Record Period, we used a combination of these derivative financial instruments to hedge the fluctuations of foreign exchange rate, interest rate and raw material price. As of December 31, 2022, 2023 and 2024, as well as March 31, 2025 and July 31, 2025, our derivative financial liabilities amounted to nil, RMB0.2 million, RMB173.4 million, RMB70.0 million and RMB0.5 million, respectively.

Amounts Due to Related Parties (Non-Trade Nature)

Our amounts due to related parties in non-trade nature were unsecured, payable on demand and interest-free. As of December 31, 2022 and 2023, the amounts due to related parties in non-trade nature amounted to RMB1,243.5 million and RMB1,494.1 million, respectively. This amount has been fully settled in December 2024. For details, see "— Related Party Transactions."

Our Directors confirm that there has not been any material change in indebtedness of our Group since July 31, 2025, being the most recent practicable date for determining our indebtedness, and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

During the Track Record Period, we were involved as a co-defendant in litigation related to a trade secrets and intellectual property infringement proceeding, and as of the Latest Practicable Date, an appeal had been filed by the other defendant, and the appeal has been accepted by the court. For details, see "Business — Legal Proceedings and Compliance."

Except as disclosed in "— Indebtedness" above, as of July 31, 2025, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, borrowings, indebtedness, guarantees or other material contingent liabilities. Our Directors confirm that there was no material change in our contingent liabilities from July 31, 2025 to the Latest Practicable Date.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period primarily related to (i) construction in progress, (ii) machinery and equipment, (iii) office equipment and fixtures, (iv) buildings, and (v) motor vehicles. The details of our capital expenditure during the Track Record Period are summarized as follows.

	For the year ended December 31,			For the three months ended March 31,
	2022	2023	2024	2025
	RMB'000			
Construction in progress	80,540	172,953	662,543	144,827
Machinery and equipment	43,830	100,544	360,905	47,555
Office equipment and fixtures	11,409	25,336	45,101	10,293
Buildings	13,901	936	45,805	9,315
Motor vehicles	980	27,656	12,340	1,239
Total	**150,660**	**327,425**	**1,126,694**	**213,229**

CAPITAL COMMITMENTS

Our capital commitments at the end of each year during the Track Record Period primarily related to contracted but not provided commitments for property, plant and equipment relating to the construction of our manufacturing facilities. As of December 31, 2022, 2023 and 2024 and March 31, 2025, our capital commitments amounted to RMB546.5 million, RMB752.5 million, RMB1,096.9 million and RMB894.9 million, respectively.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. It is the view of our Directors that each of the related party transactions set out in Note 40 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

The following table sets forth a breakdown of our transactions with related parties for the years/periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2022	2023	2024	2024	2025
			RMB'000		
				(Unaudited)	
Purchase of goods and services	142,995	258,553	339,011	77,231	78,735
Sales of goods and rendering of services	27,512	42,121	38,471	6,256	5,908
Lease income	333	1,403	2,953	842	344
Lease expenses and rental payments	3,252	5,415	4,387	1,257	1,025
Interest income	19,301	210	142	51	14
Interest expense	6,296	463	284	–	–
Purchase of property, plant and equipment	791	–	–	–	16,477

Purchases of Goods and Services

For the years ended December 31, 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, we procured components, materials and property management services from entities controlled by our Directors and their relatives to produce our air conditioners in an aggregate amount of RMB143.0 million, RMB258.6 million, RMB339.0 million, RMB77.2 million and RMB78.7 million, respectively.

Sales of Goods and Rendering of Services

For the years ended December 31, 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, we sold air conditioners to entities controlled by our Director and a company in which a relative of one of our Directors holds a 50% equity interest in an aggregate amount of RMB27.5 million, RMB42.1 million, RMB38.5 million, RMB6.3 million and RMB5.9 million, respectively.

Lease Income

During the Track Record Period, we leased certain properties to entities controlled by our Director for manufacturing and warehousing. The lease income for the years ended December 31, 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025 amounted to RMB0.3 million, RMB1.4 million, RMB3.0 million, RMB0.8 million and RMB0.3 million, respectively.

Lease Expense and Rental Payments

During the Track Record Period, we rent certain warehouses from entities controlled by our Director. The lease expenses for short-term leases and rental payments for the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2024 and 2025, amounted to RMB3.3 million, RMB5.4 million and RMB4.4 million, RMB1.2 million and RMB1.0 million, respectively.

Interest Income

During the Track Record Period, we generated interest income related to amounts due from entities controlled by our Director and deposits at a bank where our Director also held a position as a director. Our interest income amounted to RMB19.3 million, RMB0.2 million, RMB0.1 million, RMB51 thousand and RMB14 thousand in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

Interest Expense

During the Track Record Period, we recorded interest expense representing interests on lease liabilities and interests incurred on our bank borrowings from a bank where our Director also held a position as a director. Our interest expense amounted to RMB6.3 million, RMB0.5 million, RMB0.3 million, nil and nil in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

Purchase of Property, Plant and Equipment

In 2022, we purchased transformers from entities controlled by our Director to upgrade our production infrastructure, which amounted to RMB0.8 million. In the three months ended March 31, 2025, we purchased transformers from entities controlled by our Directors to upgrade the production infrastructure of our compressor factory in Wuhu, which amounted to RMB16.5 million. We did not purchase any other property, plant and equipment from our related parties other than the aforementioned transaction.

The following table sets forth outstanding balances with related parties as of the dates indicated.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			
Bank balance[(1)]	230,466	13,925	43,031	54,972
Amounts due from related parties:				
Trade nature	–	–	73	366
Non-trade nature	141,514	137,001	–	–
Bank borrowings[(1)]	50,000	–	–	–
Amounts due to related parties:				
Trade nature	72,651	83,950	141,890	120,441
Non-trade nature	1,243,538	1,494,052	–	–

Note:

(1) Represent bank balance and bank borrowings from a bank, in which our Director serves as a director.

KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the dates or for the years/periods indicated.

	As of/for the year ended December 31,			As of/for the three months ended March 31,
	2022	2023	2024	2025
Net profit margin	7.4%	10.0%	9.8%	9.9%
Inventory turnover days	62.1	52.2	66.6	67.8
Trade and bills receivables turnover days	25.2	24.8	30.3	37.4
Return of equity (ROE)[(1)]	143.9%	83.3%	72.1%	85.4%
Return on assets (ROA)[(2)]	9.9%	14.3%	13.2%	14.3%
Gearing ratio[(3)]	88.3%	78.8%	84.1%	82.5%

Notes:

(1) ROE is calculated by dividing profit for the year/period attributable to the owners of our Company by the average balance of equity attributable to the owners of our Company and multiplying by 100%. For the three months ended March 31, 2025, ROE is annualized by multiplying the number by 4.

(2) ROA is calculated by dividing profit for the year/period by the average balance of total assets and multiplying by 100%. For the three months ended March 31, 2025, ROA is annualized by multiplying the number by 4.

(3) Gearing ratio is calculated by dividing total liabilities by total assets of the year/period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including foreign currency risk, credit risk and liquidity risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see Note 43 in the Accountants' Report set out in Appendix I of this prospectus.

Foreign Currency Risk

Our transactional currency exposures mainly arise from overseas sales of products. Therefore, we are exposed to foreign currency risk. We currently take certain foreign currency hedging measures and we did not experience any material impact on our operations resulting from fluctuation in exchange rates during the Track Record Period. However, our management monitors our foreign currency risk exposure and will review and adjust our hedging measures in accordance with our needs. For further details and an analysis of the sensitivity at the end of each year/period during the Track Record Period to a reasonably possible change in the USD exchange rates, with all other variables held constant, of our loss or profit before tax (due to changes in the fair value of monetary assets and liabilities), see Note 43 of the Accountants' Report set out in Appendix I to this prospectus.

Credit Risk

We trade only with recognized and creditworthy third parties and there is no requirement for collateral. It is our 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 our exposure to bad debts is not significant. As of December 31, 2022, 2023 and 2024 and March 31, 2025, we had certain concentrations of credit risk as 26.94%, 36.46%, 10.21% and 14.03% of our trade receivables were due from our largest customer, respectively, and 53.36%, 56.37%, 30.60% and 31.58% of our trade receivables were due from our five largest customers at the end of each year/period during the Track Record Period, respectively. We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk.

For further details and an analysis of the credit quality based on our credit policy and the maximum exposure to credit risk at the end of each year during the Track Record Period, see Note 43 to the Accountants' Report set out in Appendix I to this prospectus.

Liquidity Risk

We monitor our exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities. Our liquidity is primarily dependent on our ability to maintain adequate cash inflows from operations to meet our debt obligations as they fall due, and our ability to obtain external financing to meet our committed future capital expenditure.

DIVIDENDS

During the Track Record Period, dividend of approximately RMB3,793.5 million was declared and paid by Ningbo AUX Electric Co., Ltd. to its then shareholders. Our earnings per share attributable to ordinary equity holders of the parent were RMB1.11, RMB1.91, RMB2.23, RMB0.58 and RMB0.68 in 2022, 2023, 2024 and the three months ended March 31, 2024 and 2025, respectively.

Currently, we do not have a formal dividend policy or a fixed dividend payout ratio. Any future declarations and payments of dividends will be at the discretion of our Directors, subject to certain restrictions under Cayman Islands law, and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. As advised by our legal advisor as to Cayman Islands law, notwithstanding that our Company may have accumulated losses, our Company may declare dividend (a) out of profits of our Company if our Company has sufficient profits, realized or unrealized, unless such is contrary to the accounting principles adopted by our Company or (b) out of the share premium of our Company if, in each case, following the date on which the dividend is proposed to be paid, our Company is able to pay its debts as they fall due in the ordinary course of business. In determining whether to declare a dividend, our Board will need to be satisfied that the declaration of dividend is in the best interest of our Company and may make provision for losses.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. The PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends.

DISTRIBUTABLE RESERVES

We had retained losses as of January 1, 2022, primarily attributable to certain business restructurings prior to the Track Record Period, whereby all air conditioning business previously directly or indirectly controlled by our Controlling Shareholders were consolidated into our Group upon the completion of such business restructurings. For details, see "History, Reorganization and Corporate Structure — Major Corporate Developments and Pre-IPO Reorganization of Our Group — Business Restructuring." The profits generated by these acquired businesses were distributed to the then shareholders of these acquired businesses and the excess of the consideration over net assets value of the acquired business was adjusted against retained earnings, resulting in a negative balance of retained earnings (i.e. retained losses) in our Group's consolidated financial statements.

As of March 31, 2025, we had approximately RMB3,147.8 million of retained profits available for distribution to our shareholders.

PROPERTIES AND VALUATION

JLL, an independent property valuer, has valued our selected property interest as of May 31, 2025. Particulars of the property interest are set out in Appendix III to this prospectus.

The table below sets out the reconciliation between the net book value of our selective property as of March 31, 2025 in the Accountants' Report set out in Appendix I to this prospectus and the market value of our selective property as of May 31, 2025 in the Property Valuation Report set out in Appendix III to this prospectus.

	(RMB in million)
Net book value of our selective property as of March 31, 2025	325.8
Depreciation adjustments	(3.6)
Net book value as of May 31, 2025	322.2
Valuation surplus as of May 31, 2025	155.4
Valuation as of May 31, 2025 as set out in "Appendix III – Property Valuation Report" to this prospectus	477.6

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$174.2 million (assuming an Offer Price of HK$16.71 per Share, being the mid-point of the indicative Offer Price range of HK$16.00 to HK$17.42 per Share), representing approximately 5.3% of the estimated net proceeds from the Global Offering assuming no Shares are issued pursuant to the Offer Size Adjustment Option or the Over-allotment Option. The listing expenses consist of (i) underwriting-related expenses, including underwriting commission, of approximately HK$119.4 million, and (ii) non-underwriting-related expenses of approximately HK$54.8 million, comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK$41.2 million, and (b) other fees and expenses of approximately HK$13.6 million. During the Track Record Period, the listing expenses charged to our consolidated statements of profit or loss were RMB28.7 million (HK$31.5 million) and the issue costs, which were recognized as prepayments and are expected to be deducted from equity upon the Listing, were RMB5.2 million (HK$5.7 million). After the Track Record Period, approximately HK$22.4 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$114.6 million is expected to be accounted for as a deduction from equity upon the Listing. We do not believe any of the above fees or expenses are material or are unusually high for our Group. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to owners of the parent as of March 31, 2025 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of our Company had the Global Offering been completed as of March 31, 2025 or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the consolidated net tangible assets attributable to owners of the parent as of March 31, 2025 as set out in the Accountants' Report in Appendix I to this prospectus and is adjusted for the effects described below.

	Consolidated net tangible assets of our Group attributable to owners of our parent as of March 31, 2025	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our parent as of March 31, 2025	Unaudited pro forma adjusted consolidated net tangible assets per Share as of March 31, 2025	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$16.00 per Share	4,511,477	2,892,774	7,404,251	4.75	5.22
Based on an Offer Price of HK$16.71 per Share	4,511,477	3,022,068	7,533,545	4.84	5.31
Based on an Offer Price of HK$17.42 per Share	4,511,477	3,151,363	7,662,840	4.92	5.40

Notes:

1. The consolidated net tangible assets of our Group attributable to owners of our parent as of March 31, 2025 was arrived at after deducting intangible assets of RMB312.7 million as of March 31, 2025 from the consolidated net assets attributable to owners of our parent as of March 31, 2025 of RMB4,824.2 million set out in the Accountants' Report in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on the estimated low end, mid-point and high end offer prices of HK$16.00, HK$16.71 and HK$17.42 per Share after deduction of underwriting fees and commissions and other related expenses payable by our Company (excluding the Listing expenses that have been charged to profit or loss during the Track Record Period) and do not take into account any shares which may be issued upon exercise of the Offer Size Adjustment Option or the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our parent per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 1,557,161,200 shares, being the number of shares in issue assuming that the Global Offering had been completed on March 31, 2025, without taking account of the exercise of the Offer Size Adjustment Option or the Over-allotment Option.

4. For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the balances stated in RMB are converted into HK$ at the rate of RMB1.0000 to HK$1.0982.

5. No other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible asset of our Group to reflect any trading result or other transactions entered into subsequent to March 31, 2025.

6. The property interest valued in the property valuation report as set out in Appendix III to this prospectus represented our investment property. The above unaudited pro forma statement of adjusted consolidated net tangible assets does not take into account the valuation surplus arising from the valuation of our property interest. Valuation surplus has not been recorded in our consolidated statements of financial position as of December 31, 2022, 2023, 2024 and March 31, 2025 and material accounting policy information and other explanatory information and will not be recorded in our consolidated financial statements in the future periods as our investment property is stated at cost less accumulated depreciation and impairment losses, if any. Had the valuation surplus been recorded in our financial statements, additional annual depreciation of approximately RMB4.6 million would be charged in profit or loss in future remaining useful lives.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our business, financial condition and results of operations since March 31, 2025, which is the end date of the periods reported on in the Accountants' Report in Appendix I to this prospectus, and there is no event since March 31, 2025 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 200 Shares) that may be purchased for an aggregate amount of approximately US$124.3 million (or approximately HK$974.2 million, calculated based on an exchange rate of US$1.00 to HK$7.83832) (exclusive of brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$16.00 (being the low-end of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 60,884,400 Offer Shares. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming Offer Size Adjustment Option is fully exercised			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering
29.4%	3.9%	25.6%	3.8%	25.6%	3.8%	22.2%	3.7%

Assuming an Offer Price of HK$16.71 (being the mid-point of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 58,297,200 Offer Shares. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming Offer Size Adjustment Option is fully exercised			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering
28.1%	3.7%	24.5%	3.7%	24.5%	3.7%	21.3%	3.6%

Assuming an Offer Price of HK$17.42 (being the high-end of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 55,921,400 Offer Shares. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming Offer Size Adjustment Option is fully exercised			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering
27.0%	3.6%	23.5%	3.5%	23.5%	3.5%	20.4%	3.4%

We believe that the Cornerstone Placing signifies our Cornerstone Investors' confidence in our Company and its business prospect, and that the Cornerstone Placing will help to raise the profile of our Company. We became acquainted with each of the Cornerstone Investors through introduction by the Overall Coordinators of the Global Offering.

The Cornerstone Placing will form part of the International Offering, and save as otherwise obtained consent from the Stock Exchange, the Cornerstone Investors (and for China Post Life Insurance Company Limited ("**China Post Insurance**") and PSBC Wealth Management Co., Ltd. ("**PSBC Wealth**"), who will subscribe for our Offer Shares through qualified domestic institutional investor ("**QDII**"), the QDII), and their respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors (and for China Post Insurance and PSBC Wealth, who will subscribe for our Offer Shares through QDII, the QDII) will rank *pari passu* in all respects with the fully paid Shares in issue following the Global Offering of the Company and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company; and none of the Cornerstone Investors and their close associates will become a substantial Shareholder of our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights under each of their respective Cornerstone Investment Agreements, as compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

Save as otherwise disclosed, to the best knowledge of our Company, (i) each of the Cornerstone Investors (and for China Post Insurance and PSBC Wealth, who will subscribe for our Offer Shares through QDII, the QDII) and their respective ultimate beneficial owners is an Independent Third Party and has no relationship with our Company, the Directors, chief executive, substantial Shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates; (ii) none of the Cornerstone Investors (and for China Post Insurance and PSBC Wealth, who will subscribe for our Offer Shares through QDII, the QDII) is accustomed to taking instructions from our Company, the Directors, chief executive, substantial Shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors (or for China Post Insurance and PSBC Wealth, who will subscribe for our Offer Shares through QDII, the QDII) is financed by our Company, the Directors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates; (iv) each Cornerstone Investor will be utilizing its internal financial resources, financial resources of its shareholders or (in the case of Cornerstone Investors which are funds or investment managers) the assets managed for its investors as its source of funding for the subscription of the Offer Shares, and it has sufficient funds to settle its respective investment under the Cornerstone Placing; and (v) each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the relevant Cornerstone Placing. In addition, to the best knowledge of our Company, other than China Post Insurance and PSBC Wealth, which were both ultimately controlled by China Post Group Corporation Limited (中國郵政集團有限公司) as of the Latest Practicable Date, each of the Cornerstone Investors is independent from each other and makes independent investment decisions.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Shares commence on the Stock Exchange. Some of the Cornerstone Investors have agreed that our Company, the Sole Sponsor and the Overall Coordinators may in their sole discretion defer the delivery of all or part of the Offer Shares it will subscribe to on a date later than the Listing Date. Such delayed delivery arrangement is in place to facilitate the over-allocation in the International Offering. There will be no delayed delivery if there is no over-allocation in the International Offering. Where delayed delivery takes place, (i) there would be delayed delivery of Offer Shares to some of the Cornerstone Investors based on commercial negotiations with the Cornerstone Investors, (ii) the delayed delivery date should be no later than three business days following the last day on which the Over-allotment Option may be exercised, (iii) no extra payment will be made to the relevant Cornerstone Investors for the purpose of the delayed delivery arrangement, and (iv) each of the Cornerstone Investors has agreed that it shall nevertheless pay for the relevant Offer Shares in full before the Listing. As such, there will not be any deferred settlement in payment by the Cornerstone Investors.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around Monday, September 1, 2025.

To the best knowledge of the Company and the Overall Coordinators, and based on the indicative interest of investment of the Cornerstone Investors and/or their close associates as of the date of this prospectus, certain Cornerstone Investors and/or their close associates may participate in the International Offering as placees and subscribe for further Offer Shares in the Global Offering. The Company will seek the Stock Exchange's consent and/or waiver to allow the Cornerstone Investors and/or their close associates to participate in the International Offering as placees pursuant to Chapter 4.15 of the Guide for New Listing Applicants. Whether such Cornerstone Investors and/or their close associates will place orders in the International Offering are uncertain and will be subject to the final investment decisions of such investors and the terms and conditions of the Global Offering.

OUR CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing, assuming an Offer Price of HK$16.00, being the low-end of the indicative Offer Price range set out in this prospectus:

Cornerstone Investor	Investment amount[(1)]		Number of Offer Shares[(2)]	Assuming the Offer Size Adjustment Option is not exercised				Assuming Offer Size Adjustment Option is fully exercised			
				Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
				Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering
	(US$ in millions)	*(HK$ in millions)*									
China Post Insurance[(3)]	50.0	391.9	24,494,600	11.8%	1.6%	10.3%	1.5%	10.3%	1.5%	8.9%	1.5%
PSBC Wealth[(3)]	15.0	117.6	7,348,400	3.5%	0.5%	3.1%	0.5%	3.1%	0.5%	2.7%	0.5%
China Post Insurance and PSBC Wealth	*65.0*	*509.5*	*31,843,000*	*15.4%*	*2.0%*	*13.4%*	*2.0%*	*13.4%*	*2.0%*	*11.6%*	*2.0%*
Valin Group Hongkong International Trade Co., Limited ("**Valin HK**")	26.5	207.9	12,993,600	6.3%	0.8%	5.5%	0.8%	5.5%	0.8%	4.7%	0.8%
Tibet Longrising Asset Management Co., Ltd. (西藏源樂晟資產管理有限公司) ("**Tibet Longrising**") and CICC Financial Trading Limited ("**CICC FT**") (in connection with Tibet Longrising OTC Swaps)	20.0	156.8	9,797,800	4.7%	0.6%	4.1%	0.6%	4.1%	0.6%	3.6%	0.6%
Shenzhen Yongxin Industrial Investment Partnership Enterprise (Limited Partnership) ("**Shenzhen Yongxin**") and Guotai Junan Investments (Hong Kong) Limited ("**GTINV**") (in connection with Shenzhen Yongxin OTC Swaps)	12.8	100.0	6,250,000	3.0%	0.4%	2.6%	0.4%	2.6%	0.4%	2.3%	0.4%
Total	**124.3**	**974.2**	**60,884,400**	**29.4%**	**3.9%**	**25.6%**	**3.8%**	**25.6%**	**3.8%**	**22.2%**	**3.7%**

The table below sets forth details of the Cornerstone Placing, assuming an Offer Price of HK$16.71, being the mid-point of the indicative Offer Price range set out in this prospectus:

Cornerstone Investor	Investment amount[(1)]		Number of Offer Shares[(2)]	Assuming the Offer Size Adjustment Option is not exercised				Assuming Offer Size Adjustment Option is fully exercised			
				Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
				Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering
	(US$ in millions)	*(HK$ in millions)*									
China Post Insurance[(3)]	50.0	391.9	23,453,800	11.3%	1.5%	9.8%	1.5%	9.8%	1.5%	8.6%	1.4%
PSBC Wealth[(3)]	15.0	117.6	7,036,000	3.4%	0.5%	3.0%	0.4%	3.0%	0.4%	2.6%	0.4%
China Post Insurance and PSBC Wealth	*65.0*	*509.5*	*30,489,800*	*14.7%*	*2.0%*	*12.8%*	*1.9%*	*12.8%*	*1.9%*	*11.1%*	*1.9%*
Valin HK	26.5	207.9	12,441,600	6.0%	0.8%	5.2%	0.8%	5.2%	0.8%	4.5%	0.8%
Tibet Longrising and CICC FT	20.0	156.8	9,381,400	4.5%	0.6%	3.9%	0.6%	3.9%	0.6%	3.4%	0.6%
Shenzhen Yongxin and GTINV	12.8	100.0	5,984,400	2.9%	0.4%	2.5%	0.4%	2.5%	0.4%	2.2%	0.4%
Total	**124.3**	**974.2**	**58,297,200**	**28.1%**	**3.7%**	**24.5%**	**3.7%**	**24.5%**	**3.7%**	**21.3%**	**3.6%**

The table below sets forth details of the Cornerstone Placing, assuming an Offer Price of HK$17.42, being the high-end of the indicative Offer Price range set out in this prospectus:

Cornerstone Investor	Investment amount[(1)]		Number of Offer Shares[(2)]	Assuming the Offer Size Adjustment Option is not exercised				Assuming Offer Size Adjustment Option is fully exercised			
				Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
				Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the Shares in issue upon completion of the Global Offering
	(US$ in millions)	*(HK$ in millions)*									
China Post Insurance[(3)]	50.0	391.9	22,498,000	10.9%	1.4%	9.4%	1.4%	9.4%	1.4%	8.2%	1.4%
PSBC Wealth[(3)]	15.0	117.6	6,749,400	3.3%	0.4%	2.8%	0.4%	2.8%	0.4%	2.5%	0.4%
China Post Insurance and PSBC Wealth	*65.0*	*509.5*	*29,247,400*	*14.1%*	*1.9%*	*12.3%*	*1.8%*	*12.3%*	*1.8%*	*10.7%*	*1.8%*
Valin HK	26.5	207.9	11,934,400	5.8%	0.8%	5.0%	0.8%	5.0%	0.8%	4.4%	0.7%
Tibet Longrising and CICC FT	20.0	156.8	8,999,200	4.3%	0.6%	3.8%	0.6%	3.8%	0.6%	3.3%	0.6%
Shenzhen Yongxin and GTINV	12.8	100.0	5,740,400	2.8%	0.4%	2.4%	0.4%	2.4%	0.4%	2.1%	0.4%
Total	**124.3**	**974.2**	**55,921,400**	**27.0%**	**3.6%**	**23.5%**	**3.5%**	**23.5%**	**3.5%**	**20.4%**	**3.4%**

Notes:

(1) Calculated based on an exchange rate of US$1.00 to HK$7.83832. The actual investment amount is denominated in Hong Kong dollars.

(2) Rounded down to the nearest whole board lot of 200 Shares.

(3) As of the Latest Practicable Date, both China Post Insurance and PSBC Wealth were ultimately controlled by China Post Group Corporation Limited. The Offer Shares to be held by China Post Insurance and PSBC Wealth will be counted towards public float for the purposed of Rule 8.08(1) of the Listing Rules, which will not adversely affect the Company's satisfaction of public float requirements under the Listing Rules.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing

China Post Insurance

China Post Life Insurance Company Limited, a life insurance company controlled by China Post Group Corporation Limited, which is controlled by the Ministry of Finance of the State Council, is headquartered in Beijing with registered capital of RMB32,643 million. It was established with the approval by the China Insurance Regulatory Commission on August 4, 2009 and registered with the State Administration for Industry and Commerce of the People's Republic of China (SAIC) on August 18, 2009.

It officially commenced its business on September 9, 2009. Its scope of business includes various types of personal insurance such as life insurance, health insurance and accident insurance; reinsurance business for the aforementioned businesses; insurance fund management businesses as permitted by the laws and regulations of the PRC; and other businesses approved by the China Insurance Regulatory Commission.

China Post Insurance, whose mission is to serve the grassroots communities and "Sannong" (agriculture, rural areas and farmers), fully leverages the postal network and resources and adheres to the principle of specialization and differentiation. China Post Insurance takes microinsurance as its initial business and focuses on promoting the balanced development of urban and rural insurance industry, in order to build a new and efficient commercial insurance company of modern system, people-oriented services and standardized management that is able to satisfy the government, reassure regulators, and gain public approval. At present, China Post Insurance carries out its business in 22 provinces (including regions and municipalities).

China Post Insurance's investment into the Company would be completed through QDII programs in the PRC.

PSBC Wealth

PSBC Wealth Management Co., Ltd. ("**PSBC Wealth**") was established on December 18, 2019, with a registered capital of RMB8.0 billion, in which Postal Savings Bank of China Co., Ltd. (stock code: 1658) holds a 100% stake and is controlled by China Post Group Corporation Limited, which is controlled by the Ministry of Finance of the State Council. Its business scope is public issuance of wealth management products to the general public, investment and management of entrusted assets for investors; non-public issuance of wealth management products to eligible investors, investment and management of entrusted assets for investors; financial advisory and consulting services, etc. PSBC Wealth remained firmly committed to balanced development of scale, quality and profitability, aimed at fostering core competitiveness, deepened investment analysis, marketing, internal control, operational reforms and digital transformation, and continued to improve the rule-based, specialized and market-oriented development of wealth management business.

For the purpose of the cornerstone investment, PSBC Wealth has engaged GF Securities Asset Management (Guangdong) Co., Ltd, which is a QDII approved by the relevant PRC authorities, to subscribe for the Offer Shares through GFAM Zhongyou No. 1 Asset Management Account (QDII), GFAM Zhongyou No. 2 Asset Management Account (QDII), GFAM Zhongyou No. 3 Asset Management Account (QDII), GFAM Zhongyou No. 4 Asset Management Account (QDII), and GFAM Zhongyou No. 5 Asset Management Account (QDII) and hold such Offer Shares on behalf of PSBC Wealth.

Valin HK

Valin Group Hongkong International Trade Co., Limited ("**Valin HK**"), incorporated in Hong Kong on February 25, 2009, is principally engaged in import and export trading and overseas investments. Valin HK is a wholly-owned subsidiary of Hunan Iron & Steel Group, a state-owned enterprise controlled by the State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government.

Tibet Longrising and CICC Financial Trading Limited (in connection with Tibet Longrising OTC Swaps)

CICC Financial Trading Limited and China International Capital Corporation Limited will enter into a series of cross border delta-one OTC swap transactions (collectively, the "**Tibet Longrising OTC Swaps**") with each other and the ultimate clients (the "**CICC FT Ultimate Clients (Tibet Longrising)**"), pursuant to which CICC FT will hold the Offer Shares on a non-discretionary basis to hedge the Tibet Longrising OTC Swaps while the economic risks and returns of the underlying Offer Shares are passed to the CICC FT Ultimate Clients (Tibet Longrising), subject to customary fees and commissions. The Tibet Longrising OTC Swaps will be fully funded by the CICC FT Ultimate Clients (Tibet Longrising). During the terms of the Tibet Longrising OTC Swaps, all economic returns of the Offer Shares subscribed by CICC FT will be passed to the CICC FT Ultimate Clients (Tibet Longrising) and all economic loss shall be borne by the CICC FT Ultimate Clients (Tibet Longrising) through the Tibet Longrising OTC Swaps, and CICC FT will not take part in any economic return or bear any economic loss in relation to the Offer Shares. The Tibet Longrising OTC Swaps are linked to the Offer Shares and the CICC FT Ultimate Clients (Tibet Longrising) may, after expiration of the lock-up period beginning from the date of the cornerstone agreement entered into between CICC FT and the Company and ending on the date which is six months from the Listing Date, request to early terminate the Tibet Longrising OTC Swaps at their own discretion, upon which CICC FT may dispose of the Offer Shares and settle the Tibet Longrising OTC Swaps in cash in accordance with the terms and conditions of the Tibet Longrising OTC Swaps. Despite that CICC FT will hold the legal title of the Offer Shares by itself, it will not exercise the voting rights attaching to the relevant Offer Shares during the terms of the Tibet Longrising OTC Swaps according to its internal policy. To the best of CICC FT's knowledge having made all reasonable inquiries, each of the CICC FT Ultimate Clients (Tibet Longrising) is an independent third party of CICC FT, China International Capital Corporation Hong Kong Securities Limited ("**CICCHKS**") and the companies which are members of the same group of CICCHKS. Save for Zeng Xiaojie (曾曉潔), a professional individual investor who owns approximately 40.58% in Longrising — Shengshi No. 8 Private Securities Investment Fund (源樂晟-晟世8號私募證券投資基金) and approximately 97.92% in Longrising Qiangshu Private Securities Investment Fund (源樂晟強樹私募證券投資基金), each a CICC FT Ultimate Client (Tibet Longrising), there is no other single ultimate beneficial owner holds 30% or more interests in each of the remaining seven CICC FT Ultimate Clients (Tibet Longrising).

CICC FT is a wholly-owned subsidiary of China International Capital Corporation Limited, of which its shares are listed on the Shanghai Stock Exchange (stock code: 601995) and the Stock Exchange (stock code: 3908). CICC FT is a connected client (as defined under Appendix 6 to the Listing Rules) of CICCHKS, holding securities on a non-discretionary basis on behalf of independent third parties. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit us to allocate the Offer Shares to CICC FT. See "Waivers from Strict Compliance with the Listing Rules — Consent in respect of the Proposed Subscription of Shares by a Cornerstone Investor Who Is a Connected Client."

The CICC FT Ultimate Clients (Tibet Longrising) are nine private funds managed by Tibet Longrising Asset Management Co., Ltd. ("**Tibet Longrising**") on a discretionary basis in its capacity as investment manager. Tibet Longrising is founded in August 2013. With a registered capital of RMB10 million and the total asset under management of approximately RMB20 billion, the company boasts a full-fledged team covering investment research, risk management, and client services, equipped with exceptional research capabilities and acute market analysis skills. Its portfolio comprises sectors such as pharmaceuticals, electronics, construction, and consumer goods. Since 2013, Tibet Longrising has demonstrated outstanding investment expertise in a complex and volatile economic environment. In 2015, it focused on allocating high — growth stocks based on reform expectations and market liquidity characteristics. When monetary policy tightened in 2017, it increased its holdings in consumer and financial industries. In 2020, it made relevant investments in the internet industry when the COVID — 19 pandemic broke out. In 2021, during the first year of the carbon — peaking and carbon — neutrality goals, it grasped high — growth assets such as photovoltaic and lithium — battery industries. It can make relatively precise investment decisions under different economic scenarios, fully reflecting the company's rich investment experience. Tibet Longrising continues to strengthen and improve its corporate governance, adhering to standardized risk management as the foundation, pursuing absolute returns for investors, and taking the most transparent supervision as a driving force. It is committed to becoming a leader in China's local private equity funds, providing professional wealth management services and investment products that can sustainably create stable returns for high-net-worth individuals and high-end financial institutions. Save for Zeng Xiaojie holding 61.75% equity interest in Tibet Longrising, there is no other shareholder who owns 30% or more in Tibet Longrising.

Shenzhen Yongxin and Guotai Junan Investments (Hong Kong) Limited (in connection with Shenzhen Yongxin OTC Swaps)

Guotai Junan Investments (Hong Kong) Limited ("**GTINV**") and Guotai Haitong Securities Co., Ltd. ("**GTHT**") will enter into a series of cross border delta-one OTC swap transactions (the "**Shenzhen Yongxin OTC Swaps**") with each other and with Shenzhen Yongxin Industrial Investment Partnership Enterprise (Limited Partnership) (the "**GTHT Ultimate Client (Shenzhen Yongxin)**"), pursuant to which GTINV will hold the Offer Shares on a non-discretionary basis to hedge the Shenzhen Yongxin OTC Swaps while the economic risks and returns of the underlying Offer Shares are passed to the GTHT Ultimate Client (Shenzhen Yongxin), subject to customary fees and commissions. The Shenzhen Yongxin OTC Swaps will be fully funded by the GTHT Ultimate Client (Shenzhen Yongxin). During the terms of the Shenzhen Yongxin OTC Swaps, all economic returns of the Offer Shares subscribed by GTINV will be passed to the GTHT Ultimate Client (Shenzhen Yongxin) and all economic loss shall be borne by the GTHT Ultimate Client (Shenzhen Yongxin) through the Shenzhen Yongxin OTC Swaps, and GTINV will not take part in any economic return or bear any economic loss in relation to the Offer Shares. The Shenzhen Yongxin OTC Swaps are linked to the Offer Shares and the GTHT Ultimate Client (Shenzhen Yongxin) may, after expiration of the lock-up period beginning from the date of the cornerstone agreement entered into between GTINV and the Company and ending on the date which is six months from the Listing Date, request to early terminate the Shenzhen Yongxin OTC Swaps at their own discretion, upon which GTINV may dispose of the Offer Shares and settle the Shenzhen Yongxin OTC Swaps in cash in accordance with the terms and conditions of the Shenzhen Yongxin OTC Swaps. Despite that GTINV will hold the legal title of the Offer Shares by itself, it will not exercise the voting rights attaching to the relevant Offer Shares during the terms of the Shenzhen Yongxin OTC Swaps according to its internal policy. To the best of GTINV's knowledge having made all reasonable inquiries, the GTHT Ultimate Client (Shenzhen Yongxin) is an independent third party of GTINV, GTHT and the companies which are members of the same group of GTHT.

Guotai Junan Investments (Hong Kong) Limited is a Hong Kong incorporated company. Its principal business activities are trading and investments. It is indirectly wholly owned by Guotai Haitong Securities Co., Ltd., a leading securities firm in China with its shares dually listed in both Shanghai (SSE:601211) and Hong Kong (HKEX:2611).

Shenzhen Yongxin Industrial Investment Partnership Enterprise (Limited Partnership) is a limited partnership focusing on the fields of industrial investment, commercial services, and resource integration. Founded in 2018, the limited partner holding the highest partnership interest (23.03%) is Hainan Yongcheng No. 10 Private Equity Investment Fund Partnership (Limited Partnership) ("**Hainan Yongcheng**"). There is no individual holding more than 30% partnership interest in Hainan Yongcheng. In addition, GTHT Ultimate Client (Shenzhen Yongxin) has five other limited partners, and its general partner is Shenzhen Yixin Investment Industrial Partnership (Limited Partnership) ("**Shenzhen Yixin**"). With more than seven years of investment experience, GTHT Ultimate Client (Shenzhen Yongxin) has an asset under management (AUM) of RMB35 million (excluding this cornerstone investment). The general partner (Shenzhen Yixin) authorizes Wu Yongping (吳永平) to act on its behalf. Mr. Wu, acting as the actual controller of GTHT Ultimate Client (Shenzhen Yongxin), has more than 10 years of investment experience. There is no partner who owns 30% or more in GTHT Ultimate Client (Shenzhen Yongxin). Shenzhen Yongxin Industrial Investment Partnership Enterprise (Limited Partnership) is an Independent Third Party.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Underwriting Agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid Underwriting Agreements having been terminated;

(ii) the Offer Price having been agreed upon between our Company and the Overall Coordinators (for themselves and on behalf of the underwriters of the Global Offering);

(iii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Offer Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective acknowledgements, representations, warranties, undertakings and confirmations of relevant Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from (and inclusive of) the Listing Date (the "**Lock-up Period**"), dispose of, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

FUTURE PLANS

See "Business — Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$3,287.4 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$16.71 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus and that the Offer Size Adjustment Option and the Over-allotment Option are not exercised. If the Offer Price is set at HK$17.42 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$145.6 million. If the Offer Price is set at HK$16.00 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$138.3 million.

Assuming an Offer Price at the mid-point of the indicative Offer Price range and that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, we currently intend to apply these net proceeds for the following purposes:

- approximately 20% of the net proceeds, or approximately HK$657.5 million, is expected to be used for our worldwide research and development efforts. We plan to further expand the footprint of our global research centers to enhance our ability to localize our products. We also intend to expand our research and development team around the world, and attract and retain R&D talent with relevant academic backgrounds and industry experience. Specifically, we will primarily deploy the R&D funds in the following fields:

    - approximately 10% of the net proceeds, or approximately HK$328.7 million, is expected to be used for the research and development of new products and the continual upgrading of our existing products:

        - Our R&D efforts in household air conditioners will primarily focus on developing and upgrading more efficient, comfortable, healthy and intelligent products, including but not limited to: (i) improving the sensing capabilities of our air conditioners in measuring temperature, humidity, air quality, noise levels and other relevant modalities, along with analytics capabilities; (ii) developing our interactive technologies to optimize user experience, allowing for more intuitive control and personalized settings; and (iii) increasing energy efficiency, reducing emissions, and adopting more environmentally friendly materials to achieve our overall goal of decarbonization.

    - Our R&D efforts in central air conditioners will primarily focus on expanding our development of core cutting-edge technologies, expanding our product portfolio, and improving the performance of our central air conditioners by continually upgrading both the underlying hardware and software control systems. We will also continue to ride on the industry trend towards carbon neutrality to earn recognition from a larger number of customers across various sectors, with a goal to further increase our market share and revenue.

- approximately 5% of the net proceeds, or approximately HK$164.4 million, is expected to be used for establishing overseas R&D centers and expanding our global R&D team. We plan to establish R&D centers in Europe, the Americas, and other locations to enhance our innovation capabilities and drive technological advancements tailored to diverse international markets. We expect to recruit around 20 to 30 employees for each center. Candidates for R&D positions should have experience in air conditioner product development and knowledge of local market technical standards, whereas management roles will necessitate over five years of pertinent experience.

  By establishing R&D centers in key global regions, we can leverage local insights, foster cross-cultural collaboration, and accelerate the development of cutting-edge air conditioning solutions that meet the specific needs of our customers worldwide. The planned R&D centers will allow us to gain deeper understanding of local consumer preferences, usage habits, and climate characteristics, enabling us to develop products that are better tailored to the needs of target markets. These centers will also enhance our ability to respond more efficiently to local technical specifications and certification requirements, ensuring compliance with regulatory standards and improving market entry efficiency. Furthermore, the establishment of these centers will help us attract and retain top-tier international R&D talent, expanding the expertise and global reach of our R&D team. This will allow us to integrate advanced technologies such as the Internet of Things into our products, and streamline our product development processes.

- approximately 5% of the net proceeds, or approximately HK$164.4 million, is expected to be used for middle-to-long-term research and development efforts, focusing on the continuous research and upgrade of fundamental technologies of our air conditioners. We plan to focus on research areas such as thermodynamics, fluid and solid mechanics, polymer materials, noise and vibration technologies, energy-saving technologies and human-machine interaction.

- approximately 50% of the net proceeds, or approximately HK$1,643.7 million, is expected to be used for upgrading our intelligent manufacturing system and supply chain management:
  - approximately 45% of the net proceeds, or approximately HK$1,479.3 million, is expected to be used for expanding our manufacturing capacity both domestically and internationally:
    - approximately 20% of the net proceeds, or approximately HK$657.5 million, is expected to be used for enhancing our manufacturing capabilities and establishing more domestic production bases. For example, we plan to invest in researching and manufacturing compressors, which will allow us to enhance our in-house capability to produce key components. By having greater control over these key components, we can improve overall production efficiency and reduce our reliance on external suppliers.
    - approximately 25% of the net proceeds, or approximately HK$821.8 million, is expected to be used for establishing and expanding our overseas production bases and enhancing our supply chain management. We plan to establish production bases in Middle East, the Americas (such as Brazil or Mexico), and other appropriate locations over the next five years. By increasing the proportion of local supply in international markets, we aim to enhance the stability and efficiency of our supply chain, better respond to regional market demands, and mitigate potential uncertainties of supply.
  - approximately 5% of the net proceeds, or approximately HK$164.4 million, is expected to be used for enhancing the digitalization and intelligence of our manufacturing and supply chain. We plan to further upgrade our AUX Industrial Internet Platform to enable real-time monitoring, analysis, and optimization of production workflows leveraging information technologies such as big data and cloud computing. We also plan to increase automation and implement more intelligent manufacturing technologies across our Lights-Out Factory (黑燈工廠) to boost productivity and adaptability. Additionally, we will expand the use of our SRM system to more suppliers, and expand centralized procurement to cover more raw materials, further enhancing supply chain efficiency and reducing procurement costs per unit.
- approximately 20% of the net proceeds, or approximately HK$657.5 million, is expected to be used for enhancing our sales and distribution channels:
  - approximately 10% of the net proceeds, or approximately HK$328.7 million, is expected to be used for expanding and upgrading our sales network in overseas markets. We plan to establish more sales companies and local teams

to enhance our overseas sales teams and expand sales and distribution channels for our products. Over the next three years, we plan to expand into key international markets to strengthen our global presence. In 2025, we intend to establish sales companies or commence the operations of local teams in Vietnam, the UAE, Saudi Arabia, Spain, and Italy. This strategic expansion is designed to enhance our ability to meet the needs of local markets, increase market penetration, and drive the growth of our overseas operations. We plan to recruit 40 to 60 employees for each sales company, aiming for around 80% of the workforce to be recruited locally. Sales roles require relevant industry experience and professional background. By building a larger and more effective overseas sales force and strengthening our distribution networks, we aim to achieve greater consumer outreach and better serve our international customers.

  - approximately 5% of the net proceeds, or approximately HK$164.4 million, is expected to be used for upgrading our sales and distribution system. We plan to upgrade our distribution management system, such as "Hello AUX," to accurately and efficiently track product sales of our distributors, and to provide more advanced digital toolkits for our distributors.

  - approximately 5% of the net proceeds, or approximately HK$164.4 million, is expected to be used for enhancing our service and after-sales network. We plan to improve and expand our service centers, upgrade customer support systems and provide localized support. We also plan to enhance our after-sales service capabilities to offer comprehensive after-sales solutions. By strengthening our service and after-sales network, we aim to provide superior customer experiences, increase customer satisfaction and loyalty, and ensure timely and effective support with respect to our products.

- approximately 10% of the net proceeds, or approximately HK$328.7 million, is expected to be used for working capital and general corporate purposes.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus.

If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the net proceeds that we will receive will be approximately HK$4,365.3 million, assuming an Offer Price of HK$16.71 per Share (being the mid-point of the indicative Offer Price range). In the event that the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, we intent to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will only be placed in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions).

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Orient Securities (Hong Kong) Limited
ABCI Securities Company Limited
ICBC International Securities Limited
Futu Securities International (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. Our Company expects the International Offering to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 10,358,200 Hong Kong Offer Shares and the International Offering of initially 196,803,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" in this prospectus as well as to the Offer Size Adjustment Option and the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on August 21, 2025. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Sole Sponsor and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), in its sole and absolute discretion, shall have the right by giving a written notice to the Company to terminate Hong Kong Underwriting Agreement with immediate effect:

(a) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, economic sanctions, strikes, labour disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, rebellion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed) or paralysis in government operations) in or affecting Hong Kong, the PRC, the United States, the Cayman Islands, the United Kingdom or the European Union (or any member thereof), Mexico, Thailand or any other jurisdiction relevant to the Group (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or the Singapore Stock Exchange;

(iv) any general moratorium on commercial banking activities in the PRC (imposed by the People's Bank of China), Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by any relevant competent authority) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any other competent governmental authority in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of comprehensive sanctions under any sanctions laws, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by or for any of the Relevant Jurisdictions or relevant to the Company or any member of the Group;

(vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, the Hong Kong dollar or RMB against any foreign currencies or a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;

(viii) other than with the prior written consent of the Sole Sponsor and the Sole Sponsor-Overall Coordinator, the issue or requirement to issue by the Company of a supplement or an amendment to this prospectus, the offering circular, the filings to the CSRC or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange, the CSRC and/or the SFC;

(ix) any demand by any creditors for repayment or payment of any of the indebtedness of any member of the Group or an order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

(x) the chief executive officer or any Director or any member of the senior management of the Company is vacating his or her office;

(xi) any litigation, dispute, proceeding, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of the Group or any Director or any member of the senior management of the Company or the Controlling Shareholders;

(xii) any contravention by any member of the Group or any Director or any member of the senior management of the Company of any applicable laws and regulations, including the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Company Law of the People's Republic of China; or

(xiii) any non-compliance of this prospectus, the formal notice or the CSRC Filings (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares or any aspect of the Global Offering) with the Listing Rules or any other applicable laws and regulations (including, without limitation, the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the relevant rules of the CSRC),

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(1) has or will have or is likely to have a material adverse effect;

(2) has or will have or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications for or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;

(3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the this prospectus, the formal notice, the preliminary offering circular or the offering circular; or

(4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting the Hong Kong Public Offering) incapable or impracticable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Sponsor and/or the Sole Sponsor-Overall Coordinator that:

(i) any statement contained in the post hearing information pack, any of the offering documents, the filings to the CSRC and/or any notices or announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto but excluding names and addresses of the Underwriters) (but excluding information relating to the Underwriters, it being understood that such information consists of only their logos, names and addresses) (the "**Offer Related Documents**") was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respect or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable grounds or, where appropriate, based on reasonable assumptions with reference to the facts and circumstances then subsisting taken as a whole;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in, or material omission from any of the Offer Related Documents;

(iii) there is a material breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the representations or warranties given by the Company or any of the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(iv) there is a material breach of any of the obligations imposed upon the Company or any of the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(v) there is an event, act or omission which gives or is likely to give rise to any liability of the Company or any of the Controlling Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(vi) there is any material adverse effect;

(vii) the approval of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to any exercise of Offer Size Adjustment Option and the Over-allotment Option), other than subject to applicable conditions, is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by applicable conditions), revoked or withheld;

(viii) the notice of acceptance of the filings to the CSRC issued by the CSRC and/or the results of the filings to the CSRC published on the website of the CSRC is rejected, withdrawn, revoked or invalidated;

(ix) any expert named as expert in this prospectus (other than the Sole Sponsor) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(x) the Company withdraws any of the Offer Related Documents or the Global Offering;

(xi) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including pursuant to any exercise of the Offer Size Adjustment Option and the Over-allotment Option) pursuant to the terms of the Global Offering;

(xii) any Director or the chief executive officer of the Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking a directorship of a company or there is a commencement by any governmental, political or regulatory body of any investigation or other action against any Director or the chief executive officer of the Company in his or her capacity as such or any member of the Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

(xiii) there is an order or petition for the winding-up of any major subsidiary of the Company as disclosed in this prospectus or any composition or arrangement made by the Company with its creditors or a scheme of arrangement entered into by the Company or any resolution for the winding-up of the Company or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of the Company or anything analogous thereto occurring in respect of the Company.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue within six (6) months from the Listing Date (whether or not such issue of Shares or securities will be completed within six (6) months from the Listing Date), except for Shares issued or to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the Offer Size Adjustment Option and the Over-allotment Option) or any of the other circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the group of Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the group of Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to the Global Offering (including the Offer Size Adjustment Option and the Over-allotment Option), it/he will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; and

(ii) in the period of a further six months commencing on the date on which the period referred to in paragraph (i) above expires, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a group of Controlling Shareholders of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the group of Controlling Shareholders has undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will and will procure that the relevant registered holder(s) will:

(a) when it pledges or charges any securities of our Company beneficially owned by it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07 of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee of any securities of our Company that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by the group of Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, the Company undertakes to each of the Sole Sponsor and the Underwriters that, except for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering (including pursuant to any exercise of the Offer Size Adjustment Option and the Over-allotment Option) and otherwise in compliance with the Listing Rules, the Company will not, without the prior written consent of the Sole Sponsor and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date hereof and ending on, and including, the date falling six months after the Listing Date (the "**First Six-Month Period**"):

(i) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant, agree to grant or sell any option, warrant, right or contract or right to subscribe for or purchase, grant, agree to grant or purchase any option, warrant, contract or right to allot, issue or sell, or sell or transfer out of treasure or from the subject of any agreement to such a sale or transfer out of treasury, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in any Shares or other equity securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company), or deposit any Shares or other equity securities of the Company, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other equity securities of the Company, or any interest therein (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any such transaction described in (i), (ii) or (iii) above,

in each case, whether any of the transactions described in (i), (ii) or (iii) above is to be settled by delivery of any Shares or other equity securities of the Company or, in cash or otherwise (whether or not the issue of such Shares or other equity securities of the Company will be completed within the First Six-Month Period). For the avoidance of doubt, the lock-up undertaking above shall not apply to any issue of debt securities by the Company which are not convertible into equity securities of the Company.

In addition, the Company further undertakes to each of the Sole Sponsor and the Underwriters, in the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), the Company enters into any such transactions or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions described in (i), (ii) or (iii) above, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of the Company.

(B) Undertakings by the Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders jointly and severally agrees and undertakes to the Company, the Sole Sponsor and the Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) during the First Six-Month Period, it/he will not, and will procure that the relevant registered holder(s) will not:

(i) offer, pledge, charge, sell, contract or agree to sell, assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase or subscribe for, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, or deposit any share capital or other securities of the Company with a depository in connection with the issue of depository receipts) legally or beneficially owned by it/him as at the Listing Date (the "**Locked-up Securities**"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities; or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or contract to or agree to or publicly disclose that it/he will or may enter into any transaction described in (i), (ii) or (iii) above,

in each case, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period);

(b) at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it/he will:

(i) if and when it/he or the relevant registered holder(s) pledges or charges any Shares or other securities of the Company beneficially owned by it/him, immediately inform the Company, the Sole Sponsor and the Sole Sponsor-Overall Coordinator in writing of such pledge or charge together with the number of Shares or other securities (or interests therein) of the Company so pledged or charged; and

(ii) if and when it/he or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interests therein) of the Company will be disposed of, immediately inform the Company, the Sole Sponsor, and the Sole Sponsor-Overall Coordinator in writing of such indications.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Offer Size Adjustment Option and the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "Structure of the Global Offering — The International Offering."

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Sponsor-Overall Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an aggregate of 31,074,000 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option is not exercised at all) or up to an aggregate of 35,735,200 Shares, representing not more than 15% of the number of Offer Shares available under the Global Offering (assuming the Offer Size Adjustment Option is exercised in full), at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any. See "Structure of the Global Offering — Over-allotment Option."

Offer Size Adjustment Option

The Company has an Offer Size Adjustment Option under the Hong Kong Underwriting Agreement, exercisable by the Company with the prior written agreement between the Company and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) on or before the time of execution of the Price Determination Agreement and will lapse immediately thereafter. Upon the exercise of the Offer Size Adjustment Option, the Company may issue up to 31,074,000 additional Offer Shares (being 15.0% of the Offer Shares initially available under the Global Offering) at the Offer Price. The Offer Size Adjustment Option provides flexibility to increase the number of Offer Shares available for purchase under the Global Offering to cover additional market demand.

The exercise of the Offer Size Adjustment Option is also subject to the reallocation arrangement as described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation."

Under the Offer Size Adjustment Option, the Company may issue and allot such number of Shares up to an aggregate of 31,074,000 additional Offer Shares (being 15.0% of the Offer Shares initially available under the Global Offering) at the Offer Price. See "Structure of the Global Offering — Offer Size Adjustment Option."

Commissions and Expenses

The Capital Market Intermediaries will receive an underwriting commission of 2.45% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees (if any).

The Capital Market Intermediaries may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares to be issued by our Company under the Global Offering (including any Offer Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

Assuming an indicative Offer Price of HK$16.71 per Offer Share (which is the mid-point of the Offer Price range), the Offer Size Adjustment Option is not exercised at all and the exercise of the Over-allotment Option in full, and the full payment of the discretionary fees, the fixed fees and the discretionary fees payable to the Capital Market Intermediaries represent approximately 53.3% and 46.7%, respectively, of the aggregate fees payable to the Capital Market Intermediaries in total in connection with the Global Offering.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Capital Market Intermediaries in relation to the Global Offering (assuming an indicative Offer Price of HK$16.71 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee, the Offer Size Adjustment Option is not exercised at all and the exercise of the Over-allotment Option in full) will be approximately HK$137.3 million representing approximately 3.45% of the estimated gross proceeds from the Global Offering.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$192.2 million (assuming an indicative Offer Price of HK$16.71 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee, the Offer Size Adjustment Option is not exercised at all and the exercise of the Over-allotment Option in full) and will be paid by our Company.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of the Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the Shares on the Main Board of the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued as mentioned in this prospectus.

207,161,200 Offer Shares will initially be made available under the Global Offering comprising:

- the Hong Kong Public Offering of initially 10,358,200 Offer Shares (subject to reallocation and the Offer Size Adjustment Option) in Hong Kong as described in "— The Hong Kong Public Offering" below; and

- the International Offering of initially 196,803,000 Offer Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "— The International Offering" below.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 13.30% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 15.00% of the enlarged issued share capital of our Company (assuming the Offer Size Adjustment Option is not exercised at all) or approximately 16.87% of the enlarged issued share capital of our Company (assuming the Offer Size Adjustment Option is exercised in full) immediately following the completion of the Global Offering.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 10,358,200 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and the Offer Size Adjustment Option, will represent approximately 0.67% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools: pool A and pool B with any odd lots being allocated to pool A. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 5,179,000 Hong Kong Offer Shares (being approximately 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering assuming the Offer Size Adjustment Option is not exercised) is liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under Paragraph 4.2(a) of Practice Note 18 of the Listing Rules. The clawback mechanism under Paragraph 4.2(a) of Practice Note 18 of the Listing Rules would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares to be offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. 10,358,200 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 5% of the Offer Shares initially available for subscription under the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised at all); and in the event of full subscription or over-subscription of the International Offer Shares, the Sole Sponsor-Overall Coordinator shall apply a clawback mechanism following the closing of the application lists on the following basis, subject to the allocation basis as stated in Chapter 4.14 of the Guide for New Listing Applicants:

- If the Hong Kong Public Offering is not fully subscribed for, the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) has the discretion (but not obliged) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Sponsor-Overall Coordinator deems appropriate;

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 31,074,200 Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option);

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 51,790,400 Offer Shares, representing approximately 25% of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option);

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 72,506,600 Offer Shares, representing approximately 35% of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Sponsor-Overall Coordinator deems appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may be reallocated as between these offerings at the discretion of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) in accordance with Chapter 4.14 of the Guide for New Listing Applicants published by the Stock Exchange and paragraph 4.2(a) of Practice Note 18 of the Listing Rules. Subject to the foregoing paragraph, the Sole Sponsor-Overall Coordinator may in its discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In accordance with Chapter 4.14 of the Guide for New Listing Applicants, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Sole Sponsor-Overall Coordinator has the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall be not more than 20,716,400 Offer Shares (representing double of the total number of Offer Shares initially available under the Hong Kong Public Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option)), and the final Offer Price shall be fixed at the low end of the indicative Offer Price range (i.e., HK$16.00 per Offer Share) stated in this prospectus.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Monday, September 1, 2025.

Where the International Offer Shares are undersubscribed, if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum Offer Price in addition to the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable on each Offer Share, amounting to a total of HK$3,519.14 for one board lot of 200 Offer Shares. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" below, is less than the maximum Offer Price, appropriate refund payments (including the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants (subject to application channels), without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 196,803,000 Offer Shares offered by our Company (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option), representing approximately 95% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 12.64% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and the Shareholders as a whole.

The Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Sponsor-Overall Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the International Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Offer Size Adjustment Option and the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OFFER SIZE ADJUSTMENT OPTION

In order to provide the Company with the flexibility to increase the number of Offer Shares available under the Global Offering to cover additional demand, the Company has an Offer Size Adjustment Option which will allow the Company to issue up to 31,074,000 additional Offer Shares (representing approximately 15.0% of the Offer Shares initially being offered under the Global Offering) (the "**Offer Size Adjustment Option Shares**") at the Offer Price.

The Offer Size Adjustment Option is contained in the Hong Kong Underwriting Agreement and is exercisable by the Company with the prior written agreement between the Company and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) on or before the time of the execution of the Price Determination Agreement. If it is not exercised by such time, then the Offer Size Adjustment Option will lapse.

In considering whether to exercise the Offer Size Adjustment Option, the Company and the Sole Sponsor-Overall Coordinator will take into account a number of factors, including, among other things:

(i) whether the level of interest expressed by prospective professional and institutional investors during the book-building process under the International Offering is sufficient to cover:

(a) the total number of Offer Shares, which represents the aggregate of the Offer Shares initially available under the Global Offering and the additional Offer Shares upon any exercise of the Offer Size Adjustment Option; and

(b) the corresponding number of Shares under the Over-allotment Option;

(ii) the prices at which prospective professional and institutional investors have indicated they would be prepared to acquire the Offer Shares in the course of the book-building process;

(iii) the quality of investors, with a view to establishing a solid professional institutional and investor shareholder base to the benefit of the Company and its Shareholders as a whole;

(iv) the level of subscriptions by the valid applications in the Hong Kong Public Offering; and

(v) general market conditions.

These Offer Size Adjustment Option Shares, if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above and the Sole Sponsor-Overall Coordinator shall allocate additional Shares to be offered by our Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality, i.e., the initial proportion of 5.0%:95.0% between the Hong Kong Public Offering and the International Offering, except for the scenario where excess additional Offer Shares are not taken up by retail investors under the Hong Kong Public Offering and will then be reallocated to International Offering to satisfy excess demand in the International Offering as described in details below, in which case the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

Furthermore, the Company and the Sole Sponsor-Overall Coordinator will only exercise the Offer Size Adjustment Option to the extent that the Offer Size Adjustment Option Shares to be allocated to the International Offering in order to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above will be fully subscribed to ensure no Offer Size Adjustment Option Shares allocated to the International Offering will be reallocated to the Hong Kong Public Offering.

In the event that the Offer Size Adjustment Option is exercised in full,

(a) if the Hong Kong Public Offering is oversubscribed by at least 0.15 time (being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares), the additional Offer Shares will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Offering as determined after the application of the clawback arrangements described in "— The Hong Kong Public Offering — Reallocation" above;

(b) if the Hong Kong Public Offering is oversubscribed by less than 0.15 time, the additional Offer Shares will first be allocated to maintain, to the extent possible, the initial proportion of 5.0%:95.0% between the Hong Kong Public Offering (5.0%) and the International Offering (95.0%). Any excess additional Offer Shares not taken up by retail investors under the Hong Kong Public Offering will then be reallocated to International Offering to satisfy excess demand in the International Offering. In such a case, the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

In the event that the Offer Size Adjustment Option is exercised in part,

(a) if the Hong Kong Public Offering is oversubscribed by at least the relevant multiple (being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares), the additional Offer Shares will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Offering as determined after the application of the clawback arrangements described in "— The Hong Kong Public Offering — Reallocation" above;

(b) if the Hong Kong Public Offering is oversubscribed by less than the relevant multiple (being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares), the additional Offer Shares will first be allocated to maintain, to the extent possible, the initial proportion of 5.0%:95.0% between the Hong Kong Public Offering (5.0%) and the International Offering (95.0%). Any excess additional Offer Shares not taken up by retail investors under the Hong Kong Public Offering will then be reallocated to International Offering to satisfy excess demand in the International Offering. In such a case, the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

In the event that the Hong Kong Public Offering is undersubscribed, all the additional Offer Shares will be allocated to the International Offering. In such a case, the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

The table below sets out the final allocation of Offer Shares between the Hong Kong Public Offering and the International Offering for illustration purpose only. The actual final allocation will depend on the actual additional number of Offer Shares to be issued upon the exercise of the Offer Size Adjustment Option.

In the event that the Offer Size Adjustment Option is exercised in full, so that 31,074,000 additional Offer Shares (representing in aggregate up to 15.0% of the initial number of Offer Shares available for subscription under the Global Offering) will be issued at the Offer Price[(2)]

If the Hong Kong Public Offering is oversubscribed by	At least 15 times	At least 0.15[(1)] time but less than 15 times	Less than 0.15[(1)] time	The Hong Kong Public Offering is undersubscribed
Final allocation of Offer Shares between International Offering and Hong Kong Public Offering	If the oversubscription is at least 15 times, the clawback arrangement will be triggered. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the applicable clawback ratio (85:15 or 75:25 or 65:35) as described in the "— The Hong Kong Public Offering — Reallocation."	If the oversubscription is less than 15 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 95:5 ratio.[(3)]	If the oversubscription is less than 0.15 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 95:5 ratio. However, as the demand in the Hong Kong Public Offering is insufficient to take up all the additional Offer Shares, the excess additional Offer Shares will be reallocated to the International Offering only. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares. If the Hong Kong Public Offering is fully subscribed with no over-subscription, the additional Offer Shares pursuant to the Offer Size Adjustment Option will all be allocated to the International Offering due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be approximately 4.3% of the total number of Offer Shares.	The unsubscribed Offer Shares under the Hong Kong Public Offering will be reallocated to the International Offering. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated to the International Offering only due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares.

In the event that the Offer Size Adjustment Option is exercised in half, so that 15,537,000 additional Offer Shares (representing in aggregate up to 7.5% of the initial number of Offer Shares available for subscription under the Global Offering) will be issued at the Offer Price(2)

If the Hong Kong Public Offering is oversubscribed by	At least 15 times	At least 0.075(1) time but less than 15 times	Less than 0.075(1) time	The Hong Kong Public Offering is undersubscribed
Final allocation of Offer Shares between International Offering and Hong Kong Public Offering	If the oversubscription is at least 15 times, the clawback arrangement will be triggered. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the applicable clawback ratio (85:15 or 75:25 or 65:35) as described in the "— The Hong Kong Public Offering — Reallocation."	If the oversubscription is less than 15 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 95:5 ratio.(3)	If the oversubscription is less than 0.075 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 95:5 ratio. However, as the demand in the Hong Kong Public Offering is insufficient to take up all the additional Offer Shares, the excess additional Offer Shares will be reallocated to the International Offering only. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares. If the Hong Kong Public Offering is fully subscribed with no over-subscription, the additional Offer Shares pursuant to the Offer Size Adjustment Option will all be allocated to the International offering due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be approximately 4.7% of the total number of Offer Shares.	The unsubscribed Offer Shares under the Hong Kong Public Offering will be reallocated to the International Offering. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated to the International Offering only due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares.

Notes

(1) being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares.

(2) assuming the Over-allotment Option is not exercised.

(3) assuming the reallocation pursuant to Chapter 4.14 of the Guide for New Listing Applicants as described in "— The Hong Kong Public Offering — Reallocation" is not exercised.

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 2.0% of our enlarged issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The dilution effect of the Offer Size Adjustment Option (assuming the Over-allotment Option is not exercised) is set out below:

Number of Shares issued under the Global Offering before the exercise of the Offer Size Adjustment Option (the "Original Subscribers")	Approximate percentage of total issued share capital held by the Original Subscribers before the exercise of the Offer Size Adjustment Option	Number of Shares issued under the Global Offering after the exercise of the Offer Size Adjustment Option in full	Percentage of total issued share capital held by the Original Subscribers after the exercise of the Offer Size Adjustment Option in full
207,161,200	13.3%	238,235,200	15.0%

The Offer Size Adjustment Option will not be used for price stabilization purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilizing) Rules of the SFO. The Offer Size Adjustment Option will be in addition to the Over-allotment Option.

The Company will disclose in its allotment results announcement if and to what extent the Offer Size Adjustment Option has been exercised, the final allocation of Offer Shares between the Hong Kong Public Offering and the International Offering and the use of the additional proceeds received, or will confirm that if the Offer Size Adjustment Option has not been exercised by the Price Determination Date, it will lapse and cannot be exercised at any future date.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Sponsor-Overall Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Sponsor-Overall Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 31,074,000 additional Offer Shares (assuming the Offer Size Adjustment Option is not exercised) or an aggregate of 35,735,200 additional Offer Shares (assuming the Offer Size Adjustment Option is exercised in full), representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Offer Size Adjustment Option is not exercised and the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.96% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering. If the Offer Size Adjustment Option and Over-allotment Option are exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 4.11% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager (or any person acting for it) reasonably regards as the best interest of our Company, (b) may be discontinued at any time, and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (f) offering or attempting to do anything as described in items (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Saturday, September 27, 2025 being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may choose to borrow up to 35,735,200 Shares (representing approximately 15% of the Offer Shares offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) or up to 31,074,000 Shares (representing approximately 15% of the Offer Shares initially being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised) from Aux Holdings, pursuant to the stock borrowing agreement, which is expected to be entered into between the Stabilising Manager (or any person acting for it) and Aux Holdings on or about the Price Determination Date.

The same number of Shares so borrowed must be returned to Aux Holdings or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercise and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Aux Holdings by the Stabilising Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

Determining the Pricing of the Offer Shares

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be determined on the Price Determination Date, which is expected to be on or before Friday, August 29, 2025 and, in any event, no later than 12:00 noon on Friday, August 29, 2025 by agreement between the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$17.42 per Offer Share and is expected to be not less than HK$16.00 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum Offer Price plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, amounting to a total of HK$3,519.14 for one board lot of 200 Offer Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may, where it deems appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered below and/or the Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at **www.aux-home.com** and **www.hkexnews.hk**, respectively, notices of the reduction, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised indicative Offer Price range.

Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental or new prospectus updating investors of the change in the number of Offer Shares and/or the indicative Offer Price range, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: (i) updated Offer Price range and market capitalization; (ii) updated listing timetable and underwriting obligations; (iii) updated price/earnings multiple, unaudited pro forma and adjusted net tangible assets; and (iv) updated use of proceeds and confirmation of the working capital adequacy based on the revised estimated proceeds.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so announcement and any such supplemental or new prospectus so published, the number of Offer Shares and the indicative Offer Price range will not be reduced and/or the Offer Price, if agreed upon by the Sole Sponsor-Overall Coordinator (for itself and on behalf of the other Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price falling outside the indicative Offer Price range as stated in this prospectus, or if our Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer with a supplemental prospectus or a new prospectus in FINI.

Announcement of Final Pricing of the Offer Shares

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares — B. Publication of Results."

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

- the Offer Price having been agreed between the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and our Company;

- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and our Company by 12:00 noon on Friday, August 29, 2025, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at **www.aux-home.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on Tuesday, September 2, 2025, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, September 2, 2025, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, September 2, 2025.

The Shares will be traded in board lots of 200 Shares each and the stock code of the Shares will be 2580.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE SFC CODE OF CONDUCT

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**Code**") imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as the Joint Overall Coordinators for this offering and is subject to additional requirements under the Code.

Paragraph 21.3.3(c) of the Code requires that a CMI should take all reasonable steps to identify whether investors may have any associations with our Company and provide sufficient information to the Joint Overall Coordinators to enable it to assess whether orders placed by these investors may negatively impact the price discovery process.

Prospective investors who are the directors, employees or major shareholders of our Company, a CMI or its group companies would be considered under the Code as having an association (the "**Association**") with our Company, the CMI or the relevant group company (as the case may be). CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Offer Shares. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with our Company or any CMI (including its group companies) and inform the Underwriters accordingly.

Prospective investors to whom the allocation of Offer Shares will be subject to restrictions or require prior consent from the Stock Exchange under the Listing Rules and other regulatory requirements or guidance issued by the Stock Exchange from time to time (the "**Stock Exchange Requirements**") (e.g. a connected person of a listed issuer) would be considered as "Restricted Investors." Offer Shares may only be allocated to Restricted Investors in accordance with applicable Stock Exchange Requirements. CMIs should specifically disclose whether their investor clients are Restricted Investors when submitting orders for the Offer Shares.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, long-only investors, sovereign wealth funds, pension funds, hedge funds, in each case, subject to the applicable Stock Exchange Requirements (in the case of a Stock Exchange listed issuer) and selling restrictions set out elsewhere in this prospectus. CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should inquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Offer Shares (except for omnibus orders where underlying investor information should be provided to the Joint Overall Coordinators when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by our Company. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Offer Shares.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Underwriters in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Offer Shares, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Private banks who disclose that they are placing their order other than on a "principal" basis (i.e. they are acting as an agent) should note that such order may be considered to be an omnibus order pursuant to the Code. Private banks should be aware that if any of their group companies is a CMI of this offering, placing an order on a "principal" basis may require the Underwriters to apply the "proprietary orders" of the Code to such order and will require the Underwriters to apply the "rebates" requirements of the Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) are requested to provide the underlying investor information, preferably in Excel Workbook format, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the Joint Overall Coordinators; (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the Joint Overall Coordinators. By submitting an order and providing such information to the Joint Overall Coordinators, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Overall Coordinators and/or any other third parties as may be required by the Code, including to our Company, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the book-building process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Underwriters may be asked to demonstrate compliance with their obligations under the Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Underwriter with such evidence within the timeline requested.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Offer Shares, including certain Underwriters, are CMIs subject to Paragraph 21 of the Code. This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as the Joint Overall Coordinators for this offering and is subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of our Company, a CMI or its group companies would be considered under the Code as having an Association with our Company, the CMI or the relevant group company (as the case may be). Prospective investors associated with our Company or any CMI (including its group companies) should specifically disclose this when placing an order for the Offer Shares and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors to whom the allocation of Offer Shares will be subject to restrictions or require prior consent from the Stock Exchange under the Stock Exchange Requirements (e.g. a connected person of a listed issuer) would be considered as "Restricted Investors." Offer Shares may only be allocated to Restricted Investors in accordance with applicable Stock Exchange Requirements. Prospective investors who are Restricted Investors should specifically disclose whether they are Restricted Investors when placing an order for the Offer Shares. Prospective investors who do not disclose they are Restricted Investors are hereby deemed not to be Restricted Investors.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Underwriter, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Underwriter or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order." If a prospective investor is otherwise affiliated with any Underwriter, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the relevant Underwriter when placing such order and such orders will be subject to applicable requirements in accordance with the Code. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order." Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Underwriters and/or any other third parties as may be required by the Code, including to our Company, the Joint Overall Coordinators, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the book-building process for this offering. Failure to provide such information may result in that order being rejected.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

Our Company has adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our Company's website at www.aux-home.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address *(for the **HK eIPO White Form** service only)*; and
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S.

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to our Company, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder;
- are a Director or chief executive of our Company and/or a director or chief executive of any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above persons;

- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon the completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Monday, August 25, 2025 and end at 12:00 noon on Thursday, August 28, 2025 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	at **www.hkeipo.hk**	Applicants who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Monday, August 25, 2025 until 11:30 a.m. on Thursday, August 28, 2025, Hong Kong time. The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, August 28, 2025, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Applicants who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through the **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong Address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.

2. The applicant's full name as shown on their identity document must be used and the surname, given name, middle and other names (if any) must be input in the same order as shown on the identity document. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card (including both Hong Kong Residents and Hong Kong Permanent Residents), the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares in the Hong Kong Public Offering. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii) the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;

- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through the **HKSCC EIPO** channel, and making an application under a power of attorney, our Company and the Sole Sponsor-Overall Coordinator, as our Company's agent, have discretion to consider whether to accept it on any conditions our Company thinks fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size . . . . : 200 Shares for one board lot

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment . . . . : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK$17.42 per Share.

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

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

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

No. of Hong Kong Offer Shares applied for	Maximum Amount payable[(2)] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[(2)] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[(2)] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[(2)] on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
200	3,519.14	6,000	105,574.09	100,000	1,759,568.06	5,179,000[(1)]	91,128,030.35
400	7,038.27	7,000	123,169.76	200,000	3,519,136.15		
600	10,557.41	8,000	140,765.44	300,000	5,278,704.21		
800	14,076.55	9,000	158,361.13	400,000	7,038,272.28		
1,000	17,595.68	10,000	175,956.80	500,000	8,797,840.36		
1,200	21,114.81	20,000	351,913.61	600,000	10,557,408.42		
1,400	24,633.96	30,000	527,870.42	700,000	12,316,976.49		
1,600	28,153.08	40,000	703,827.23	800,000	14,076,544.55		
1,800	31,672.23	50,000	879,784.04	900,000	15,836,112.64		
2,000	35,191.36	60,000	1,055,740.84	1,000,000	17,595,680.70		
3,000	52,787.04	70,000	1,231,697.65	2,000,000	35,191,361.40		
4,000	70,382.72	80,000	1,407,654.46	3,000,000	52,787,042.10		
5,000	87,978.40	90,000	1,583,611.26	4,000,000	70,382,722.80		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Sponsor-Overall Coordinator, as our Company's agent, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of Shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that our Company, the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**"), the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to our Company, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "— G. Personal Data — 3. Purposes" and "— 4. Transfer of personal data" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in "— B. Publication of Results" in this section;

(x) confirm that you are aware of the situations specified in the "— C. Circumstances in which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither our Company nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that our Company, the Sole Sponsor-Overall Coordinator and the Joint Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** service or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through the **HK eIPO White Form** service or **HKSCC EIPO** channel:		
Website	From the "Allotment Results" page in the designated results of allocations website at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function.	24 hours, from 11:00 p.m. on Monday, September 1, 2025 to 12:00 midnight on Sunday, September 7, 2025 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**.	
	The Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.aux-home.com** which will provide links to the above mentioned websites of the Hong Kong Share Registrar.	No later than 11:00 p.m. on Monday, September 1, 2025 (Hong Kong time)

Platform		Date/Time
Telephone	+852 3691 8488 – the allocation results telephone enquiry line provided by the Hong Kong Share Registrar	between 9:00 a.m. and 6:00 p.m. from Tuesday, September 2, 2025 to Friday, September 5, 2025 (Hong Kong time) (except Saturday, Sunday and public holiday in Hong Kong)

For those applying through the **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Friday, August 29, 2025 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Friday, August 29, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

Our Company expects to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.aux-home.com** by no later than 11:00 p.m. on Monday, September 1, 2025 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If our Company or its agents exercise(s) their discretion to reject your application:

Our Company, the Sole Overall Coordinator, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to "— A. Application for Hong Kong Offer Shares — 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Sponsor-Overall Coordinator believes that by accepting your application, it or our Company would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Offer Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the receiving bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted Offer Shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of our Company, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid evidence of title at 8:00 a.m. on Tuesday, September 2, 2025 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	**HKSCC EIPO channel**
Despatch/collection of Share certificate[1]		
For application of 1,000,000 Hong Kong Offer Shares or more. . . .	Collection in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong **Time**: from 9:00 a.m. to 1:00 p.m. on Tuesday, September 2, 2025 (Hong Kong time), or any other place or date notified by our Company If you are an individual, you must not authorize any other person to collect for you.	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account. No action by you is required.

	HK eIPO White Form service	HKSCC EIPO channel
	If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	
	Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.	
	Note: If you do not collect Your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	
For application of less than 1,000,000 Hong Kong Offer Shares	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk.	
	Date: Monday, September 1, 2025	

Refund mechanism for surplus application monies paid by you

Date	Tuesday, September 2, 2025	Subject to the arrangement between you and your broker or custodian
Responsible party	Hong Kong Share Registrar	Your broker or custodian

	HK eIPO White Form service	HKSCC EIPO channel
Application monies paid through single bank account	**HK eIPO White Form** e-Auto Refund payment instruction(s) to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund check(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk.	

Note:

(1) Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or Extreme Conditions in force in Hong Kong in the morning on Monday, September 1, 2025, rendering it impossible for the relevant Share certificates to be dispatched to HKSCC in a timely manner, in which case our Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Severe Weather Arrangements" in this section.

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Thursday, August 28, 2025 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- an "extreme conditions" announcement issued after a super typhoon ("**Extreme Conditions**"),

(collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, August 28, 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the Listing Date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.aux-home.com** of the revised timetable.

If a Severe Weather Signal is hoisted on Monday, September 1, 2025, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS Depository's service counter so that they would be available for trading on Tuesday, September 2, 2025.

If a Severe Weather Signal is hoisted on Monday, September 1, 2025, for application of less than 1,000,000 Hong Kong Offer Shares, the despatch of physical Share certificate(s) will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Monday, September 1, 2025 or on Tuesday, September 2, 2025).

If a Severe Weather Signal is hoisted on Tuesday, September 2, 2025, for application of 1,000,000 Hong Kong Offer Shares or more, the physical Share certificates(s) will be available for collection in person at the Hong Kong Share Registrar's office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, September 2, 2025 or on Wednesday, September 3, 2025).

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by our Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisors, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and

- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

Our Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the prospectus.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF AUX ELECTRIC CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Aux Electric Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-103, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2025 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at December 31, 2022, 2023 and 2024 and March 31, 2025 and the statements of financial position of the Company as at December 31, 2024 and March 31, 2025 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-103 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated August 25, 2025 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at December 31, 2022, 2023 and 2024 and March 31, 2025 and the Company as at December 31, 2024 and March 31, 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months ended March 31, 2024, and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by a subsidiary of the Company to its then shareholders in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Ernst & Young
Certified Public Accountants
Hong Kong
August 25, 2025

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,			Three months ended March 31,	
	Notes	**2022**	**2023**	**2024**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
REVENUE	*5*	19,527,585	24,831,833	29,759,319	7,362,572	9,352,397
Cost of sales		(15,377,689)	(19,409,654)	(23,518,994)	(5,785,050)	(7,376,697)
Gross profit		4,149,896	5,422,179	6,240,325	1,577,522	1,975,700
Other income and gains	*5*	321,657	465,572	616,263	101,623	124,222
Selling and distribution expenses		(785,288)	(1,019,264)	(1,276,678)	(263,936)	(363,619)
Administrative expenses		(741,182)	(949,135)	(1,025,375)	(221,844)	(269,329)
Research and development expenses		(397,563)	(566,630)	(710,035)	(123,509)	(128,335)
Impairment (loss)/gain on financial assets, net		(13,075)	2,965	(43,233)	(65,920)	(67,872)
Other expenses	*7*	(604,106)	(151,804)	(207,074)	(31,412)	(44,577)
Finance costs	*8*	(96,032)	(61,483)	(45,146)	(12,868)	(17,458)
PROFIT BEFORE TAX	*6*	1,834,307	3,142,400	3,549,047	959,656	1,208,732
Income tax expense	*11*	(392,569)	(655,606)	(638,876)	(208,061)	(284,184)
PROFIT FOR THE YEAR/PERIOD		1,441,738	2,486,794	2,910,171	751,595	924,548
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:						
Changes in fair value		(1,023)	(6,931)	(1,274)	(2,377)	(12,996)
Reclassification adjustments for impairment losses		2,311	5,610	1,309	1,474	18,315
Income tax effect		(256)	494	429	67	(554)
		1,032	(827)	464	(836)	4,765
Cash flow hedges:						
Effective portion of changes in fair value of hedging instruments arising during the year/period		–	–	55,192	8,562	65,896
Income tax effect		–	–	7,197	(1,607)	(17,520)
		–	–	62,389	6,955	48,376

	Notes	Year ended December 31,			Three months ended March 31,	
		2022	2023	2024	2024	2025
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Exchange differences on translation of foreign operations		1,998	4,312	9,083	7,553	1,539
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		3,030	3,485	71,936	13,672	54,680
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		3,030	3,485	71,936	13,672	54,680
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		1,444,768	2,490,279	2,982,107	765,267	979,228
Profit attributable to:						
Owners of the parent		1,441,738	2,486,794	2,910,171	751,595	924,548
Total comprehensive income attributable to:						
Owners of the parent		1,444,768	2,490,279	2,982,107	765,267	979,228
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	*13*	RMB1.11	RMB1.91	RMB2.23	RMB0.58	RMB0.68

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31,			As at March 31,
		2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	4,407,115	4,316,945	5,006,191	5,101,544
Investment property	15	348,893	353,355	331,489	325,845
Right-of-use assets	16(a)	976,236	1,027,026	1,217,277	1,216,690
Intangible assets	17	61,606	68,717	322,203	312,773
Pledged deposits	25	–	816,398	839,453	–
Deferred tax assets	26	576,651	480,341	498,699	535,078
Prepayments	18	20,392	86,354	172,399	140,746
Total non-current assets		6,390,893	7,149,136	8,387,711	7,632,676
CURRENT ASSETS					
Inventories	19	2,841,937	2,707,905	5,878,841	5,227,435
Trade and bills receivables	20	1,427,542	1,944,902	3,003,430	4,764,574
Receivables at fair value through other comprehensive income	21	155,907	670,606	964,806	1,905,411
Prepayments, deposits and other receivables	18	719,870	497,408	1,448,033	1,339,964
Tax recoverable		–	–	155,413	34,502
Financial assets at fair value through profit or loss	24	–	–	–	300,000
Derivative financial instruments	23	38,728	20,762	–	41,290
Pledged deposits	25	600,834	1,231,371	1,424,909	2,621,775
Cash and bank balances	25	2,389,724	5,610,379	2,907,756	3,708,047
Amounts due from related parties	40	141,514	137,001	73	366
Total current assets		8,316,056	12,820,334	15,783,261	19,943,364
CURRENT LIABILITIES					
Trade and bills payables	27	5,436,034	6,436,447	10,395,125	11,948,435
Other payables and accruals	28	1,964,235	3,098,603	3,660,304	3,819,287
Contract liabilities	29	1,330,375	2,209,731	2,850,473	2,805,624
Derivative financial instruments	23	–	238	173,370	69,981
Interest-bearing bank borrowings	30	1,062,303	1,200,444	657,841	1,507,832
Lease liabilities	16(b)	4,625	6,190	29,902	31,979
Income tax payable		169,125	85,077	126,736	255,395
Deferred income	31	47,416	49,700	57,317	50,745
Provision	32	175,734	185,346	159,864	164,828
Amounts due to related parties	40	1,316,189	1,578,002	141,890	120,441
Total current liabilities		11,506,036	14,849,778	18,252,822	20,774,547

	Notes	As at December 31, 2022	As at December 31, 2023	As at December 31, 2024	As at March 31, 2025
		RMB'000	RMB'000	RMB'000	RMB'000
NET CURRENT LIABILITIES		(3,189,980)	(2,029,444)	(2,469,561)	(831,183)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,200,913	5,119,692	5,918,150	6,801,493
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*30*	602,101	880	895,493	800,389
Lease liabilities	*16(b)*	433	4,538	88,000	95,062
Deferred tax liabilities	*26*	–	–	54,045	20,879
Other payables	*28*	–	–	109,040	109,040
Deferred income	*31*	549,488	547,112	573,637	579,069
Provision	*32*	321,189	324,883	362,229	372,844
Total non-current liabilities		1,473,211	877,413	2,082,444	1,977,283
Net assets		1,727,702	4,242,279	3,835,706	4,824,210
EQUITY					
Share capital	*33*	–	–	48	48
Reserves	*34*	1,727,702	4,242,279	3,835,658	4,824,162
Total equity		1,727,702	4,242,279	3,835,706	4,824,210

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2022

	Attributable to owners of the parent						
	Merger reserve*	**Reserve funds***	**Share award reserve***	**Exchange fluctuation reserve***	**Financial assets revaluation reserve***	**Retained profits***	**Total equity**
	RMB'000 *(note 34)*	*RMB'000* *(note 34)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	508,442	23,068	58,046	(14,263)	3,488	(303,302)	275,479
Profit for the year	–	–	–	–	–	1,441,738	1,441,738
Other comprehensive income for the year:							
Changes in fair value of receivables at fair value through other comprehensive income, net of tax	–	–	–	–	1,032	–	1,032
Exchange differences on translation of foreign operations	–	–	–	1,998	–	–	1,998
Total comprehensive income for the year	–	–	–	1,998	1,032	1,441,738	1,444,768
Transfer from retained profits	–	30,489	–	–	–	(30,489)	–
Equity-settled share-based payment	–	–	7,455	–	–	–	7,455
At December 31, 2022	508,442	53,557	65,501	(12,265)	4,520	1,107,947	1,727,702

Year ended December 31, 2023

	Attributable to owners of the parent						
	Merger reserve*	**Reserve funds***	**Share award reserve***	**Exchange fluctuation reserve***	**Financial assets revaluation reserve***	**Retained profits***	**Total equity**
	RMB'000 *(note 34)*	*RMB'000* *(note 34)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	508,442	53,557	65,501	(12,265)	4,520	1,107,947	1,727,702
Profit for the year	–	–	–	–	–	2,486,794	2,486,794
Other comprehensive income for the year:							
Changes in fair value of receivables at fair value through other comprehensive income, net of tax	–	–	–	–	(827)	–	(827)
Exchange differences on translation of foreign operations	–	–	–	4,312	–	–	4,312
Total comprehensive income for the year	–	–	–	4,312	(827)	2,486,794	2,490,279
Transfer from retained profits	–	76,167	–	–	–	(76,167)	–
Equity-settled share-based payment	–	–	24,298	–	–	–	24,298
At December 31, 2023	508,442	129,724	89,799	(7,953)	3,693	3,518,574	4,242,279

Year ended December 31, 2024

	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)*						
At January 1, 2024	–	–	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)
At December 31, 2024	48	177,809	815,144	547,763	94,044	1,130	4,157	(21,595)	2,217,206	3,835,706

Three months ended March 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 *(note 33)*	*RMB'000* *(note 34)*	*RMB'000* *(note 34)*	*RMB'000* *(note 34)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	48	177,809	815,144	547,763	94,044	1,130	4,157	(21,595)	2,217,206	3,835,706
Profit for the period	–	–	–	–	–	–	–	–	924,548	924,548
Other comprehensive income for the period:										
Changes in fair value of receivables at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	4,765	–	–	4,765
Exchange differences on translation of foreign operations	–	–	–	–	–	1,539	–	–	–	1,539
Cash flow hedges	–	–	–	–	–	–	–	48,376	–	48,376
Total comprehensive income for the period	–	–	–	–	–	1,539	4,765	48,376	924,548	979,228
Transfer of cash flow hedge reserve to inventories	–	–	–	–	–	–	–	4,186	–	4,186
Equity-settled share-based payment	–	–	–	–	5,090	–	–	–	–	5,090
At March 31, 2025	48	177,809	815,144	547,763	99,134	2,669	8,922	30,967	3,141,754	4,824,210

Three months ended March 31, 2024 (unaudited)

	Attributable to owners of the parent							
	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*
At 1 January 2024	508,442	129,724	89,799	(7,953)	3,693	–	3,518,574	4,242,279
Profit for the period (unaudited)	–	–	–	–	–	–	751,595	751,595
Other comprehensive income for the period:								
Changes in fair value of receivables at fair value through other comprehensive income, net of tax (unaudited)	–	–	–	–	(836)	–	–	(836)
Exchange differences on translation of foreign operations (unaudited)	–	–	–	7,553	–	–	–	7,553
Cash flow hedges (unaudited)	–	–	–	–	–	6,955	–	6,955
Total comprehensive income for the period (unaudited)	–	–	–	7,553	(836)	6,955	751,595	765,267
Transfer of cash flow hedge reserve to inventories (unaudited)	–	–	–	–	–	(2,135)	–	(2,135)
Equity-settled share-based payment (unaudited)	–	–	4,770	–	–	–	–	4,770
At March 31, 2024 (unaudited)	508,442	129,724	94,569	(400)	2,857	4,820	4,270,169	5,010,181

* These reserve accounts comprise the consolidated reserves of RMB1,727,702,000, RMB4,242,279,000, RMB3,835,658,000 and RMB4,824,162,000 as at December 31, 2022, 2023 and 2024 and March 31, 2025, respectively, in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2022	2023	2024	Three months ended March 31, 2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		1,834,307	3,142,400	3,549,047	959,656	1,208,732
Adjustments for:						
Gains on disposal of leasehold land	*5*	(17,943)	–	–	–	–
Interest income	*5*	(46,612)	(186,525)	(217,790)	(45,280)	(24,531)
Fair value gains on financial assets at fair value through profit or loss	*5*	(34,835)	(14,582)	(28,389)	–	(1,191)
Impairment loss/(reversal of impairment loss) on financial assets, net	*6*	13,075	(2,965)	43,233	65,920	67,872
Losses on disposal of items of property, plant and equipment and intangible assets	*7*	4,174	4,395	5,674	2,805	386
Realized losses on derivative financial instruments		262,344	–	–	–	–
Finance costs	*8*	96,032	61,483	45,146	12,868	17,458
Depreciation of property, plant and equipment	*14*	417,897	415,429	438,894	101,158	117,404
Depreciation of investment property	*15*	21,541	23,888	24,147	6,034	6,060
Depreciation of right-of-use assets	*16*	30,856	31,326	45,843	12,036	14,752
Amortization of intangible assets	*17*	10,056	10,353	52,250	12,873	13,772
Assets-related government grants released	*5, 31*	(49,935)	(47,408)	(56,134)	(13,083)	(12,685)
Exchange gains, net		(1,172)	(14,597)	(16,433)	523	(17,508)
Changes on derivative financial instruments	*23*	(2,780)	18,204	165,102	25,138	(74,597)
Equity-settled share-based payment expenses	*35*	7,455	24,298	4,245	4,770	5,090
		2,544,460	3,465,699	4,054,835	1,145,418	1,321,014
(Increase)/decrease in inventories		(449,834)	134,032	(3,170,936)	(354,027)	651,406

	Notes	Year ended December 31,			Three months ended March 31,	
		2022	2023	2024	2024	2025
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Increase in trade and bills receivables		(170,003)	(512,829)	(1,101,814)	(1,453,684)	(1,809,104)
Increase in receivables at fair value through other comprehensive income		(15,145)	(521,630)	(295,474)	(149,204)	(953,601)
Decrease/(increase) in prepayments, deposits and other receivables		568,241	226,506	(949,263)	(483,079)	106,937
(Increase)/decrease in pledged deposits		(1,504)	(630,537)	(216,593)	497,850	(357,413)
Increase in trade and bills payables		1,030,511	1,000,413	3,958,678	2,264,336	1,553,310
Increase/(decrease) in contract liabilities		273,502	879,356	640,742	(45,113)	(44,849)
Increase in other payables and accruals		209,601	1,069,024	78,142	399,593	216,288
Increase/(decrease) in warranty provision		3,231	13,263	11,864	(4,202)	15,579
Decrease/(increase) in amounts due from related parties		996	–	(73)	(4,022)	(293)
Increase/(decrease) in amounts due to related parties		19,115	11,299	57,940	45,714	(21,449)
Cash flows generated from operations		4,013,171	5,134,596	3,068,048	1,859,580	677,825
Income tax paid		(49,025)	(642,850)	(709,317)	(80,365)	(122,233)
Interest received		39,849	139,675	159,348	38,729	24,066
Net cash flows generated from operating activities		4,003,995	4,631,421	2,518,079	1,817,944	579,658

	Notes	Year ended December 31, 2022	2023	2024	Three months ended March 31, 2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		2,446	16,280	58,442	–	–
Purchases of items of property, plant and equipment		(256,948)	(328,043)	(809,970)	(281,188)	(201,932)
Purchases of intangible assets		(3,475)	(18,729)	(115,254)	(5,806)	(4,299)
Additions to investment property		(8,980)	(28,350)	(2,281)	–	(416)
Proceeds from disposal of items of property, plant and equipment		25,980	7,006	2,667	1,739	2
Purchase of leasehold land		–	(68,430)	(105,135)	(34,019)	(35,080)
Proceeds from disposal of leasehold land	*5, 16(a)*	100,021	–	–	–	–
Receipt of government grants for property, plant and equipment		25,261	47,316	90,276	2,832	11,545
Purchases of financial assets at fair value through profit or loss		(3,370,000)	(1,900,000)	(8,013,434)	(200,000)	(2,300,000)
Disposals of financial assets at fair value through profit or loss		3,404,835	1,914,582	8,041,823	–	2,001,191
Payments under derivative financial instruments		(262,344)	–	–	–	–
Placement of time deposits		(1,139,139)	(5,915,947)	(2,039,900)	(702,050)	(583,634)
Withdrawal of time deposits		885,000	4,881,026	2,547,449	–	–
Advanced to related parties		(20,542)	(5,815)	–	–	–
Repayments from related parties		479,423	10,328	137,001	32,834	–
Net cash flow used in investing activities		(138,462)	(1,388,776)	(208,316)	(1,185,658)	(1,112,623)

	Notes	Year ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2024	Three months ended March 31, 2024	Three months ended March 31, 2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of shares	33	–	–	177,811	–	–
Dividends paid		–	–	(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		4,750,880	5,888,399	7,137,804	1,453,240	1,437,507
Repayment of bank loans		(7,707,334)	(6,350,282)	(6,785,794)	(1,287,916)	(682,620)
Interest paid		(102,690)	(62,680)	(45,146)	(12,868)	(17,458)
Principle portion of lease payments		(5,247)	(8,078)	(23,713)	(2,973)	(5,171)
Advances from related parties		112,408	253,969	–	–	–
Repayments to related parties		–	(3,455)	(1,494,052)	(16,131)	–
Listing expenses paid		–	–	(990)	–	(1,869)
Net cash flows (used in)/generated from financing activities		(2,951,983)	(282,127)	(4,520,832)	133,352	730,389
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		913,550	2,960,518	(2,211,069)	765,638	197,424
Cash and cash equivalents at beginning of the year/period		1,227,470	2,131,268	5,102,830	5,102,830	2,907,756
Effect of foreign exchange rate changes, net		(9,752)	11,044	15,995	16,501	19,233
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		2,131,268	5,102,830	2,907,756	5,884,969	3,124,413

		Year ended December 31,			Three months ended March 31,	
	Notes	**2022**	**2023**	**2024**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances as stated in the consolidated statements of financial position	*25*	2,389,724	5,610,379	2,907,756	7,095,408	3,708,047
Less: short-term bank deposits with original maturities of over three months and due within one year		(258,456)	(507,549)	–	(1,210,439)	(583,634)
Cash and cash equivalents as stated in the consolidated statements of cash flows.		2,131,268	5,102,830	2,907,756	5,884,969	3,124,413

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31, 2024	As at March 31, 2025
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Investment in a subsidiary	*44*	–	–
Total non-current assets		–	–
CURRENT ASSETS			
Bank balances	*25*	177,811	179,224
Prepayments		–	897
Total current assets		177,811	180,121
CURRENT LIABILITIES			
Other payables and accruals		–	718
Total current liabilities		–	718
Net assets		177,811	179,403
EQUITY			
Share capital	*33*	48	48
Reserves	*34*	177,763	179,355
Total equity		177,811	179,403

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

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 Company is an investment holding company. The Company and its subsidiaries now comprising the Group underwent the reorganization as more fully explained in the paragraph headed "Pre-IPO Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus (the "Reorganization"). During the Relevant Periods, the Company's subsidiaries were principally engaged in manufacturing and sales of household air-conditioners and central air-conditioners (the "Relevant Business") in Mainland China and other countries/jurisdictions. The principal place of business of the Group is No. 1166 Mingguang North Road, Jiangshan Town, Yinzhou District, Ningbo, Zhejiang, the People's Republic of China (the "PRC").

In the opinion of the directors of the Company, since the completion date of the Reorganization, 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 96.36% 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.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Notes	Place and date of incorporation/ registration and place of operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
China Bloom Industrial Co., Ltd.	*(a)*	British Virgin Islands March 22, 2004	United States dollars ("USD") 2	100	–	Investment holding
Ze Kai Limited	*(b)*	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)	*(c)*	PRC/Mainland China 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)	*(j)*	PRC/Mainland China 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)	*(j)*	PRC/Mainland China 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)	*(j)*	PRC/Mainland China 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)	*(j)*	PRC/Mainland China October 17, 2003	RMB604,197,600	–	100	Manufacture of air conditioners

Name	Notes	Place and date of incorporation/ registration and place of operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Ningbo AUX Home Appliances Sales Co., Ltd.* (寧波奧克斯家電銷售有限公司)	(j)	PRC/Mainland China February 28, 2012	RMB100,000,000	–	100	Sales of air conditioners
Anhui Aux Intelligent Electric Co., Ltd.* (安徽奧克斯智能電氣有限公司)	(j)	PRC/Mainland China 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)	(j)	PRC/Mainland China May 14, 2015	RMB50,000,000	–	100	Sales of air conditioners
Ningbo Huajie Trading Co., Ltd.* (寧波驊頡貿易有限公司)	(e)	PRC/Mainland China 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)	(d)	PRC/Mainland China December 6, 2018	RMB600,000,000	–	100	Manufacture of air conditioners
Ningbo Aoyunshang Commercial Trading Co., Ltd.* (寧波奧雲商商貿有限公司)	(i)	PRC/Mainland China 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)	(a)	PRC/Mainland China 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)	(a)	PRC/Mainland China 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)	(d)	PRC/Mainland China March 24, 2008	RMB350,000,000	–	100	Property leasing
Zhuhai Tuoxin Technology Co., Ltd.* (珠海拓芯科技有限公司)	(d)	PRC/Mainland China 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)	(d)	PRC/Mainland China 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)	(a)	PRC/Mainland China April 30, 2024	RMB200,000,000	–	100	Manufacture of air conditioners
Xtron Air-conditioning Manufacture (Thailand) Co., Ltd.	(g)	Thailand September 24, 2018	Thai Baht ("THB") 1,170,000,000	–	100	Manufacture and sales of air conditioners
Aux Cloud Commerce (Malaysia) Sdn. Bhd.	(k)	Malaysia August 18, 2023	Malaysian Ringgit ("MYR") 100,000	–	100	Sales of air conditioners
Aux Cloud Commerce (Thailand) Co., Ltd.	(l)	Thailand November 29, 2023	THB100,000,000	–	100	Sales of air conditioners

Name	Notes	Place and date of incorporation/ registration and place of operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Aux Cloud Commerce PTE. Ltd..	*(m)*	Singapore December 21, 2023	Singapore dollars 1	–	100	Sales of air conditioners
Aux Home Appliances (HK) Co., Limited . . .	*(f)*	Hong Kong July 26, 2017	HK$10,000	–	100	Sales of air conditioners
Hangzhou Aux Air-conditioning Sales Co., Ltd.* (杭州奧克斯空調銷售有限公司) . . .	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China November 4, 2024	RMB20,000,000	–	100	Generation of electric power
AUX Home Appliances Saudi Arabia Limited L.L.C	*(h)*	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	*(h)*	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)	*(h)*	PRC/Mainland China 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) . . .	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China September 29, 2024	RMB10,000,000	–	100	Sales of air conditioners

Name	Notes	Place and date of incorporation/ registration and place of operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Chengdu Aux Air-conditioning Equipment Co., Ltd.* (成都奧克斯空調設備有限公司)	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China October 30, 2024	RMB10,000,000	–	100	Sales of air conditioners
Nanjing Aux Air Conditioning Technology Co., Ltd.* (南京奧克斯空調科技有限公司)	*(h)*	PRC/Mainland China 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) . . .	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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) . .	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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) . . .	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China September 23, 2024	RMB10,000,000	–	100	Sales of air conditioners

Name	Notes	Place and date of incorporation/ registration and place of operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Nanchang Aux Home Appliance Marketing Co., Ltd.* (南昌奧克斯家電營銷有限公司) . . .	*(h)*	PRC/Mainland China 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)	*(h)*	PRC/Mainland China 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) . . .	*(h)*	PRC/Mainland China 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.

(a) As at the date of their reports, no audited financial statements have been prepared for these entities since their dates of incorporation or registration as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of their incorporation/registration.

(b) The statutory financial statements of the entity for the years ended December 31, 2022 and 2023 prepared in accordance with Hong Kong Financial Reporting Standards were audited by Yuen Wai Ho, certified public accountant registered in Hong Kong. The statutory financial statements of the entity for the year ended December 31, 2024 prepared in accordance with Hong Kong Financial Reporting Standards were audited by Manford CPA Limited, certified public accountant registered in Hong Kong.

(c) The statutory financial statements of the entity for the years ended December 31, 2022 and 2023 prepared in accordance with China Accounting System for Business Enterprises were audited by Zhejiang Kexin Public Accountants LLP (浙江科信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2024.

(d) The statutory financial statements of these entities for the years ended December 31, 2022 and 2023 prepared in accordance with China Accounting System for Business Enterprises were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2024.

(e) The statutory financial statements of the entity for the years ended December 31, 2022 and 2023 prepared in accordance with China Accounting System for Business Enterprises were audited by Ningbo Jiade Public Accountants LLP (寧波嘉德會計師事務所(普通合夥)), certified public accountants registered in the PRC. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2024.

(f) The statutory financial statements of the entity for the years ended December 31, 2022 and 2023 prepared in accordance with Hong Kong Financial Reporting Standards were audited by Tsang Kwong Yip, certified public accountants registered in Hong Kong. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2024.

(g) The statutory financial statements of this entity for the years ended December 31, 2022 and 2023 prepared in accordance with Thai Financial Reporting Standards for Non-Publicly Account Entities were audited by BDO Audit Company Limited, a firm of certified public accountants registered in Thailand. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2024.

(h) No audited financial statements have been prepared for these entities for the years ended December 31, 2022, 2023 and 2024 as they were incorporated in 2024.

(i) For the years ended December 31, 2022 and 2023, no audited financial statements have been prepared for the entity as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of its registration. The statutory financial statements of the entity for the year ended December 31, 2024 prepared in accordance with China Accounting System for Business Enterprises were audited by Ernst & Young Hua Ming LLP Shanghai Branch (安永華明會計師事務所(特殊普通合夥)上海分所), certified public accountants registered in the PRC.

(j) The statutory financial statements of these entities for the years ended December 31, 2022 and 2023 prepared in accordance with China Accounting System for Business Enterprises were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. The statutory financial statements of these entities for the year ended December 31, 2024 prepared in accordance with China Accounting System for Business Enterprises were audited by Ernst & Young Hua Ming LLP Shanghai Branch (安永華明會計師事務所(特殊普通合夥)上海分所), certified public accountants registered in the PRC.

(k) No audited financial statements have been prepared for the entity for the years ended December 31, 2022 and 2023 as it was incorporated in 2023. The statutory financial statements of this entity for the period from its date of incorporation to December 31, 2024 prepared in accordance with Malaysian Financial Reporting Standards were audited by YYC & CO PLT, a firm of certified public accountants registered in Malaysia.

(l) No audited financial statements have been prepared for the entity for the years ended December 31, 2022 as it was incorporated in 2023. The statutory financial statements of this entity for the period from its date of incorporation to December 31, 2023 and the year ended December 31, 2024 prepared in accordance with Thai Financial Reporting Standards for Non-Publicly Account Entities were audited by Siriraporn Audit & Consulting Co., Ltd. and BDO Audit Company Limited, respectively, both of which are firms of certified public accountants registered in Thailand.

(m) No audited financial statements have been prepared for the entity for the years ended December 31, 2022 and 2023 as it was incorporated in 2023. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2024.

* 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.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Pre-IPO Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on November 22, 2024. The companies now comprising the Group were under the common control of Mr. ZHENG Jianjiang (the "Ultimate Controlling Shareholder") before and after the Reorganization.

Ningbo AUX Electric Co., Ltd. (the then "Holding Company") and its subsidiaries were principally engaged in the Relevant Business during the Relevant Periods. China Bloom Industrial Co., Ltd., Ze Kai Limited ("Ze Kai") and Ningbo Sanxing Technology Co., Ltd. ("Ningbo Sanxing") were investment holding companies, which are controlled by Mr. ZHENG Jianjiang. Ningbo Sanxing previously held a wholly-owned subsidiary, Ningbo AUX Fenghe Investment Co., Ltd. (寧波奧克斯豐和投資有限公司, "Ningbo Fenghe"), and Ze Kai previously held a wholly-owned subsidiary, Ningbo Zezhong Building Materials Trading Co., Ltd. (寧波澤眾建材貿易有限公司, "Ningbo Zezhong"), immediately before the Reorganization. Ningbo Fenghe and its subsidiaries, and Ningbo Zezhong were principally engaged in business unrelated to the Relevant Business during the Relevant Periods (the

"Non-relevant Business"). As part of the Reorganization, Ningbo Sanxing acquired the entire equity interest in the then Holding Company from AUX Group Co., Ltd. (奧克斯集團有限公司, "AUX Group"), an entity controlled by the Ultimate Controlling Shareholder, and in consideration, AUX Group received the entire equity interest in Ningbo Fenghe from Ningbo Sanxing and RMB14.43 million in cash. In addition, Ze Kai disposed of the entire equity interests in Ningbo Zezhong to AUX Group. For the purpose of presenting the financial position, operating results and cash flows of the Relevant Business, Ningbo Fenghe and its subsidiaries, and Ningbo Zezhong were carved out from this Historical Financial Information.

Accordingly, for the purpose of this report, the Historical Financial Information has been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or the Relevant Business first came under the common control of the Ultimate Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2022, 2023 and 2024 and March 31, 2025 have been prepared to present the assets and liabilities of the subsidiaries and/or the Relevant Business using the existing book values from the Ultimate Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has 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"). All HKFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

The Group's net current liabilities amounted to approximately RMB831 million as at March 31, 2025. Taking into account the available facilities from banks and cash flows from operations for the twelve months from March 31, 2025, the directors of the Company believe that the Group will have sufficient financial resources to settle the borrowings and payments that will be due within next twelve months and consequently, the Historical Financial Information has been prepared on a going concern basis.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for Relevant Periods. 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, directly or indirectly, 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 relevant periods as the Company, using consistent accounting policies. Except for business combinations under common control and those mentioned in note 2.1 to the Historical Financial Information, the results of subsidiaries are combined from the date on which the Group obtains control and continue to be combined 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.

2.3 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 the Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28 . . .	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 9 and HKFRS 7. . . .	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7. . . .	*Contracts Referencing Nature-dependent Electricity*[2]
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]
HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosure*[4]

1 No mandatory effective date yet determined but available for adoption

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

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

4 Effective for reporting periods beginning on or after January 1, 2027

The Group is in the process of making an assessment of the impact of these new and amended HKFRS Accounting Standards upon initial application. HKFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures in a note and includes new requirements for aggregation and disaggregation of financial information. The new requirements are expected to impact the Group's presentation in the statement of profit or loss and other comprehensive income and disclosures of the Group's financial performance. So far, the Group considers that these new and amended HKFRS Accounting Standards are unlikely to have a significant impact on the Group's financial performance and financial position.

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures certain financial instruments 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

(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.

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 the end of each reporting period.

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/period 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:

Buildings	20 years
Land use rights	50 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/period of the retirement or disposal.

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/period 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.

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.

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 terms 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.

Subsequent measurement

The subsequent measurement of financial assets depends on financial asset's contractual cash flow characteristics and the Group's business model for managing them 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 Historical Financial Information). 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 that do not meet the criteria for amortized cost or fair value through other comprehensive income are classified and measured 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 and investment income on the equity and other 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.

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

Financial assets at amortized cost and debt instruments at fair value through other comprehensive income are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables, 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 the end of each reporting period. To measure the expected credit losses, trade and bills receivables have been assessed on individual basis for debtors in severe financial difficulty, or collectively basis by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience, adjusted as appropriate to reflect current and forward-looking factors specific to the debtors and 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 bills payables, other payables and accruals, amounts due to related parties, interest-bearing bank borrowings and derivative financial instruments.

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 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

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.

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 recognised 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.

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 labour 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.

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 each 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, 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 recognised 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 Relevant Periods, 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 each 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.

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 each 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.

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) Sales of goods

The Group are principally engaged in manufacturing and sales of household air-conditioners and central air-conditioners in mainland China 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 both parties. 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 recognized 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 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.

(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 brand authorization rights. The Group appropriates and recognizes revenue over the term of the brand authorization 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.

Other income

Interest income is recognized on an accrual basis using the effective interest rate 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 Historical Financial Information.

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.

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 employees of the Group's subsidiaries which operates in mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain proportion of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable in each of the reporting periods.

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

This Historical Financial Information is 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 each reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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 are currencies other than RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each 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 Historical Financial Information 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 Historical Financial Information:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses and deductible temporary differences as at December 31, 2022, 2023 and 2024 and March 31, 2025 were RMB61,834,000, RMB132,247,000, RMB169,032,000 and RMB198,422,000, respectively. Further details are included in note 26 to the Historical Financial Information.

Revenue from contracts with customers

The Group applied the following judgement that significantly affects 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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 is 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 Historical Financial Information.

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 will calibrate 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 Historical Financial Information.

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 Historical Financial Information.

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 Historical Financial Information.

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 Historical Financial Information.

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 mainland China 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

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Mainland China	11,141,582	14,419,477	15,078,580	3,662,583	4,016,628
Asia (except for mainland China)	4,800,131	5,734,525	7,339,872	1,956,838	2,944,806
European Union	1,789,547	2,282,070	3,024,817	810,999	1,091,794
North America	1,041,432	1,132,694	2,095,134	579,639	392,876
South America	460,827	719,836	1,507,028	184,027	518,585
Other countries/ jurisdictions	294,066	543,231	713,888	168,486	387,708
Total revenue	19,527,585	24,831,833	29,759,319	7,362,572	9,352,397

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at December 31,			Three months ended March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China	5,555,661	5,587,248	6,761,527	6,795,114
Other countries/jurisdictions	258,581	265,149	288,032	302,484
Total non-current assets	5,814,242	5,852,397	7,049,559	7,097,598

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 Relevant Periods and the three months ended March 31, 2024.

Information about products and services have been disclosed in note 5 to the Historical Financial Information.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue from contracts with customers	19,496,413	24,782,526	29,707,212	7,348,075	9,341,420
Revenue from other sources					
Gross rental income from operating leases	31,172	49,307	52,107	14,497	10,977
Total	19,527,585	24,831,833	29,759,319	7,362,572	9,352,397

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Types of goods or services					
Sale of household air conditioners	16,429,431	20,518,561	24,568,233	6,387,906	8,208,217
Sale of central air conditioners	1,840,564	2,694,755	3,169,839	723,236	855,402
Installation services of household air-conditioners	854,529	1,164,534	1,336,230	154,418	167,960
Installation services of central air-conditioners	44,592	55,379	53,661	11,742	9,806
Others*	327,297	349,297	579,249	70,773	100,035
Total	19,496,413	24,782,526	29,707,212	7,348,075	9,341,420
Timing of revenue recognition					
Revenue recognized at a point in time:					
Sale of household air conditioners	16,429,431	20,518,561	24,568,233	6,387,906	8,208,217
Sale of central air conditioners	1,840,564	2,694,755	3,169,839	723,236	855,402
Installation services of household air-conditioners	854,529	1,164,534	1,336,230	154,418	167,960
Installation services of central air-conditioners	44,592	55,379	53,661	11,742	9,806
Others – sales of scrap and raw materials	278,066	290,975	521,228	56,412	84,997
Revenue recognized over time:					
Others	49,231	58,322	58,021	14,361	15,038
Total	19,496,413	24,782,526	29,707,212	7,348,075	9,341,420

* Others mainly consist of the Group's sales of scrap and raw materials and royalty income.

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:

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sale of air conditioners	724,786	958,442	1,665,425	1,431,267	1,975,849
Installation services	261,617	324,003	473,251	169,709	176,018
Royalty income	35,615	44,978	50,510	14,364	11,294
Total	1,022,018	1,327,423	2,189,186	1,615,340	2,163,161

(ii) Performance obligations

Information about the Group's performance obligations is summarized below:

Sales 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 both parties. 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.

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.

Other income and gains

An analysis of other income and gains is as follows:

	Year ended December 31,			Three months ended March 31,	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other income:					
Government grants: *(Note)*					
Asset-related	49,935	47,408	56,134	13,083	12,685
Income related	33,134	89,383	179,633	34,018	44,688
Bank interest income	46,612	186,525	217,790	45,280	24,531
	129,681	323,316	453,557	92,381	81,904
Other gains:					
Foreign exchange differences, net	114,000	97,875	86,042	–	–
Realized gains on derivative financial instruments	–	–	19,099	3,667	37,501
Fair value gains on derivative financial instruments	2,780	–	–	–	–
Gains on disposal of leasehold land	17,943	–	–	–	–
Fair value gains on financial assets at fair value through profit or loss	34,835	14,582	28,389	–	1,191
Compensations from suppliers	16,438	27,475	22,723	4,764	3,282
Others	5,980	2,324	6,453	811	344
	191,976	142,256	162,706	9,242	42,318
Total	321,657	465,572	616,263	101,623	124,222

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, 2022, 2023 and 2024 and March 31, 2025, there were no unfulfilled conditions or contingencies relating to these government grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2024	Three months ended March 31, 2024	Three months ended March 31, 2025
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of inventories sold		12,905,190	16,223,180	19,620,017	5,089,781	6,504,867
Cost of services provided		810,178	1,165,361	1,367,945	166,160	177,766
Depreciation of property, plant and equipment	*14*	417,897	415,429	438,894	101,158	117,404
Depreciation of investment property	*15*	21,541	23,888	24,147	6,034	6,060
Depreciation of right-of-use assets	*16*	30,856	31,326	45,843	12,036	14,752
Amortization of software*	*17*	10,056	10,353	13,307	3,137	4,036
Amortization of patent*	*17*	–	–	38,943	9,736	9,736
Research and development costs		397,563	566,630	710,035	123,509	128,335
Lease payments not included in the measurement of lease liabilities	*16(c)*	42,620	35,212	56,909	11,429	30,287
Auditor's remuneration		5,523	14,805	4,837	4,538	215
Listing expenses		–	–	20,471	–	8,257
Employee benefit expense (excluding directors' and chief executive's remuneration):						
Wages and salaries		976,406	1,364,243	1,801,365	387,368	444,469
Pension scheme contributions and social welfare		344,637	454,497	551,427	150,504	163,314
Equity-settled share-based payment expenses		6,100	21,635	1,581	4,104	4,424
Total		1,327,143	1,840,375	2,354,373	541,976	612,207
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment property		95	956	3,521	466	67
Foreign exchange differences, net	*5, 7*	(114,000)	(97,875)	(86,042)	2,459	28,669
Fair value (gains)/losses of derivative financial instruments	*5, 7*	(2,780)	18,204	165,102	17,598	2,870
Impairment loss/(reversal of impairment loss) of financial assets, net:						
Impairment loss/(gain) of trade receivables, net	*20*	11,069	(4,531)	43,286	66,411	47,960
Impairment loss of receivables at fair value through other comprehensive income		2,311	5,610	1,309	1,474	18,316
(Reversal of impairment loss)/impairment loss of financial assets included in prepayments, deposits and other receivables	*18*	(305)	(4,044)	(1,362)	(1,965)	1,596
Total		13,075	(2,965)	43,233	65,920	67,872
Write-down of inventories to net realizable value		9,364	19,359	19,657	(5,637)	8,819
Interest income	*5*	(46,612)	(186,525)	(217,790)	(45,280)	(24,531)
Losses on disposal of items of property, plant and equipment and intangible assets	*7*	4,174	4,395	5,674	2,805	386
Gains on disposal of leasehold land	*5*	(17,943)	–	–	–	–

* The amortization of software and patent for the Relevant Periods are included in "Administrative expenses" and "Research and development expenses", respectively, in the consolidated statements of profit or loss and other comprehensive income.

7. OTHER EXPENSES

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Foreign exchange differences, net	–	–	–	2,459	28,669
Realized losses on derivative financial instruments	579,663	91,508	–	–	–
Fair value losses on derivative financial instruments	–	18,204	165,102	17,598	2,870
Losses on derecognition of receivables at fair value through other comprehensive income	13,030	25,283	21,537	6,007	3,874
Losses on disposal of items of property, plant and equipment and intangible assets	4,174	4,395	5,674	2,805	386
Donations	1,230	1,025	1,020	1,000	1,000
Others	6,009	11,389	13,741	1,543	7,778
Total	604,106	151,804	207,074	31,412	44,577

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest on bank borrowings	95,796	61,373	43,832	12,510	16,190
Interest on lease liabilities *(note 16(b))*	236	110	1,314	358	1,268
Total	96,032	61,483	45,146	12,868	17,458

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:

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Fees	200	208	300	75	75
Other emoluments:					
Salaries, allowances and benefits in kind	1,262	2,470	2,468	624	755
Performance related bonuses*	6,472	8,753	1,048	998	824
Equity-settled share-based payment expenses**	1,355	2,663	2,664	666	666
Pension scheme contributions and social welfare	13	14	16	4	4
Subtotal	9,102	13,900	6,196	2,292	2,249
Total	9,302	14,108	6,496	2,367	2,324

* 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 Historical Financial Information. 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 Historical Financial Information for the Relevant Periods and the three months ended March 31, 2024 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:

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Mr. XIANG Wei	100	100	100	25	25
Ms. JING Xian	100	100	100	25	25
Mr. TAO Shengwen	–	8	100	25	25
Total	200	208	300	75	75

There were no other emoluments payable to the independent non-executive directors during Relevant Periods and the three months ended March 31, 2024.

(b) Executive directors, non-executive directors and the chief executive

Year ended December 31, 2022

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. ZHENG Jianjiang*	–	–	–	–	–
Mr. XIN Ning**	1,262	6,472	1,355	13	9,102
Non-executive directors:					
Mr. ZHENG Jiang	–	–	–	–	–
Mr. HE Xiwan	–	–	–	–	–
Ms. LI Jian	–	–	–	–	–
	1,262	6,472	1,355	13	9,102

Year ended December 31, 2023

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share-based payment expenses	Pension scheme contributions And social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. ZHENG Jianjiang*	–	–	–	–	–
Mr. XIN Ning**	2,470	8,753	2,663	14	13,900
Non-executive directors:					
Mr. ZHENG Jiang	–	–	–	–	–
Mr. HE Xiwan	–	–	–	–	–
Ms. LI Jian	–	–	–	–	–
	2,470	8,753	2,663	14	13,900

Year ended December 31, 2024

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. ZHENG Jianjiang*	–	–	–	–	–
Mr. XIN Ning**	2,468	1,048	2,664	16	6,196
Non-executive directors:					
Mr. ZHENG Jiang	–	–	–	–	–
Mr. HE Xiwan	–	–	–	–	–
Ms. LI Jian	–	–	–	–	–
	2,468	1,048	2,664	16	6,196

Three months ended March 31, 2024 (unaudited)

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. ZHENG Jianjiang*	–	–	–	–	–
Mr. XIN Ning**	624	998	666	4	2,292
Non-executive directors:					
Mr. ZHENG Jiang	–	–	–	–	–
Mr. HE Xiwan	–	–	–	–	–
Ms. LI Jian	–	–	–	–	–
	624	998	666	4	2,292

Three months ended March 31, 2025

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. ZHENG Jianjiang*	–	–	–	–	–
Mr. XIN Ning**	755	824	666	4	2,249
Non-executive directors:					
Mr. ZHENG Jiang	–	–	–	–	–
Mr. HE Xiwan	–	–	–	–	–
Ms. LI Jian	–	–	–	–	–
	755	824	666	4	2,249

* 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 Relevant Periods and the three months ended March 31, 2024.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the three months ended March 31, 2024 included one, one, one, one and one director, respectively, details of whose remuneration are set out in note 9 to the Historical Financial Information.

Details of the remuneration for the remaining four, four, four, four and four highest paid employees who are neither directors nor the chief executive of the Company during the Relevant Periods and the three months ended March 31, 2024 are as follows:

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	5,465	4,711	2,969	3,101	3,191
Performance related bonuses	7,985	28,654	6,963	3,086	3,482
Equity-settled share-based payment expenses	2,315	4,511	1,559	627	541
Pension scheme contributions and social welfare	51	57	65	15	17
Total	15,816	37,933	11,556	6,829	7,231

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
				(unaudited)	
HK$1,000,001 to HK$1,500,000	–	–	–	2	2
HK$1,500,001 to HK$2,000,000	–	–	–	1	1
HK$3,000,001 to HK$3,500,000	2	–	3	1	1
HK$3,500,001 to HK$4,000,000	1	–	1	–	–
HK$6,500,001 to HK$7,000,000	–	1	–	–	–
HK$7,500,001 to HK$8,000,000	–	1	–	–	–
HK$8,500,001 to HK$9,000,000	1	–	–	–	–
HK$10,500,001 to HK$11,000,000	–	1	–	–	–
HK$17,000,001 to HK$17,500,000	–	1	–	–	–
Total	4	4	4	4	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.

Mainland China

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 Relevant Periods and the three months ended March 31, 2024.

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 Relevant Periods and the three months ended March 31, 2024.

Hong Kong

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the Relevant Periods and the three months ended March 31, 2024, 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 Relevant Periods and the three months ended March 31, 2024.

Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including Singapore, Japan, Malaysia, USA, UAE and KSA is calculated on the estimated assessable profit for each of the Relevant Periods and the three months ended March 31, 2024 at the respective rates prevailing in the relevant jurisdictions.

The income tax expense of the Group is analyzed as follows:

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax:					
Charge for the year/period	214,409	560,414	592,917	228,703	355,901
Underprovision/ (Overprovision) in respect of prior years	1,201	(1,612)	2,646	2,646	15,902
Deferred income tax *(note 26)*	176,959	96,804	43,313	(23,288)	(87,619)
Total	392,569	655,606	638,876	208,061	284,184

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:

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax	1,834,307	3,142,400	3,549,047	959,656	1,208,732
Tax at the statutory tax rate	458,577	785,600	887,262	239,914	302,183
Effect of lower tax rate enacted by local tax authorities	(26,714)	(71,204)	(143,202)	(27,461)	(20,380)
Expenses not deductible for tax	8,037	10,461	4,937	3,279	1,596
Additional deductible allowance for research and development costs	(59,246)	(83,811)	(124,359)	(20,627)	(21,289)

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Deductible temporary differences and tax losses not recognized . .	10,714	16,172	17,482	10,310	7,357
Utilization of tax losses not recognized in previous years	–	–	(5,890)	–	(1,185)
Adjustments in respect of current tax of previous years	1,201	(1,612)	2,646	2,646	15,902
Tax charge at the Group's effective rate.	392,569	655,606	638,876	208,061	284,184

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 is still in the process of assessing its potential exposure based on the information available regarding the financial performance of the Group in the year ended December 31, 2024 and the three months ended March 31, 2025. As such, it may not be entirely representative of future circumstances. Based on the current assessment, the Group does not expect a material exposure to Pillar Two income taxes.

12. DIVIDENDS

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/period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares for all periods presented reflecting the aggregate of the weighted average number of the Company's ordinary shares which are outstanding after the completion of the Reorganization.

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 Relevant Periods and the three months ended March 31, 2024.

The calculations of basic and diluted earnings per share are based on:

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Earnings					
Profit attributable to ordinary equity holders of the parent:	1,441,738	2,486,794	2,910,171	751,595	924,548

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
				(unaudited)	
Shares					
Weighted average number of ordinary shares in issue during the year	**1,300,921,250**	**1,300,921,250**	**1,302,530,389**	**1,300,921,250**	**1,350,000,000**

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Motor vehicles	Machinery and equipment	Office equipment and fixtures	Construction in progress	Freehold overseas land	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2022							
At January 1, 2022:							
Cost	3,800,902	68,440	2,191,286	224,103	131,142	46,879	6,462,752
Accumulated depreciation	(697,618)	(44,634)	(855,881)	(144,598)	–	–	(1,742,731)
Accumulated impairment	–	(253)	(27,697)	(653)	–	–	(28,603)
Net carrying amount	3,103,284	23,553	1,307,708	78,852	131,142	46,879	4,691,418
At January 1, 2022, net of accumulated depreciation and impairment	3,103,284	23,553	1,307,708	78,852	131,142	46,879	4,691,418
Additions	13,901	980	43,830	11,409	80,540	–	150,660
Transfers	178	–	7,326	340	(7,844)	–	–
Depreciation provided during the year	(181,863)	(7,034)	(204,570)	(24,430)	–	–	(417,897)
Disposals	(23,067)	(287)	(5,905)	(863)	–	–	(30,122)
Exchange realignment	8,978	41	1,312	212	–	2,513	13,056
At December 31, 2022, net of accumulated depreciation and impairment	2,921,411	17,253	1,149,701	65,520	203,838	49,392	4,407,115
At December 31, 2022:							
Cost	3,802,186	63,156	2,169,592	230,899	203,838	49,392	6,519,063
Accumulated depreciation	(880,775)	(45,736)	(992,428)	(164,726)	–	–	(2,083,665)
Accumulated impairment	–	(167)	(27,463)	(653)	–	–	(28,283)
Net carrying amount	2,921,411	17,253	1,149,701	65,520	203,838	49,392	4,407,115

	Buildings	Motor vehicles	Machinery and equipment	Office equipment and fixtures	Construction in progress	Freehold overseas land	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2023							
At January 1, 2023:							
Cost	3,802,186	63,156	2,169,592	230,899	203,838	49,392	6,519,063
Accumulated depreciation	(880,775)	(45,736)	(992,428)	(164,726)	–	–	(2,083,665)
Accumulated impairment	–	(167)	(27,463)	(653)	–	–	(28,283)
Net carrying amount	2,921,411	17,253	1,149,701	65,520	203,838	49,392	4,407,115
At January 1, 2023, net of accumulated depreciation and impairment	2,921,411	17,253	1,149,701	65,520	203,838	49,392	4,407,115
Additions	936	27,656	100,544	25,336	172,953	–	327,425
Transfers	99,468	863	2,595	8,170	(111,096)	–	–
Depreciation provided during the year	(190,066)	(7,558)	(195,355)	(22,450)	–	–	(415,429)
Disposals	(6,671)	(397)	(2,719)	(362)	–	–	(10,149)
Exchange realignment	5,945	36	760	(214)	–	1,456	7,983
At December 31, 2023, net of accumulated depreciation and impairment	2,831,023	37,853	1,055,526	76,000	265,695	50,848	4,316,945
At December 31, 2023:							
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

	Buildings	Motor vehicles	Machinery and equipment	Office equipment and fixtures	Construction in progress	Overseas land	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2024							
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

	Buildings	Motor vehicles	Machinery and equipment	Official equipment and fixtures	Construction in progress	Overseas land	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
March 31, 2025							
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	9,315	1,239	47,555	10,293	144,827	–	213,229
Transfers	392,833	–	231,156	1,603	(625,592)	–	–
Depreciation provided during the period	(48,211)	(3,311)	(58,440)	(7,442)	–	–	(117,404)
Disposals	–	(4)	(500)	(23)	–	–	(527)
Exchange realignment	(18)	(4)	40	41	–	(4)	55
At March 31, 2025, net of accumulated depreciation and impairment	3,177,920	39,082	1,506,795	105,206	220,403	52,138	5,101,544
At March 31, 2025:							
Cost	4,484,415	98,445	2,922,751	316,268	220,403	52,138	8,094,420
Accumulated depreciation	(1,306,495)	(59,196)	(1,388,979)	(210,409)	–	–	(2,965,079)
Accumulated impairment	–	(167)	(26,977)	(653)	–	–	(27,797)
Net carrying amount	3,177,920	39,082	1,506,795	105,206	220,403	52,138	5,101,544

As at December 31, 2022, 2023 and 2024 and March 31, 2025, certain of the Group's buildings with aggregate net carrying values of approximately RMB1,995,540,000, RMB751,361,000, RMB716,581,000 and RMB691,520,000, respectively, were pledged to secure certain interest-bearing bank borrowings and bank facilities of the Group (note 30).

15. INVESTMENT PROPERTY

The Group

	Buildings	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2022			
At January 1, 2022:			
Cost	386,026	160,869	546,895
Accumulated depreciation	(143,079)	(42,362)	(185,441)
Net carrying amount	242,947	118,507	361,454
At January 1, 2022, net of accumulated depreciation	242,947	118,507	361,454
Additions	8,980	–	8,980
Depreciation provided during the year	(18,324)	(3,217)	(21,541)
At December 31, 2022, net of accumulated depreciation	233,603	115,290	348,893
At December 31, 2022:			
Cost	395,006	160,869	555,875
Accumulated depreciation	(161,403)	(45,579)	(206,982)
Net carrying amount	233,603	115,290	348,893

	Buildings	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2023			
At January 1, 2023:			
Cost	395,006	160,869	555,875
Accumulated depreciation	(161,403)	(45,579)	(206,982)
Net carrying amount	233,603	115,290	348,893
At January 1, 2023, net of accumulated depreciation	233,603	115,290	348,893
Additions	28,350	–	28,350
Depreciation provided during the year	(20,671)	(3,217)	(23,888)
At December 31, 2023, net of accumulated depreciation	241,282	112,073	353,355
At December 31, 2023:			
Cost	423,356	160,869	584,225
Accumulated depreciation	(182,074)	(48,796)	(230,870)
Net carrying amount	241,282	112,073	353,355

	Buildings	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2024			
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

	Buildings	Land use right	Total
	RMB'000	*RMB'000*	*RMB'000*
March 31, 2025			
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	416	–	416
Depreciation provided during the period	(5,995)	(65)	(6,060)
At March 31, 2025, net of accumulated depreciation	217,054	108,791	325,845
At March 31, 2025:			
Cost	426,053	160,869	586,922
Accumulated depreciation	(208,999)	(52,078)	(261,077)
Net carrying amount	217,054	108,791	325,845

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 Relevant Periods.

Fair values of the investment property as at the end of each of the Relevant Periods are as follows:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment property in the PRC	580,640	549,160	515,378	507,340

The fair values of the Group's investment property as at the end of each of the Relevant Periods are determined by valuations conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Ltd., an independent professionally qualified valuer. 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 Relevant Periods.

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 Relevant Periods are as follows:

The Group

	Land use rights	Buildings	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2022	1,078,793	7,361	1,086,154
Additions	–	3,206	3,206
Depreciation provided	(25,652)	(5,204)	(30,856)
Disposals	(82,078)	–	(82,078)
Early cancellation of leases	–	(106)	(106)
Exchange realignment	–	(84)	(84)
As at December 31, 2022 and January 1, 2023	971,063	5,173	976,236
As at December 31, 2022 and January 1, 2023	971,063	5,173	976,236
Additions	68,430	13,991	82,421
Depreciation provided	(25,717)	(5,609)	(31,326)
Early cancellation of leases	–	(239)	(239)
Exchange realignment	–	(66)	(66)
As at December 31, 2023 and January 1, 2024	1,013,776	13,250	1,027,026
As at December 31, 2023 and 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	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	–	16,445	16,445
Depreciation provided	(7,156)	(7,596)	(14,752)
Early cancellation of leases	–	(2,002)	(2,002)
Exchange realignment	–	(278)	(278)
As at March 31, 2025	1,084,687	132,003	1,216,690

As at December 31, 2022, 2023 and 2024 and March 31, 2025, certain of the land use rights with aggregate net carrying values of approximately RMB731,648,000, RMB442,502,000, RMB432,797,000 and RMB369,233,000, respectively, were pledged to secure certain interest-bearing bank borrowings and bank facilities of the Group (note 30).

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during each of the Relevant Periods are as follows:

The Group

	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	7,215	5,058	10,728	117,902
New leases	3,206	13,991	130,904	16,445
Accretion of interest recognized during the year/period	236	110	1,314	1,268
Payments	(5,483)	(8,188)	(25,027)	(6,439)
Early cancellation of lease	(74)	(246)	–	(2,141)
Exchange realignment	(42)	3	(17)	6
Carrying amount at the end of the year/period	5,058	10,728	117,902	127,041
Analyzed into:				
Current portion	4,625	6,190	29,902	31,979
Non-current portion	433	4,538	88,000	95,062

The maturity analysis of lease liabilities is disclosed as follow:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Withing one year	4,625	6,190	29,902	31,979
In the second year	433	4,538	13,664	15,918
In the third to fifth years, inclusive	–	–	25,074	35,789
Beyond five years	–	–	49,262	43,355
Total	5,058	10,728	117,902	127,041

(c) The amounts recognized in profit or loss in relation to leases are as follows:

The Group

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on lease liabilities	236	110	1,314	358	1,268
Depreciation charge of right-of-use assets	30,856	31,326	45,843	12,036	14,752
Expense relating to short-term leases	42,502	34,025	54,805	11,429	30,194
Expense relating to leases of low-value assets	118	1,187	2,104	–	93
Loss/(gain) on early cancellation of lease	32	(7)	–	–	(139)
Total amount recognized in profit or loss	73,744	66,641	104,066	23,823	46,168

(d) The total cash outflow for leases is disclosed in note 36 to the Historical Financial Information.

The Group as a lessor

(1) Rental income from investment property

The Group leases its investment property (note 15) consisting an industrial property in mainland China under operating lease arrangements with leases negotiated from terms ranging from one to ten years.

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Rental income	15,972	31,018	38,160	9,705	8,547

The undiscounted lease payments receivable by the Group in future periods under operating leases with its tenants are as follows:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	20,295	39,567	33,893	35,927
After one year but within two years	16,496	30,860	31,661	33,139
After two years but within three years	5,455	24,371	22,120	21,193
After three years but within four years	5,455	19,032	13,315	10,977
After four years but within five years	3,255	10,718	5,535	4,935
After five years	1,075	16,403	14,312	13,313
Total	52,031	140,951	120,836	119,484

(2) Rental income from property, plant and equipment

The Group leases its properties consisting of buildings in mainland China under operating lease arrangements with leases negotiated from terms ranging from one to three years.

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Rental income	15,200	18,289	13,947	4,792	2,430

The undiscounted lease payments receivable by the Group in future periods under operating leases with its tenants are as follows:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	13,039	11,297	2,044	944
After one year but within two years	11,532	53	470	734
After two years but within three years	71	11	287	423
Total	24,642	11,361	2,801	2,101

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:

	Buildings
	RMB'000
December 31, 2022	
At January 1, 2022:	
Cost	14,215
Accumulated depreciation	(8,121)
Net carrying amount	6,094
At January 1, 2022, net of accumulated depreciation	6,094
Depreciation provided during the year	(626)
At December 31, 2022, net of accumulated depreciation	5,468
At December 31, 2022:	
Cost	14,215
Accumulated depreciation	(8,747)
Net carrying amount	5,468

	Buildings
	RMB'000
December 31, 2023	
At January 1, 2023:	
Cost	14,215
Accumulated depreciation	(8,747)
Net carrying amount	5,468
At January 1, 2023, net of accumulated depreciation	5,468
Additions	5,714
Depreciation provided during the year	(1,098)
At December 31, 2023, net of accumulated depreciation	10,084
At December 31, 2023:	
Cost	42,104
Accumulated depreciation	(32,020)
Net carrying amount	10,084
December 31, 2024	
At January 1, 2024:	
Cost	42,104
Accumulated depreciation	(32,020)
Net carrying amount	10,084
At January 1, 2024, net of accumulated depreciation	10,084
Depreciation provided during the year	(2,120)
At December 31, 2024, net of accumulated depreciation	7,964
At December 31, 2024:	
Cost	42,104
Accumulated depreciation	(34,140)
Net carrying amount	7,964
March 31, 2025	
At January 1, 2025:	
Cost	42,104
Accumulated depreciation	(34,140)
Net carrying amount	7,964
At January 1, 2025, net of accumulated depreciation	7,964
Depreciation provided during the period	(78)
At March 31, 2025, net of accumulated depreciation	7,886
At March 31, 2025:	
Cost	42,104
Accumulated depreciation	(34,218)
Net carrying amount	7,886

17. INTANGIBLE ASSETS

The Group

	Software	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2022			
At January 1, 2022:			
Cost	114,566	–	114,566
Accumulated amortization	(43,550)	–	(43,550)
Accumulated impairment	(2,808)	–	(2,808)
Net carrying amount	68,208	–	68,208
At January 1, 2022, net of accumulated amortization and impairment	68,208	–	68,208
Additions	3,475	–	3,475
Amortization provided during the year	(10,056)	–	(10,056)
Exchange realignment	(21)	–	(21)
At December 31, 2022, net of accumulated amortization and impairment	61,606	–	61,606
At December 31, 2022:			
Cost	118,020	–	118,020
Accumulated amortization	(53,606)	–	(53,606)
Accumulated impairment	(2,808)	–	(2,808)
Net carrying amount	61,606	–	61,606
December 31, 2023			
At January 1, 2023:			
Cost	118,020	–	118,020
Accumulated amortization	(53,606)	–	(53,606)
Accumulated impairment	(2,808)	–	(2,808)
Net carrying amount	61,606	–	61,606
At January 1, 2023, net of accumulated amortization and impairment	61,606	–	61,606
Additions	18,729	–	18,729
Amortization provided during the year	(10,353)	–	(10,353)
Disposals	(1,259)	–	(1,259)
Exchange realignment	(6)	–	(6)
At December 31, 2023, net of accumulated amortization and impairment	68,717	–	68,717
At December 31, 2023:			
Cost	135,484	–	135,484
Accumulated amortization	(63,959)	–	(63,959)
Accumulated impairment	(2,808)	–	(2,808)
Net carrying amount	68,717	–	68,717

The Group

	Software	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2024			
At January 1, 2024:			
Cost	135,484	–	135,484
Accumulated amortization	(63,959)	–	(63,959)
Accumulated impairment	(2,808)	–	(2,808)
Net carrying amount	68,717	–	68,717
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	88,546	233,657	322,203
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	88,546	233,657	322,203
March 31, 2025			
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	4,299	–	4,299
Amortization provided during the period	(4,036)	(9,736)	(13,772)
Exchange realignment	43	–	43
At March 31, 2025, net of accumulated amortization and impairment	88,852	223,921	312,773
At March 31, 2025:			
Cost	169,366	272,600	441,966
Accumulated amortization	(77,706)	(48,679)	(126,385)
Accumulated impairment	(2,808)	–	(2,808)
Net carrying amount	88,852	223,921	312,773

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Value-added-tax recoverable	506,967	198,162	896,828	728,673
Prepayments	182,784	176,131	408,117	467,111
Deposits and other receivables	23,025	106,524	122,774	115,132
Deferred listing expenses	–	–	3,472	5,182
Others	25,836	31,289	30,178	38,798
	738,612	512,106	1,461,369	1,354,896
Impairment allowance	(18,742)	(14,698)	(13,336)	(14,932)
	719,870	497,408	1,448,033	1,339,964
Non-current				
Prepayments for equipment	20,392	86,354	172,399	140,746

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, 2022

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	686	2,360	16,001	19,047
Impairment (reversal)/loss	(311)	(1,759)	1,765	(305)
As at December 31, 2022	375	601	17,766	18,742

As at December 31, 2023

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	375	601	17,766	18,742
Impairment loss/(reversal)	1,120	48	(5,212)	(4,044)
As at December 31, 2023	1,495	649	12,554	14,698

As at December 31, 2024

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*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

As at March 31, 2025

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025	716	767	11,853	13,336
Impairment loss/(reversal)	713	2,551	(1,668)	1,596
As at March 31, 2025	1,429	3,318	10,185	14,932

19. INVENTORIES

The Group

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	1,773,654	1,745,886	3,890,577	3,152,705
Finished goods in transit	405,177	185,527	405,671	639,399
Raw materials	399,323	434,942	936,380	912,093
Work in progress	263,783	341,550	646,213	523,238
	2,841,937	2,707,905	5,878,841	5,227,435

20. TRADE AND BILLS RECEIVABLES

The Group

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	866,552	1,270,782	2,221,953	4,142,971
Impairment	(72,943)	(67,962)	(109,379)	(157,339)
Trade receivables, net	793,609	1,202,820	2,112,574	3,985,632
Bills receivable	633,933	742,082	890,856	778,942
Trade and bills receivables	1,427,542	1,944,902	3,003,430	4,764,574

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:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	732,895	1,037,203	1,987,016	3,680,236
3 to 6 months	41,989	121,221	84,672	265,758
6 to 12 months	15,550	36,907	39,772	37,866
1 to 2 years	3,109	6,784	1,114	1,772
2 to 3 years	66	705	–	–
Total	793,609	1,202,820	2,112,574	3,985,632

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	66,426	72,943	67,962	109,379
Impairment losses, net	11,069	(4,531)	43,286	47,960
Amounts written off as uncollectible	(4,552)	(450)	(1,869)	–
At end of the year/period	72,943	67,962	109,379	157,339

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.

The information about the credit risk exposure on the Group's trade receivables are set out below:

As at December 31, 2022

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Provision on a collective basis:				
Aged within 1 year	1.49%	802,375	(11,941)	790,434
Aged 1 to 2 years	40.81%	5,253	(2,144)	3,109
Aged 2 to 3 years	99.67%	19,945	(19,879)	66
Aged over 3 years	100.00%	16,272	(16,272)	–
Provision on an individual basis	100.00%	22,707	(22,707)	–
		866,552	(72,943)	793,609

As at December 31, 2023

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Provision on a collective basis:				
Aged within 1 year	1.74%	1,216,491	(21,160)	1,195,331
Aged 1 to 2 years	47.67%	12,965	(6,181)	6,784
Aged 2 to 3 years	74.59%	2,774	(2,069)	705
Aged over 3 years	100.00%	15,150	(15,150)	–
Provision on an individual basis	100.00%	23,402	(23,402)	–
		1,270,782	(67,962)	1,202,820

As at December 31, 2024

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	*RMB'000*	*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)	–
		2,221,953	(109,379)	2,112,574

As at March 31, 2025

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	RMB'000	RMB'000
Provision on a collective basis:				
Aged within 1 year	1.63%	4,050,014	(66,154)	3,983,860
Aged 1 to 2 years	94.30%	31,061	(29,289)	1,772
Aged 2 to 3 years	100.00%	11,014	(11,014)	–
Aged over 3 years	100.00%	36,733	(36,733)	–
Provision on an individual basis	100.00%	14,149	(14,149)	–
		4,142,971	(157,339)	3,985,632

21. RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable at fair value through other comprehensive income	13,500	60,603	171,046	107,176
Trade receivables at fair value through other comprehensive income	142,407	610,003	793,760	1,798,235
Total	155,907	670,606	964,806	1,905,411

The movements in the loss allowance for impairment of trade receivables at fair value through other comprehensive income are as follows:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	4,872	7,183	12,793	14,102
Impairment losses, net	2,311	5,610	1,309	18,316
At end of year/period	7,183	12,793	14,102	32,418

All the 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, 2022, 2023 and 2024 and March 31, 2025, the Group endorsed certain bills receivables accepted by banks in mainland China (the "Endorsed Bills") with carrying amounts of RMB632,021,000, RMB510,660,000 and RMB695,245,000 and RMB1,308,415,000, respectively, 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 RMB1,339,046,000, RMB1,398,064,000, RMB2,142,247,000 and RMB705,998,000 during the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2025, respectively.

At December 31, 2022, 2023 and 2024 and March 31, 2025, the Group discounted certain bills receivables accepted by banks in mainland China (the "Discounted Bills") with carrying amounts of nil, nil, RMB61,982,000 and RMB41,982,000, respectively (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 RMB540,000,000, nil, RMB386,900,000 and RMB46,407,000 during the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2025, respectively.

Transferred financial assets that are derecognized in their entirety

At December 31, 2022, 2023 and 2024 and March 31, 2025, the Group endorsed certain bills receivables accepted by banks in mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB2,386,391,000, RMB3,475,664,000, RMB1,348,224,000 and RMB562,615,000, respectively, and discounted certain bills receivables accepted by banks in mainland China (the "Derecognized Bills") with carrying amounts of nil, RMB1,178,399,000, RMB811,076,000 and RMB102,983,000, respectively. The Derecognized Bills had a maturity of one to six months at the end of each of the Relevant Periods. 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, 2022, 2023 and 2024 and the three months ended March 31, 2024 and 2025, the Group has recognized losses of RMB13,030,000, RMB25,283,000, RMB21,537,000, RMB6,007,000 (unaudited) and RMB3,874,000, respectively, 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 1.0% to 2.5% per annum and the remaining period of the Derecognized Bills.

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
Forward currency contracts	38,728	15,584	–	–
Futures contracts for the purchase of copper	–	5,178	–	41,290
Total	38,728	20,762	–	41,290
Liabilities:				
Forward currency contracts	–	238	144,578	69,981
Futures contracts for the purchase of copper	–	–	28,792	–
	–	238	173,370	69,981

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, 2022, 2023 and 2024 and the three months ended March 31, 2025, hedging gains of nil, nil, RMB55,192,000 and RMB65,896,000, respectively, were recognized in other comprehensive income, and nil, nil, RMB83,984,000 and RMB4,186,000, respectively, 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

The balance as at March 31, 2025 represents structured deposits issued by a commercial bank in Mainland China, 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 6 months and their yield are linked to foreign currency exchange rate.

25. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

The Group

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	2,389,724	5,610,379	2,907,756	3,708,047
Pledged deposits	600,834	2,047,769	2,264,362	2,621,775
Subtotal	2,990,558	7,658,148	5,172,118	6,329,822
Less: Short-term bank deposits with original maturities of over three months and due within one year*	(258,456)	(507,549)	–	(583,634)
Pledged deposits for bills payable*:				
Current portion	(600,834)	(1,231,371)	(1,424,909)	(2,621,775)
Non-current portion**	–	(816,398)	(839,453)	–
Cash and cash equivalents	2,131,268	5,102,830	2,907,756	3,124,413
Denominated in				
RMB	1,646,834	4,848,870	1,186,163	1,892,534
USD	396,864	189,872	1,436,547	943,607
Euro ("EUR")	43,638	56,038	152,328	116,212
THB	41,628	5,903	33,615	45,370
MYR	–	376	71,833	92,884
Others	2,304	1,771	27,270	33,806
	2,131,268	5,102,830	2,907,756	3,124,413

The Company

	As at December 31,	As at March 31,
	2024	2025
	RMB'000	*RMB'000*
Bank balances	177,811	179,224
Denominated in USD	177,811	179,224

* Except for short-term bank deposits with original maturities of over three months and due within one year of RMB258,456,000, RMB507,549,000 and nil as at December 31, 2022, 2023 and 2024 are denominated in USD, RMB400,815,000 and RMB6,379,000 as at March 31, 2025 are denominated in Japanese Yen and THB, respectively, all the other balances are denominated in RMB.

** The non-current portion of pledged deposits as at December 31, 2023 and 2024 are with a maturity between 30 months and 36 months.

The RMB is not freely convertible into other currencies, however, under mainland China'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

(a) Deferred tax assets

The movements in deferred tax assets of the Group during each of the Relevant Periods are as follows:

	Accrued expenses	Warranty provision	Tax losses	Contract liabilities	Impairment for financial assets	Deferred income	Employee benefits	Derivative financial instruments	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2022	69,765	113,937	389,863	80,286	25,442	29,165	26,097	238	15,738	49,531	800,062
Deferred tax (charged)/credited (*note 11*)	(2,413)	2,869	(186,268)	17,360	(1,564)	(6,162)	4,902	(238)	(9,666)	1,248	(179,932)
As at December 31, 2022 and January 1, 2023	67,352	116,806	203,595	97,646	23,878	23,003	30,999	–	6,072	50,779	620,130
Deferred tax credited/(charged) (*note 11*)	71,837	5,469	(153,201)	(21,572)	(3,420)	3,949	3,063	36	(3,509)	13,029	(84,319)
As at December 31, 2023 and 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 (*note 11*)	(31,753)	867	5,203	13,415	5,790	(3,662)	7,429	42,283	38,262	35,353	113,187
At December 31, 2024	107,436	123,142	55,597	89,489	26,248	23,290	41,491	42,319	40,825	99,161	648,998
Deferred tax credited/(charged) (*note 11*)	14,989	2,943	(6,640)	19,941	12,970	9,677	2,809	(27,895)	(4,765)	14,851	38,880
At March 31, 2025	122,425	126,085	48,957	109,430	39,218	32,967	44,300	14,424	36,060	114,012	687,878

(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	Derivative financial instruments	Accrued interest of pledged deposits	Right-of-use assets	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2022	20,672	9,077	–	15,742	705	46,196
Deferred tax charged/(credited) *(note 11)*	12,185	(104)	–	(14,454)	(344)	(2,717)
As at December 31, 2022 and January 1, 2023	32,857	8,973	–	1,288	361	43,479
Deferred tax charged/(credited) *(note 11)*	9,953	(3,783)	4,100	1,867	(146)	11,991
As at December 31, 2023 and January 1, 2024	42,810	5,190	4,100	3,155	215	55,470
Deferred tax charged/(credited) *(note 11)*	111,800	(5,190)	5,763	36,716	(215)	148,874
At December 31, 2024	154,610	–	9,863	39,871	–	204,344
Deferred tax (credited)/charged *(note 11)*	(39,465)	10,323	1,418	(2,941)	–	(30,665)
At March 31, 2025	115,145	10,323	11,281	36,930	–	173,679

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognized in the consolidated statements of financial position	576,651	480,341	498,699	535,078
Net deferred tax liabilities recognized in the consolidated statements of financial position	–	–	54,045	20,879

The total amounts of tax losses at December 31, 2022, 2023 and 2024 and March 31, 2025 were RMB1,094,849,000, RMB416,588,000, RMB363,594,000 and RMB386,451,000, respectively, most of which were generated within mainland China.

The amounts of unrecognized tax losses as at December 31, 2022, 2023 and 2024 and March 31, 2025 were RMB47,499,000, RMB105,523,000, RMB139,674,000 and RMB167,080,000, respectively, 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, 2022, 2023 and 2024 and March 31, 2025 were RMB14,335,000, RMB26,724,000, RMB29,358,000 and RMB31,342,000. 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.

27. TRADE AND BILLS PAYABLES

The Group

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	3,375,084	3,338,697	6,451,406	6,769,518
Bills payable	2,060,950	3,097,750	3,943,719	5,178,917
Total	5,436,034	6,436,447	10,395,125	11,948,435

Bills payable are aged within six months. An ageing analysis of the trade payables, based on the invoice date, is as follows:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	3,297,741	3,214,470	6,292,210	6,617,239
3 to 6 months	48,013	97,301	125,223	133,068
6 to 12 months	12,362	13,834	20,721	12,822
1 to 2 years	8,519	5,109	4,600	2,594
2 to 3 years	3,898	2,658	2,922	1,344
Over 3 years	4,551	5,325	5,730	2,451
Total	3,375,084	3,338,697	6,451,406	6,769,518

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

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Sales rebate accruals and payables	314,091	1,039,272	752,655	984,438
Other accrued expenses	326,572	379,566	395,337	440,589
Deposits	545,252	608,185	806,964	842,306
Payroll payables	389,964	491,445	582,358	498,637
Equipment and construction payables	173,354	238,698	723,247	667,811
Value-added tax payables	68,918	187,343	225,601	240,104
Other tax payables	49,524	59,144	63,612	65,578
Others	96,560	94,950	93,188	65,818
Accrual for listing expenses	–	–	17,342	14,006
	1,964,235	3,098,603	3,660,304	3,819,287
Non-current				
Equipment and construction payables	–	–	109,040	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

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities – advances received on sales of goods and services	1,330,375	2,209,731	2,850,473	2,805,624

As at January 1, 2022, the carrying amount of contract liabilities was RMB1,056,873,000.

The Group's contract liabilities are mainly related to short-term advances received to deliver goods and render installation services. The increase in contract liabilities in 2022, 2023 and 2024 was mainly due to the continuous growth in the scale of the Group's operations in 2022, 2023 and 2024. The decrease in contract liabilities as at March 31, 2025 was mainly due to the fulfilment of the performance obligations of delivering goods during the three months ended March 31, 2025.

30. INTEREST-BEARING BANK BORROWINGS

The Group

	Note	As at December 31, 2022		
		Effective interest rate	Maturity	
		(%)		RMB'000
Current				
Bank loans – secured	(a)	3.00	2023	300,000
Bank loans – unsecured	(b)	1.29-3.45	2023	762,303
Total – current				1,062,303
Non-current				
Bank loans – secured	(a)	3.65-3.85	2024-2029	602,101
Total – non-current				602,101

	Note	As at December 31, 2023		
		Effective interest rate	Maturity	
		(%)		RMB'000
Current				
Bank loans – unsecured		0.65-2.75	2024	1,200,444
Total – current				1,200,444
Non-current				
Bank loans – secured	(a)	3.65	2029	880
Total – non-current				880

	Note	As at December 31, 2024		
		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

	Note	As at March 31, 2025 Effective interest rate (%)	Maturity	RMB'000
Current				
Bank loans – unsecured		0.8-2.35	2025	1,492,982
Current portion of long term bank loans – unsecured		2.35-3.65	2025-2026	14,850
Total – current				1,507,832
Non-current				
Bank loans – secured	*(a)*	2.35-3.65	2026-2029	50,540
Bank loans – unsecured		2.35-2.65	2026-2027	749,849
Total – non-current				800,389

An analysis of the carrying amounts of interest-bearing bank borrowings by type of interest rate is as follows:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed interest rate	1,327,524	800,444	900,640	1,515,640
Variable interest rate	336,880	400,880	652,694	792,581
	1,664,404	1,201,324	1,553,334	2,308,221

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed into:				
Bank loans repayable:				
Within one year or on demand	1,062,303	1,200,444	657,841	1,507,832
In the second year	194,130	–	694,853	693,449
In the third to fifth years, inclusive	400,411	–	200,640	106,940
Beyond five years	7,560	880	–	–
	1,664,404	1,201,324	1,553,334	2,308,221

Note:

(a) As at December 31, 2022, 2023 and 2024 and March 31, 2025, interest-bearing bank borrowings with the amount of RMB902,101,000, RMB880,000, RMB50,640,000 and RMB50,540,000 were pledged by buildings (note 14) and land use rights (note 16(a)) of the Group, respectively.

(b) As at December 31, 2022, included in the Group's interest-bearing bank borrowings was an amount due to a related party of RMB50,000,000, details of which were disclosed in note 40(d) to the Historical Financial Information.

(c) The above loan balances are all denominated in RMB.

31. DEFERRED INCOME

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	621,578	596,904	596,812	630,954
Addition	25,261	47,316	90,276	11,545
Amortization during the year/period	(49,935)	(47,408)	(56,134)	(12,685)
At the end of the year/period	596,904	596,812	630,954	629,814
Current portion	47,416	49,700	57,317	50,745
Non-current portion	549,488	547,112	573,637	579,069

32. PROVISION

	RMB'000
At January 1, 2022	493,587
Additional provision	167,805
Amounts utilized during the year	(164,574)
Exchange realignment	105
At December 31, 2022	496,923
Portion classified as current liabilities	(175,734)
Non-current portion	321,189
At January 1, 2023	496,923
Additional provision	171,133
Amounts utilized during the year	(157,870)
Exchange realignment	43
At December 31, 2023	510,229
Portion classified as current liabilities	(185,346)
Non-current portion	324,883
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	39,654
Amounts utilized during the period	(24,075)
Exchange realignment	–*
At March 31, 2025	537,672
Portion classified as current liabilities	(164,828)
Non-current portion	372,844

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.

* The amount is less than RMB1,000.

33. SHARE CAPITAL

	Numbers of ordinary shares	Amount
	'000	US$
Authorized:		
As at January 1, 2022, December 31, 2022 and 2023	–	–
Authorized ordinary shares of US$0.000005 each	10,000,000	50,000
As at December 31, 2024 and March 31, 2025	10,000,000	50,000

A summary of the movements in the Company's share capital is as follows:

	Numbers of ordinary shares	Nominal value of shares	Equivalent nominal value of shares
	'000	US$	RMB'000
Issued and fully paid:			
As at January 1, 2022, December 31, 2022 and 2023	–	–	–
Issue of ordinary shares of US$0.000005 each	1,350,000	6,750	48
As at December 31, 2024 and March 31, 2025	1,350,000	6,750	48

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 Historical Financial Information) 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.

34. RESERVES

The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity.

(i) Capital reserve

As at December 31, 2024 and March 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 as detailed in the step 4 in the paragraph headed "Pre-IPO Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus; 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 as detailed in the step 4 in the paragraph headed "Pre-IPO Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus 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.

The Company

A summary of the Company's reserves is as follows:

	Capital reserve	Merger reserve	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2022, December 31, 2022 and 2023	–	–	–	–
Issue of ordinary shares *(note 33)*	177,809	–	–	177,809
Impact of the Reorganization	–	(46)	–	(46)
As at December 31, 2024	177,809	(46)	–	177,763
Profit and total comprehensive income for the period	–	–	1,592	1,592
As at March 31, 2025	–	–	1,592	179,355

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.

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 price per share	Fair value at grant 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.

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 Relevant Periods:

	Number of restricted shares
At January 1, 2022	37,138,271
Granted during the year	29,497,479
Forfeited during the year	(4,047,750)
At December 31, 2022	62,588,000
At January 1, 2023	62,588,000
Forfeited during the year	(2,706,000)
At December 31, 2023	59,882,000
At January 1, 2024	59,882,000
Forfeited during the year	(10,803,250)
At December 31, 2024	49,078,750
At January 1, 2025	49,078,750
Forfeited during the period	–
At March 31, 2025	49,078,750

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, 2022, 2023 and 2024 and the three months ended March 31, 2025, the equity-settled share-based payment expenses of RMB7,455,000 and RMB24,298,000, RMB4,245,000 and RMB5,090,000 were charged to profit or loss, respectively.

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,206,000, RMB13,991,000, RMB130,904,000 and RMB16,445,000, respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

Year ended December 31, 2022

	Interest-bearing bank borrowings	Lease liabilities	Amounts due to related parties
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2022	4,627,516	7,215	1,131,130
Changes from financing cash flows	(3,058,908)	(5,483)	112,408
New leases	–	3,206	–
Interest expense *(note 8)*	95,796	236	–
Early cancellation of leases	–	(74)	–
Exchange realignment	–	(42)	–
At December 31, 2022	1,664,404	5,058	1,243,538

Year ended December 31, 2023

	Interest-bearing bank borrowings	Lease liabilities	Amounts due to related parties
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2023	1,664,404	5,058	1,243,538
Changes from financing cash flows	(524,453)	(8,188)	250,514
New leases	–	13,991	–
Interest expense *(note 8)*	61,373	110	–
Early cancellation of leases	–	(246)	–
Exchange realignment	–	3	–
At December 31, 2023	1,201,324	10,728	1,494,052

Year ended December 31, 2024

	Interest-bearing bank borrowings	Lease liabilities	Amounts due to related parties
	RMB'000	*RMB'000*	*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 *(note 8)*	43,832	1,314	–
Exchange realignment	–	(17)	–
At December 31, 2024	1,553,334	117,902	–

Three months ended March 31, 2025

	Interest-bearing bank borrowings	Lease liabilities
	RMB'000	*RMB'000*
At January 1, 2025	1,553,334	117,902
Changes from financing cash flows	738,697	(6,439)
New leases	–	16,445
Interest expense *(note 8)*	16,190	1,268
Early cancellation of leases	–	(2,141)
Exchange realignment	–	6
At March 31, 2025	2,308,221	127,041

Three months ended March 31, 2024 (unaudited)

	Interest-bearing bank borrowings	Lease liabilities	Amounts due to related parties
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2024	1,201,324	10,728	1,494,052
Changes from financing cash flows	152,814	(3,331)	(16,131)
New leases	–	1,135	–
Interest expense *(note 8)*	12,510	358	–
Exchange realignment	–	(6)	–
At March 31, 2024 (unaudited)	1,366,648	8,884	1,477,921

(c) Total cash outflow for leases

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Within operating activities	42,620	35,212	56,909	11,429	30,287
Within investing activities	–	68,430	105,135	34,019	–
Within financing activities	5,483	8,188	25,027	3,333	6,439
Total	48,103	111,830	187,071	48,781	36,726

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 statements of financial position of the Group, to the Plaintiff. As of the date of this report, Ningbo Aosheng Trading Co., Ltd. has filed an appeal against the decision.

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 Historical Financial Information.

Details of the Group's deposits pledged for the Group's bills payable are included in note 25 to the Historical Financial Information.

39. COMMITMENTS

The Group had the following contractual commitments at the end of each reporting period.

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	341,758	292,629	781,328	539,034
Machinery	204,701	459,919	315,555	320,747
Land use rights	–	–	–	35,070
Total	546,459	752,548	1,096,883	894,851

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 Relevant Periods:

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

Name of the related party	Relationship with the Group
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
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 Jiang 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

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Purchases of goods and services:					
Longzhicheng	54,945	106,614	126,361	31,849	26,435
Jiahuikai	41,047	65,888	110,846	22,973	29,926
Wenbang	20,065	44,913	42,077	10,086	11,372
Dewei	18,527	28,423	39,001	9,833	9,710
Entities controlled by Mr. ZHENG Jianjiang	6,466	9,720	17,620	1,380	23
Kunyuan	1,945	2,995	3,106	1,110	1,269
	142,995	258,553	339,011	77,231	78,735
Sales of goods and rendering of services:					
Entities controlled by Mr. ZHENG Jianjiang	10,689	27,581	31,251	5,960	4,969
Furno HVAC	16,823	14,540	7,220	296	939
	27,512	42,121	38,471	6,256	5,908
Lease income:					
Entities controlled by Mr. ZHENG Jianjiang	333	1,403	2,953	842	344
Lease expense for short-term leases:					
Entities controlled by Mr. ZHENG Jianjiang	654	254	392	87	–

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Interest income:					
Entities controlled by Mr. ZHENG Jianjiang	18,810	–	–	–	–
Yinzhou Rural Commercial Bank	491	210	142	51	14
	19,301	210	142	51	14
Rental payments:					
Entities controlled by Mr. ZHENG Jianjiang	2,598	5,161	3,995	1,170	1,025
Interest expense:					
Entities controlled by Mr. ZHENG Jianjiang	104	38	284	70	38
Yinzhou Rural Commercial Bank	6,192	425	–	–	–
	6,296	463	284	70	38
Purchase of property, plant and equipment:					
Entities controlled by Mr. ZHENG Jianjiang	791	–	–	–	16,477

The above transactions were carried out between the Group and its related parties during the Relevant Periods and the three months ended March 31, 2024 at terms negotiated between the Group and the respective related parties.

(c) Compensation of key management personnel of the Group

	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Salaries, allowances and benefits in kind	2,706	4,107	4,032	1,112	1,445
Performance related bonuses	9,361	14,354	2,868	2,118	1,581
Pension scheme contributions and social welfare	39	43	53	12	13
Equity-settled share-based payment expenses	1,679	4,100	4,101	1,025	1,025
	13,785	22,604	11,054	4,267	4,064

(d) Balances with related parties

The following table sets forth the outstanding balances with related parties as of the dates indicated:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank balance*				
Yinzhou Rural Commercial Bank	230,466	13,925	43,031	54,972

* The balance is included in the "cash and bank balances" in the consolidated statements of financial position.

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties:				
Trade nature				
Entities controlled by Mr. ZHENG Jianjiang	–	–	73	366**
Non-trade nature				
China Prosper	107,459	97,135	–	–
Mr. ZHENG Jianjiang	31,526	32,341	–	–
Entities controlled by Mr. ZHENG Jianjiang	2,529	7,525	–	–
	141,514	137,001	–	–

** The majority of the balances as at March 31, 2025 are prepayments.

The maximum outstanding amounts of the following balances due from related parties – non-trade nature during each reporting period are as follows:

	Year ended December 31,			Three months ended March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties:				
Non-trade nature				
Mr. ZHENG Jianjiang	31,526	32,341	32,341	–
Entities controlled by Mr. ZHENG Jianjiang	2,529	7,525	7,525	–
	34,055	39,866	39,866	–

The amounts due from related parties are unsecured, payable on demand and interest-free.

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings – current#				
Yinzhou Rural Commercial Bank	50,000	–	–	–

The balance is included in "interest-bearing bank borrowings" in the consolidated statements of financial position.

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties:				
Trade nature				
Longzhicheng	25,698	26,899	50,368	39,684
Jiahuikai	15,984	23,050	44,571	39,579
Wenbang	16,708	16,057	20,884	18,055
Dewei	12,262	15,913	21,923	20,369
Kunyuan	1,239	52	235	1,511
Entities controlled by Mr. ZHENG				
Jianjiang	348	1,740	3,591	1,001
Furno HVAC	412	239	318	242
	72,651	83,950	141,890	120,441

An ageing analysis of the amounts due to related parties – trade nature, based on the invoice date, is as follows:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	60,903	69,252	110,536	98,875
3 to 6 months	2,844	638	13,611	8,700
6 to 12 months	5,289	6,623	9,443	6,902
1 to 2 years	1,127	5,057	4,506	2,403
2 to 3 years	790	545	2,245	2,196
Over 3 years	1,698	1,835	1,549	1,365
Total	72,651	83,950	141,890	120,441

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade nature				
AUX Holdings	814,068	1,020,441	–	–
Entities controlled by Mr. ZHENG				
Jianjiang	429,470	473,611	–	–
	1,243,538	1,494,052	–	–

The above amounts due to related parties are unsecured, payable on demand and interest-free.

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 Relevant Periods are as follows:

Financial assets

As at December 31, 2022

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables at fair value through other comprehensive income	–	155,907	–	155,907
Trade and bills receivables	–	–	1,427,542	1,427,542
Financial assets included in prepayments, deposits and other receivables	–	–	11,455	11,455
Derivative financial instruments	38,728	–	–	38,728
Pledged deposits	–	–	600,834	600,834
Cash and bank balances	–	–	2,389,724	2,389,724
Amounts due from related parties	–	–	141,514	141,514
Total	38,728	155,907	4,571,069	4,765,704

As at December 31, 2023

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables at fair value through other comprehensive income	–	670,606	–	670,606
Trade and bills receivables	–	–	1,944,902	1,944,902
Financial assets included in prepayments, deposits and other receivables	–	–	99,905	99,905
Derivative financial instruments	20,762	–	–	20,762
Pledged deposits	–	–	2,047,769	2,047,769
Cash and bank balances	–	–	5,610,379	5,610,379
Amounts due from related parties	–	–	137,001	137,001
Total	20,762	670,606	9,839,956	10,531,324

As at December 31, 2024

	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*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
Total	964,806	8,327,313	9,292,119

As at March 31, 2025

	Financial assets at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Receivables at fair value through other comprehensive income	–	–	1,905,411	–	1,905,411
Trade and bills receivables	–	–	–	4,764,574	4,764,574
Financial assets included in prepayments, deposits and other receivables	–	–	–	145,976	145,976
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	41,290	–	–	41,290
Financial assets at fair value through profit or loss	300,000	–	–	–	300,000
Pledged deposits	–	–	–	2,621,775	2,621,775
Cash and bank balances	–	–	–	3,708,047	3,708,047
Amounts due from related parties	–	–	–	130	130
Total	300,000	41,290	1,905,411	11,240,502	13,487,203

Financial liabilities

As at December 31, 2022

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	5,436,034
Financial liabilities included in other payables and accruals	1,444,879
Interest-bearing bank borrowings *(note 30)*	1,664,404
Amounts due to related parties	1,316,189
Total	9,861,506

As at December 31, 2023

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	–	6,436,447	6,436,447
Financial liabilities included in other payables and accruals	–	2,345,942	2,345,942
Derivative financial instruments	238	–	238
Interest-bearing bank borrowings *(note 30)*	–	1,201,324	1,201,324
Amounts due to related parties	–	1,578,002	1,578,002
Total	238	11,561,715	11,561,953

As at December 31, 2024

	Financial liabilities at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Financial liabilities at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*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 *(note 30)*	–	–	1,553,334	1,553,334
Amounts due to related parties	–	–	141,890	141,890
Total	144,578	28,972	14,968,378	15,141,748

As at March 31, 2025

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	–	11,948,435	11,948,435
Financial liabilities included in other payables and accruals	–	3,108,169	3,108,169
Derivative financial instruments	69,981	–	69,981
Interest-bearing bank borrowings *(note 30)*	–	2,308,221	2,308,221
Amounts due to related parties	–	120,441	120,441
Total	69,981	17,485,266	17,555,247

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 Mainland China. 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.

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, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Derivative financial instruments	–	38,728	–	38,728
Receivables at fair value through other comprehensive income.	–	155,907	–	155,907
	–	194,635	–	194,635

As at December 31, 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Derivative financial instruments	–	20,762	–	20,762
Receivables at fair value through other comprehensive income	–	670,606	–	670,606
	–	691,368	–	691,368

As at December 31, 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Receivables at fair value through other comprehensive income	–	964,806	–	964,806

As at March 31, 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Derivative financial instruments	–	41,290	–	41,290
Receivables at fair value through other comprehensive income	–	1,905,411	–	1,905,411
Financial assets at fair value through profit or loss	–	300,000	–	300,000
	–	2,246,701	–	2,246,701

Liabilities measured at fair value:

As at December 31, 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Derivative financial instruments	–	238	–	238

As at December 31, 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Derivative financial instruments	–	173,370	–	173,370

As at March 31, 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Derivative financial instruments	–	69,981	–	69,981
	–	69,981	–	69,981

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	(Decrease)/increase in equity
		RMB'000	*RMB'000*
2022			
RMB	100	(3,369)	(2,863)
RMB	(100)	3,369	2,863
2023			
RMB	100	(4,009)	(3,407)
RMB	(100)	4,009	3,407

	Increase/(decrease) in basis points	(Decrease)/increase in profit before tax	(Decrease)/increase in equity
		RMB'000	*RMB'000*
2024			
RMB	100	(6,368)	(5,412)
RMB	(100)	6,368	5,412
2025			
RMB	100	(7,926)	(6,737)
RMB	(100)	7,926	6,737

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, 2022

	Increase/(decrease) in USD rate in basis points	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
		RMB'000	*RMB'000*
If the RMB weakens against the USD	100	8,427	7,163
If the RMB strengthens against the USD	(100)	(8,427)	(7,163)

As at December 31, 2023

	Increase/(decrease) in USD rate in basis points	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
		RMB'000	*RMB'000*
If the RMB weakens against the USD	100	11,376	9,670
If the RMB strengthens against the USD	(100)	(11,376)	(9,670)

As at December 31, 2024

	Increase/(decrease) in USD rate in basis points	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
		RMB'000	*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)

As at March 31, 2025

	Increase/(decrease) in USD rate in basis points	Increase/(decrease) in profit before tax	Increase/ (decrease) in equity
		RMB'000	*RMB'000*
If the RMB weakens against the USD	100	51,625	43,881
If the RMB strengthens against the USD	(100)	(51,625)	(43,881)

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, 2022, 2023 and 2024 and March 31, 2025, the Group had certain concentrations of credit risk as 26.94%, 36.46%, 10.21% and 14.03% of the Group's trade receivables were due from the Group's largest customer, respectively, and 53.36%, 56.37%, 30.60% and 31.58% of the Group's trade receivables were due from the Group's five largest customers at the end of each year/period during the Track Record Period, 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 Relevant Periods.

As at December 31, 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	1,492,869	1,492,869
Financial assets included in prepayments, deposits, and other receivables**	7,665	3,004	19,528	–	30,197
Cash and bank balances	2,389,724	–	–	–	2,389,724
Pledged deposits	600,834	–	–	–	600,834
Amounts due from related parties	141,514	–	–	–	141,514
Receivables at fair value through other comprehensive income	–	–	–	155,907	155,907
	3,139,737	3,004	19,528	1,648,776	4,811,045

As at December 31, 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	2,012,864	2,012,864
Financial assets included in prepayments, deposits, and other receivables**	97,948	3,250	13,405	–	114,603
Cash and bank balances	5,610,379	–	–	–	5,610,379
Pledged deposits	2,047,769	–	–	–	2,047,769
Amounts due from related parties	137,001	–	–	–	137,001
Receivables at fair value through other comprehensive income	–	–	–	670,606	670,606
	7,893,097	3,250	13,405	2,683,470	10,593,222

As at December 31, 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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
Receivables at fair value through other comprehensive income	–	–	–	964,806	964,806
	5,307,386	3,837	12,660	4,077,615	9,401,498

As at March 31, 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	4,921,913	4,921,913
Financial assets included in prepayments, deposits, and other receivables**	118,241	16,592	11,143	–	145,976
Cash and bank balances	3,708,047	–	–	–	3,708,047
Pledged deposits	2,621,775	–	–	–	2,621,775
Amounts due from related parties	130	–	–	–	130
Receivables at fair value through other comprehensive income	–	–	–	1,905,411	1,905,411
	6,448,193	16,592	11,143	6,827,324	13,303,252

* 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 Historical Financial Information.

** 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 Historical Financial Information, respectively.

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 Relevant Periods based on the contractual undiscounted payments, is as follows:

	As at December 31, 2022				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payable	–	5,436,034	–	–	5,436,034
Financial liabilities included in other payables and accruals	–	1,444,879	–	–	1,444,879
Interest-bearing bank borrowings	–	1,110,824	645,362	7,886	1,764,072
Amounts due to related parties	1,316,189	–	–	–	1,316,189
Lease liabilities	–	5,288	438	–	5,726
Total	1,316,189	7,997,025	645,800	7,886	9,966,900

	As at December 31, 2023				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payable	–	6,436,447	–	–	6,436,447
Financial liabilities included in other payables and accruals	–	2,345,942	–	–	2,345,942
Interest-bearing bank borrowings	–	1,207,038	128	883	1,208,049
Derivative financial instruments	–	238	–	–	238
Amounts due to related parties	1,578,002	–	–	–	1,578,002
Lease liabilities	–	6,273	4,863	–	11,136
Total	1,578,002	9,995,938	4,991	883	11,579,814

	As at December 31, 2024				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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
Total	141,890	14,055,005	1,072,204	54,553	15,323,652

As at March 31, 2025

	As at March 31, 2025				
	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payable	–	11,948,435	–	–	11,948,435
Financial liabilities included in other payables and accruals	–	2,999,129	109,040	–	3,108,169
Interest-bearing bank borrowings	–	1,528,818	813,155	–	2,341,973
Derivative financial instruments	–	69,981	–	–	69,981
Amounts due to related parties	120,441	–	–	–	120,441
Lease liabilities	–	34,332	58,695	52,192	145,219
Total	120,441	16,580,695	980,890	52,192	17,734,218

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 Relevant Periods.

The Group monitors capital on the basis of the asset-liability ratios. The ratio as at the end of each of the Relevant Periods are as follows:

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	14,706,949	19,969,470	24,170,972	27,576,040
Total liabilities	12,979,247	15,727,191	20,335,266	22,751,830
Asset-liability ratio*	88%	79%	84%	83%

* Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

44. INVESTMENT IN A SUBSIDIARY

The Company

	As at December 31,	As at March 31,
	2024	2025
	RMB'000	*RMB'000*
Investment in a subsidiary China Bloom Industrial Co., Ltd.	–*	–*

* The amount is less than RMB1,000.

45. EVENTS AFTER THE RELEVANT PERIODS

There is no significant event that occurred subsequent to March 31, 2025.

46. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2025.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this Prospectus, and is included herein for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effects of the Global Offering on the consolidated net tangible assets attributable to owners of the parent as at March 31, 2025 as if the Global Offering had taken place on March 31, 2025.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to owners of the parent had the Global Offering been completed as at March 31, 2025 or as at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the consolidated net tangible assets attributable to owners of the parent as at March 31, 2025 as set out in the Accountant's Report in Appendix I to this Prospectus and is adjusted for the effects described below.

	Consolidated net tangible assets of the Group attributable to owners of the parent as at March 31, 2025	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent as at March 31, 2025**	**Unaudited pro forma adjusted consolidated net tangible assets per Share as at March 31, 2025**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$16.00 per Share	4,511,477	2,892,774	7,404,251	4.75	5.22
Based on an Offer Price of HK$16.71 per Share	4,511,477	3,022,068	7,533,545	4.84	5.31
Based on an Offer Price of HK$17.42 per Share	4,511,477	3,151,363	7,662,840	4.92	5.40

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the parent as at March 31, 2025 was arrived at after deducting intangible assets of RMB312,733,000 as at March 31, 2025 from the consolidated net assets attributable to owners of the parent as at March 31, 2025 of RMB4,824,210,000 set out in the Accountants' Report in Appendix I to this Prospectus.

2. The estimated net proceeds from the Global Offering are based on the estimated low end, mid-point and high end offer prices of HK$16.00, HK$16.71 and HK$17.42 per Share after deduction of underwriting fees and commissions and other related expenses payable by the Company (excluding the listing expenses that have been charged to profit or loss during the Relevant Periods) and do not take into account any shares which may be issued upon exercise of the Offer Size Adjustment Option and the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 1,557,161,200 shares, being the number of shares in issue assuming that the Global Offering had been completed on March 31, 2025, without taking account of the exercise of the Offer Size Adjustment Option and the Over-allotment Option.

4. For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the balances stated in RMB are converted into HK$ at the rate of RMB1.0000 to HK$1.0982.

5. No other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible asset of the Group to reflect any trading result or other transactions entered into subsequent to March 31, 2025.

6. The property interest valued in the property valuation report as set out in Appendix III to this Prospectus represented the investment property of the Group. The above unaudited pro forma statement of adjusted consolidated net tangible assets does not take into account the valuation surplus arising from the valuation of the Group's property interest. Valuation surplus has not been recorded in the Historical Financial Information of the Group and will not be recorded in the consolidated financial statements of the Group in the future periods as the Group's investment property is stated at cost less accumulated depreciation and impairment losses, if any. Had the valuation surplus been recorded in the Group's financial statements, additional annual depreciation of approximately RMB4,600,000 would be charged in profit or loss in future remaining useful lives.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Aux Electric Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Aux Electric Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at March 31, 2025 and related notes as set out on pages II-1 to II-2 of the prospectus dated August 25, 2025 issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix II to the listing documents.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at March 31, 2025 as if the transaction had taken place at March 31, 2025. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the three months ended March 31, 2025, on which an accountants' report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong
August 25, 2025

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 May 2025 of the selected property interest held by the Group.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

仲量聯行企業評估及咨詢有限公司
香港英皇道979號太古坊一座7樓
電話 +852 2846 5000 傳真 +852 2169 6001
公司牌照號碼：C-030171

25 August 2025

The Board of Directors
Aux Electric Co., Ltd.
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the selected property interest held by Aux Electric Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the selected property interest as at 31 May 2025 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

As at the valuation date, the selected property was held by the Group for investment purpose. We have adopted the income approach in the valuation of this property by taking into account the rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown a copy of Real Estate Title Certificate and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisors — Jingtian & Gongcheng, concerning the validity of the property interest in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out on 17 March 2025 by Kathryn Han and Donald Li. Kathryn Han is a China Certified Real Appraiser and has more than 18 years' experience of property valuation in the PRC. Donald Li has 4 years' experience of property valuation in the PRC.

Climate change, sustainability, resilience, and ESG are increasingly influencing investment approaches as they may affect prospects for rental and capital growth, and susceptibility to obsolescence. Properties that do not meet the sustainability characteristics expected in the market may represent a higher investment risk, particularly as occupiers become more conscious of ESG impacts on operational workspace, which could impact on vacancy and rental levels. This view is supported by RICS in their recently published guidance note "Sustainability and ESG in commercial property valuation and strategic advice (3rd Edition)."

While some of the sustainability and ESG initiatives are considered subjective and intangible, they cannot always be demonstrated with quantifiable evidence. Based on our research and local market knowledge, there is not yet any direct and tangible evidence of ESG being reflected in specific investment behaviours and/or pricing considerations for assets of a similar nature to the subject property, although it is acknowledged that ESG criteria is forming part of an increasing number of investment mandates. However more tangible benefits such as energy efficiency are realisable in operational costs. We have not undertaken full asset and market investigations in this regard. Whilst there is currently no direct and tangible evidence to suggest that the market is making pricing adjustments for ESG, we will continue to monitor market movements and sentiment.

All monetary figures stated in this report are in Renminbi ("**RMB**").

The valuation certificate is attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS R.P.S. (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 31 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held for investment by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
			RMB
Tianjin AUX Industrial Park No. 77 Fuyuan Road Wuqing Development Area Wuqing District Tianjin The PRC	The property is an industrial park located at the southern side of Fuyuan Road in Wuqing District of Tianjin. The locality of the property is a well-developed industrial and logistics area with convenient transportation network. The property comprises a parcel of land with a site area of approximately 562,345.10 sq.m. and 25 industrial buildings erected thereon. The buildings of the property were completed in various stages between 2016 and 2022 with a total gross floor area ("**GFA**") of approximately 220,913.54 sq.m., details of which are set out in note 3. The land use rights of the property have been granted for a term expiring on 9 November 2058 for industrial use.	As at the valuation date, portions of the property were leased to various lessees for workshop, storage, office, dormitory and ancillary purposes, whilst the remaining portion of the property was vacant.	477,593,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Jin (2023) Wu Qing Qu Bu Dong Chan Quan Di No. 0112149, the property with a GFA of approximately 220,913.54 sq.m. is owned by Tianjin AUX Electric Co., Ltd. ("**Tianjin Aux Electric**", 天津奧克斯電氣有限公司). The relevant land use rights of a parcel of land with a site area of approximately 562,345.10 sq.m. have been granted to Tianjin Aux Electric for a term expiring on 9 November 2058 for industrial use.

2. Pursuant to various lease agreements, as at the valuation date, portions of the property with a total GFA of approximately 196,229.52 sq.m. were rented to various lessees for terms with the expiry dates between July 2025 and November 2034 for workshop, storage, office, dormitory and ancillary uses, and the total annual passing rental was approximately RMB31,000,000, exclusive of value-added tax, management fees, water and electricity charges.

3. According to the information provided by the Group, the GFA of the property is set out as below:

Building	GFA
	(sq.m.)
Workshop No. 21	29,855.23
Workshop No. 22	11,910.58
Workshop No. 23	17,288.92
Workshop No. 24	17,632.47
Workshop No. 25	17,288.92
Workshop No. 26	3,576.95
Workshop No. 27	17,777.86
Workshop No. 31	5,858.32
Workshop No. 32	16,965.40
Workshop No. 33	3,919.12
Workshop No. 34	4,306.96
Workshop No. 35	4,306.96
Workshop No. 36	3,531.28
Workshop No. 37	5,859.28
Workshop No. 38	6,439.12
Workshop No. 39	6,439.12
Workshop No. 40	5,279.44
Workshop No. 41	7,512.16
Workshop No. 42	7,002.4
Workshop No. 43	5,473.12
Workshop No. 44	5,473.12
Dormitory No. 1	7,574.97
Dormitory No. 2	8,213.91
Ancillary Facility A8-A9	1,225.89
Fire pump room	202.04
Total:	**220,913.54**

4. Our valuation has been made on the following basis and analysis:

a. in undertaking our valuation, we have considered the actual rent in the existing lease agreements and also compared with similar properties located in the same business circle and/or nearby within reasonable walking distance. We adopted market rent when calculating (i) the reversionary rental income after the expiry of the existing lease for occupied area, and (ii) the rental income of vacant area;

b. as at the valuation date, the monthly unit rent of the comparable units ranges from RMB13.00 to RMB16.00 per sq.m. for workshop and storage units, RMB9.00 to RMB12.00 per sq.m. for office units, RMB6.00 to RMB12.00 per sq.m. for dormitory and ancillary units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent of the property; and

c. based on our research, the stabilized market yield of similar properties is in the range of 5.5% to 6.5% as at the valuation date. Considering the location, leased term and other characteristics of the property, we have applied a market yield of 6.5% for workshop and storage units, 6.0% for office units, and 5.5% for dormitory and ancillary units in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a. Tianjin Aux Electric is the legitimate owner of the land use rights of the property, and its rights are confirmed and protected by the PRC law. As confirmed by the Company, there is no situation that affects Tianjin Aux Electric to use, transfer, lease, mortgage or otherwise dispose of the state-owned construction land use rights;

   b. Tianjin Aux Electric is the legitimate owner of the building ownership rights of the property, and its rights are confirmed and protected by the PRC law. As confirmed by the Company, there is no situation that affects Tianjin Aux Electric to use, transfer, lease, mortgage or otherwise dispose of the building ownership rights;

   c. The lease agreements mentioned in note 2 are legal and valid, and are legally binding on all parties to the agreements; and

   d. Among the lease agreements mentioned in note 2, 11 of them have not been registered. According to the relevant laws and regulations, the non-registration of the lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities may require the Group to complete registrations within a specified timeframe and the Group may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. As confirmed by the Company, as of the latest practicable date, Tianjin Aux Electric has not been subject to any penalties arising from the non-registration of the lease agreements.

6. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

   Details of the material property

(a)	General description of location of the property	:	The property is located at No. 77 Fuyuan Road, Wuqing Development Area, Wuqing District, Tianjin. It is approximately 5 kilometers from Wuqing Railway Station and about 35 kilometers from Tianjin Railway Station. The surrounding area is a well-developed industrial and logistics hub.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	The property is not subject to any mortgage or pledges.
(c)	Environmental Issue	:	As advised by the Group, no environmental impact assessment has been carried out.
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects.	:	See note 5.
(e)	Future plans for construction, renovation, improvement or development of the property	:	As advised by the Group, there is no plan for new major renovation or development of the property in the next 12 months from the date of this document.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on August 20, 2025 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VI to this prospectus.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on August 20, 2025 and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every 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, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he/she is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they 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 of the Company, 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 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 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.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his/her period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place (which, in the case of a virtual meeting, includes a virtual place), the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place (whether physical or virtual) specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place (whether physical or virtual).

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place (whether physical or virtual) for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place (which, in the case of a virtual meeting, includes a virtual place) at which the postponed meeting will be reconvened and the date and time by which proxy forms shall be submitted in order to be valid at such reconvened meeting (provided that any proxy forms submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy form); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his/her proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his/her stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his/her attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his/her shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three-month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 October 2024 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account." At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his/her view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

   (i) on or in respect of the shares, debentures or other obligations of the Company; or

   (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on October 23, 2024. Our registered office is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of certain aspects of the Cayman Companies Act and a summary of certain provisions of our Articles of Association are set out in the section headed "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix IV to this prospectus.

Our registered place of business in Hong Kong is at Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. We have registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on January 15, 2025. Ms. LAU Yee Wa (劉綺華), one of our joint company secretaries, has been appointed as the authorized representative of our Company for the acceptance of the service of process on behalf of our Company in Hong Kong. The address for the service of process is the same as our principal place of business in Hong Kong.

2. Changes in the Share Capital of Our Company

Save as disclosed in the section headed "History, Reorganization and Corporate Structure" in this prospectus, there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants' Report as set out in Appendix I to this prospectus.

The following subsidiaries were established during the two years immediately preceding the date of this prospectus:

Name of subsidiaries	Place of incorporation	Registered capital/ Share capital	Date of incorporation
Anhui Aosong Refrigeration Equipment Co., Ltd. (安徽奧松製冷設備有限公司) . . .	PRC	RMB500,000,000	October 8, 2023
Aux Cloud Commerce (USA) Inc.	USA	/	October 12, 2023

Name of subsidiaries	Place of incorporation	Registered capital/ Share capital	Date of incorporation
Tianjin AUX Electric Home Appliance Sales Co., Ltd. (天津奧克斯家電銷售有限公司) ("**Tianjin AUX**")	PRC	RMB100,000,000	October 20, 2023
Aux Cloud Commerce (Thailand) Co., Ltd. ("**Aux Cloud Thailand**")	Thailand	Thai Baht 100,000,000	November 29, 2023
Aux Cloud Commerce PTE. Ltd.	Singapore	Singapore Dollar 1	December 21, 2023
Aux Cloud Commerce Trading DMCC	The United Arab Emirates	United Arab Emirates Dirham 50,000	March 19, 2024
Ningbo AUX Intelligent Manufacturing Co., Ltd. (寧波奧克斯智能製造有限公司)	PRC	RMB200,000,000	April 30, 2024
Ningbo AUX Air Conditioning Sales Co., Ltd. (寧波奧克斯空調銷售有限公司)	PRC	RMB10,000,000	September 12, 2024
Hangzhou AUX Air Conditioning Sales Co., Ltd. (杭州奧克斯空調銷售有限公司)	PRC	RMB10,000,000	September 12, 2024
Shanghai AUX Air Conditioning Sales Co., Ltd. (上海奧克斯空調銷售有限公司)	PRC	RMB10,000,000	September 20, 2024
Hubei AUX Air Conditioning Sales Co., Ltd. (湖北奧克斯空調銷售有限公司)	PRC	RMB10,000,000	September 20, 2024
Anhui AUX Home Appliance Sales Co., Ltd. (安徽奧克斯家電銷售有限公司)	PRC	RMB10,000,000	September 23, 2024
Zhengzhou AUX Electric Sales Co., Ltd. (鄭州奧克斯電器銷售有限公司)	PRC	RMB10,000,000	September 23, 2024
Shanxi AUX Air Conditioning Sales Co., Ltd. (山西奧克斯空調銷售有限公司)	PRC	RMB10,000,000	September 24, 2024
Nanchang AUX Home Appliance Marketing Co., Ltd. (南昌奧克斯家電營銷有限公司)	PRC	RMB10,000,000	September 24, 2024

Name of subsidiaries	Place of incorporation	Registered capital/ Share capital	Date of incorporation
Changsha AUX Home Appliance Sales Co., Ltd. (長沙奧克斯家電銷售有限公司)	PRC	RMB10,000,000	September 24, 2024
Jinan AUX Air Conditioning Sales Co., Ltd. (濟南奧克斯空調銷售有限公司)	PRC	RMB10,000,000	September 25, 2024
Nanning Aux Home Appliance Sales Co., Ltd. (南寧奧克斯家電銷售有限公司)	PRC	RMB10,000,000	September 26, 2024
Shenzhen AUX Air Conditioning Sales Co., Ltd. (深圳奧克斯空調銷售有限公司)	PRC	RMB10,000,000	September 27, 2024
Jinhua AUX Air Conditioning Sales Co., Ltd. (金華奧克斯空調銷售有限公司)	PRC	RMB10,000,000	September 29, 2024
Nanjing Aux Air Conditioning Technology Co., Ltd. (南京奧克斯空調科技有限公司)	PRC	RMB10,000,000	September 29, 2024
AUX Home Appliances Saudi Arabia Limited L.L.C	Kingdom of Saudi Arabia	Saudi Arabian Riyal 30,000	September 29, 2024
Chengdu AUX Air Conditioning Equipment Co., Ltd. (成都奧克斯空調設備有限公司)	PRC	RMB10,000,000	September 30, 2024
Chongqing AUX Air Conditioning Equipment Co., Ltd. (重慶奧克斯空調設備有限公司)	PRC	RMB10,000,000	October 9, 2024
Xi'an AUX Air Conditioning Sales Co., Ltd. (西安奧克斯空調銷售有限公司)	PRC	RMB10,000,000	October 12, 2024
Shenyang AUX Innovation Sales Co., Ltd. (瀋陽奧克斯新創銷售有限公司)	PRC	RMB10,000,000	October 16, 2024
Shijiazhuang AUX Air Conditioning Sales Co., Ltd. (石家莊奧克斯空調銷售有限公司)	PRC	RMB10,000,000	October 18, 2024
Aux Cloud Commerce Vietnam Company Limited	Vietnam	Vietnamese Dong 72,501,000	October 18, 2024

Name of subsidiaries	Place of incorporation	Registered capital/ Share capital	Date of incorporation
Fuzhou AUX Electric Sales Co., Ltd. (福州奧克斯電器銷售有限公司)	PRC	RMB10,000,000	October 22, 2024
Shanxi AUX Home Appliance Sales Co., Ltd. (山西奧克斯家電銷售有限公司)	PRC	RMB10,000,000	October 30, 2024
Wuhu Hanfeng Optoelectronics Co., Ltd. (蕪湖瀚峰光電有限公司)	PRC	RMB20,000,000	November 4, 2024
Ma'anshan Hantu Optoelectronics Co., Ltd. (馬鞍山市瀚途光電有限公司)	PRC	RMB20,000,000	November 4, 2024
Wuxi AUX Electric Sales Co., Ltd. (無錫奧克斯電器銷售有限公司)	PRC	RMB10,000,000	November 7, 2024
Nanchang Hanyuan Optoelectronics Co., Ltd. (南昌瀚遠光電有限公司)	PRC	RMB20,000,000	November 8, 2024
Foshan AUX Electric Sales Co., Ltd. (佛山奧克斯電器銷售有限公司)	PRC	RMB10,000,000	December 2, 2024
Ningbo Hanyao Optoelectronics Co., Ltd. (寧波瀚耀光電有限公司)	PRC	RMB20,000,000	December 2, 2024
Beijing Aozhuo Electric Sales Co., Ltd. (北京奧卓電器銷售有限公司)	PRC	RMB10,000,000	December 5, 2024
Shanghai AUX Home Appliance Co., Ltd. (上海奧克斯家電有限公司)	PRC	RMB100,000,000	February 18, 2025
Qingdao AUX Air-Conditioner Sales Co., Ltd. (青島奧克斯空調銷售有限公司)	PRC	RMB10,000,000	April 2, 2025
Ningbo AUX Smart Electric Co., Ltd. (寧波奧克斯智能電氣有限公司)	PRC	RMB500,000,000	June 27, 2025
Changchun AUX Air-Conditioner Sales Co., Ltd. (長春奧克斯空調銷售有限公司)	PRC	RMB10,000,000	July 10, 2025
Haikou AUX Air-Conditioner Sales Co., Ltd. (海口奧克斯空調銷售有限公司)	PRC	RMB10,000,000	July 11, 2025

On September 6, 2023, the share capital of Xtron Air-conditioning Manufacture (Thailand) Co., Ltd. was increased from Thai Baht 870,000,000 to Thai Baht 1,170,000,000.

On August 21, 2024, the registered capital of Tianjin AUX was increased from RMB10 million to RMB100 million.

On September 23, 2024, the share capital of Aux Cloud Thailand was increased from Thai Baht 100,000,000 to Thai Baht 200,000,000.

On May 6, 2025, the share capital of Aux Cloud Commerce (Malaysia) Sdn. Bhd. was increased from Malaysian Ringgit 100,000 to Malaysian Ringgit 1,000,000.

Save as disclosed in this section and in the sections headed "History, Reorganization and Corporate Structure" in this prospectus, there has been no other alteration in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus.

4. Resolutions of Shareholders of Our Company Passed on August 20, 2025

Written resolutions of our Shareholders were passed on August 20, 2025, pursuant to which, among others:

(i) the Articles of Association was approved and adopted conditional upon Listing;

(ii) conditional upon all the conditions set out in "Structure of the Global Offering — Conditions of the Global Offering" being fulfilled:

(a) the Global Offering and the granting of the Offer Size Adjustment Option and the Over-allotment Option were approved;

(b) the Board (or any of its duly authorized committee or person thereof) was authorized to allot and issue the new Shares pursuant to the Global Offering and Listing;

(c) the Board (or any of its duly authorized committee or person thereof) was authorized to agree to the Offer Price per Offer Share with the Sole Sponsor-Overall Coordinator;

(d) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares (including the resale or transfer of Treasury Shares by our Company) or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options (including but not limited to warrants, bonds, debentures, notes and other securities convertible into Shares) which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed conditionally or unconditionally to be allotted by our Directors other than pursuant to (A) a rights issue, (B) any scrip dividend scheme or similar arrangement providing for the allotment and issuance of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (C) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (D) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue (excluding Treasury Shares, if any) immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (e) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Applicable Period**");

(e) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue (excluding Treasury Shares, if any) immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), such mandate to remain in effect during the Applicable Period (the "**Repurchase Mandate**"); and

(f) the general unconditional mandate mentioned in paragraph (d) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of our Company's share capital in issue (excluding Treasury Shares, if any) immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised).

5. Restrictions on Repurchase of Our Own Securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities. Our Directors confirm that neither the explanatory statement of the Share Repurchase Mandate nor the proposed share repurchase has any unusual features.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchase of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on August 20, 2025, the Repurchase Mandate was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate number of our Company's share capital in issue (excluding Treasury Shares, if any) immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). For details, see "— 4. Resolutions of Shareholders of Our Company Passed on August 20, 2025" in this Appendix.

(ii) Source of Funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Cayman Companies Act. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by our Company may be made out of profits or out of proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue (excluding Treasury Shares, if any). A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

Pursuant to the Listing Rules, the shares repurchased by an issuer shall be held as Treasury Shares or cancelled. The listing of all shares which are held as Treasury Shares shall be retained. The issuer shall ensure that Treasury Shares are appropriately identified and segregated. The listing of all repurchased securities (whether on the Stock Exchange or otherwise) but not held as Treasury Shares is automatically cancelled upon repurchase and our Company must apply for listing of any further Shares in the normal way. The relative certificates must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital of our Company under the Cayman Companies Act.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities at any time after insider information has come to its knowledge until such information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if the Stock Exchange considers the listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to our Company.

(b) Reasons for Repurchase

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders and our Company will be able to pay our debts as they fall due in the ordinary course of business.

(c) Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Cayman Companies Act or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 1,557,161,200 Shares in issue (excluding Treasury Shares, if any) immediately following completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), could accordingly result in up to 155,716,120 Shares being repurchased by our Company during the period prior to: (i) the conclusion of the next annual general meeting of our Company; (ii) the expiry of the period within which our Company is required by the Articles of Association or any applicable law to hold our annual general meeting; or (iii) the variation or revocation by an ordinary resolution of the Shareholders passed in a general meeting, whichever is the earliest.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries.

Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Articles of Association, the Cayman Companies Act or any other applicable laws of the Cayman Islands.

Subject to the applicable requirements under the Listing Rules, our Company may cancel the repurchased Shares following settlement of any such repurchase or hold them as Treasury Shares, subject to, for example, market conditions and its capital management needs at the relevant time of the repurchases.

Should our Company decide to hold repurchased Shares as Treasury Shares, we will, upon completion of the Share repurchase, withdraw the repurchased Shares from CCASS and register the Treasury Shares in our Company's name. We may re-deposit its Treasury Shares into CCASS only if it has an imminent plan to resell these Treasury Shares on the Stock Exchange and will complete such resale as soon as possible. We will have appropriate measures to ensure that it would not exercise any shareholders' rights or receive any entitlements which would otherwise be suspended under the relevant laws with respect to Treasury Shares. These measures include, for example, an approval by the Board that (i) our Company should procure its broker not to give any instructions to HKSCC to vote at general meetings for the Treasury Shares deposited with CCASS; and (ii) in the case of dividends or distributions, our Company should withdraw the Treasury Shares from CCASS, and either re-register them in our Company's name as Treasury Shares or cancel them, in each case before the record date for the dividends or distributions.

Holders of Treasury Shares (if any) shall abstain from voting on matters that require Shareholders' approval at our Company's general meetings.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person, as defined in the Listing Rules, has notified us that he/she/it has a present intention to sell their Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. CORPORATE REORGANIZATION

In preparation of the Global Offering and in order to streamline our corporate structure, we underwent and conducted the Reorganization before the Listing. Please see the section headed "History, Reorganization and Corporate Structure — Major Corporate Developments and Pre-IPO Reorganization of Our Group — Pre-IPO Reorganization" in this prospectus for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that is or may be material:

(a) the cornerstone investment agreement dated August 21, 2025 entered into among the Company, CHINA POST LIFE INSURANCE COMPANY LIMITED (中郵人壽保險股份有限公司) and China International Capital Corporation Hong Kong Securities Limited, pursuant to which CHINA POST LIFE INSURANCE COMPANY LIMITED (中郵人壽保險股份有限公司) agreed to subscribe for Offer Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US$50.0 million;

(b) the cornerstone investment agreement dated August 21, 2025 entered into among the Company, PSBC WEALTH MANAGEMENT CO., LTD. (中郵理財有限責任公司) and China International Capital Corporation Hong Kong Securities Limited, pursuant to which PSBC WEALTH MANAGEMENT CO., LTD. (中郵理財有限責任公司) agreed to subscribe for Offer Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US$15.0 million;

(c) the cornerstone investment agreement dated August 21, 2025 entered into among the Company, VALIN GROUP HONGKONG INTERNATIONAL TRADE CO., LIMITED (華菱集團(香港)國際貿易有限公司), China International Capital Corporation Hong Kong Securities Limited and Orient Securities (Hong Kong) Limited, pursuant to which VALIN GROUP HONGKONG INTERNATIONAL TRADE CO., LIMITED (華菱集團(香港)國際貿易有限公司) agreed to subscribe for Offer Shares at the Offer Price in the aggregate amount of HK$207.9 million;

(d) the cornerstone investment agreement dated August 21, 2025 entered into among the Company, CICC FINANCIAL TRADING LIMITED and China International Capital Corporation Hong Kong Securities Limited, pursuant to which CICC FINANCIAL TRADING LIMITED agreed to subscribe for Offer Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US$20.0 million and hold such Offer Shares on a non-discretionary basis to hedge a series of cross border delta-one OTC swap transactions entered into by CICC FINANCIAL TRADING LIMITED, China International Capital Corporation Limited and certain private funds managed by Tibet Longrising Asset Management Co., Ltd. (西藏源樂晟資產管理有限公司) in its capacity as investment manager;

(e) the cornerstone investment agreement dated August 21, 2025 entered into among the Company, GUOTAI JUNAN INVESTMENTS (HONG KONG) LIMITED, China International Capital Corporation Hong Kong Securities Limited and Orient Securities (Hong Kong) Limited, pursuant to which GUOTAI JUNAN INVESTMENTS (HONG KONG) LIMITED agreed to subscribe for Offer Shares at the Offer Price in the aggregate amount of HK$100.0 million and hold such Offer Shares on a non-discretionary basis to hedge a series of cross border delta-one OTC swap transactions entered into by GUOTAI JUNAN INVESTMENTS (HONG KONG) LIMITED, Guotai Haitong Securities Co., Ltd. and Shenzhen Yongxin Industrial Investment Partnership Enterprise (Limited Partnership) (深圳市永信實業投資合夥企業(有限合夥)); and

(f) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

Registered Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Owner	Class	Place of Registration	Expiry Date	Registration Number
1.	奥克斯金福	Ningbo AUX Electric	11	PRC	October 6, 2032	63899103
2.	京颜II	Ningbo AUX Electric	11	PRC	September 13, 2032	63317277
3.	倾享	Ningbo AUX Electric	11	PRC	June 20, 2032	61533271
4.	奥知净	Ningbo AUX Electric	11	PRC	June 20, 2032	61533235
5.	奥知净	Ningbo AUX Electric	11	PRC	June 20, 2032	61548704
6.	奥克斯极梦	Ningbo AUX Electric	11	PRC	June 13, 2032	61531160
7.	奥克斯京梦	Ningbo AUX Electric	11	PRC	June 20, 2032	61553475
8.	华蒜	Ningbo Hutssom	11	PRC	February 6, 2032	58708120
9.	HUTSSOM	Ningbo Hutssom	11	PRC	February 6, 2032	58733002
10.	京裕Plus	Ningbo AUX Electric	11	PRC	January 20, 2032	57701303
11.	倾静Plus	Ningbo AUX Electric	11	PRC	January 20, 2032	57680667
12.	倾舒	Ningbo AUX Electric	11	PRC	January 13, 2032	57692520
13.	奥爽侠	Ningbo AUX Electric	11	PRC	August 27, 2031	51828609
14.	畅享风	Ningbo AUX Electric	11	PRC	April 13, 2031	49483748
15.	酷焰	Ningbo AUX Electric	11	PRC	February 20, 2031	44617562
16.	京福	Ningbo AUX Electric	11	PRC	November 6, 2030	44526804

No.	Trademark	Owner	Class	Place of Registration	Expiry Date	Registration Number
17.	倾静	Ningbo AUX Electric	11	PRC	October 27, 2030	44506105
18.	倾风	Ningbo AUX Electric	11	PRC	October 27, 2030	44523360
19.	卿睿	Ningbo AUX Electric	11	PRC	October 6, 2030	43761295
20.	奥克斯至净	Ningbo AUX Electric	11	PRC	October 27, 2031	43448092
21.	奥精灵	Ningbo AUX Electric	11	PRC	April 6, 2030	40525749
22.	卿风	Ningbo AUX Electric	11	PRC	January 20, 2030	38584297
23.	京裕	Ningbo AUX Electric	11	PRC	January 27, 2030	38579809
24.	奥极净	Ningbo AUX Electric	11	PRC	January 27, 2030	38586013
25.	皓享家	Ningbo AUX Electric	11	PRC	August 27, 2029	35888342
26.	金波	Ningbo AUX Electric	11	PRC	April 6, 2029	31996182
27.	AUX	Ningbo AUX Electric	11	PRC	December 27, 2028	5108408
28.	奥克斯	Ningbo AUX Electric	11	PRC	March 6, 2031	7655943
29.	京鸣	Ningbo AUX Electric	11	PRC	March 27, 2033	67168046
30.	ARV-X7	Ningbo AUX Electric	11	PRC	April 20, 2031	47758714
31.	ARV X7	Ningbo AUX Electric	11	PRC	April 6, 2031	47737295
32.	AUX	Ningbo AUX Electric	11	South Africa	January 19, 2035	2015/01038
33.	AUX	Ningbo AUX Electric	11	Mexico	July 1, 2028	1101019
34.	AUX	Ningbo AUX Electric	11	Greece	January 8, 2027	152143
35.	AUX	Ningbo AUX Electric	11	Saudi Arabia	July 2, 2032	143403928
36.	AUX	Ningbo AUX Electric	11	Kuwait	November 1, 2035	151473

No.	Trademark	Owner	Class	Place of Registration	Expiry Date	Registration Number
37.	AUX	Ningbo AUX Electric	11	Jordan	January 21, 2035	139509
38.	AUX	Ningbo AUX Electric	11	United Arab Emirates	November 26, 2032	182578
39.	AUX	Ningbo AUX Electric	11	Dominican Republic	August 3, 2035	223045
40.	AUX	Ningbo AUX Electric	11	Azerbaijan	December 30, 2031	N20221102
41.	AUX	Ningbo AUX Electric	11	Spain	March 20, 2033	1157383
42.	AUX	Ningbo AUX Electric	11	Cyprus	December 30, 2028	92323
43.	AUXSONIC	AUX Air Conditioner	7	PRC	June 20, 2034	75872084
44.	奥松	AUX Air Conditioner	7	PRC	June 20, 2034	75596863
45.	AUFIT	Ningbo AUX Electric	11	the United States	September 25, 2030	6557467
46.	AUFIT	Ningbo AUX Electric	11	Malaysia	September 25, 2030	TM2020029599
47.	AUFIT	Ningbo AUX Electric	11	Saudi Arabia	February 11, 2030	1441026261
48.	AUFIT	Ningbo AUX Electric	11	United Arab Emirates	May 23, 2030	330020
49.	AUX	Ningbo AUX Electric	7, 9, 11, 12	Hong Kong	December 28, 2034	300345771
50.	奥克斯	Ningbo AUX Electric	9, 11	Hong Kong	December 13, 2026	300779770
51.	ShinFlow	AUX Japan Co., Ltd.	11	Malaysia	April 17, 2034	TM2024010855
52.	ShinFlow	AUX Japan Co., Ltd.	11	Indonesia	April 19, 2034	IDM001268879
53.	ShinFlow	AUX Japan Co., Ltd.	11	Japan	August 15, 2034	6834478

(b) Patents

Registered Patents

As of the Latest Practicable Date, we owned the following registered patents which we consider to be or may be material to our business:

No.	Patent	Type of patent	Place of Registration	Patent number	Owner	Expiry Date
1.	A permanent magnet synchronous compressor speed pulsation suppression method and device (一種永磁同步壓縮機轉速脈動抑制方法及裝置)	Invention	PRC	ZL202010438467.X	Ningbo AUX Electric; Zhejiang University; AUX Air Conditioner	May 22, 2040
2.	An evaporator component and air conditioner (一種蒸發器組件及空調器)	Utility model	PRC	ZL202020963642.2	Ningbo AUX Electric; AUX Air Conditioner	May 29, 2030
3.	Control method, device, air conditioner and storage medium of electronic expansion valve (一種電子膨脹閥的控制方法、裝置、空調器及存儲介質)	Invention	PRC	ZL202010730725.1	Ningbo AUX Electric; AUX Air Conditioner	July 27, 2040
4.	Smart home system networking method and smart home system (智能家居系統的組網方法和智能家居系統)	Invention	PRC	ZL202010751952.2	Ningbo AUX Electric; AUX Air Conditioner	July 30, 2040
5.	Temperature sensor correspondence determination method, device and air conditioner (溫度感測器對應關係確定方法、裝置及空調)	Invention	PRC	ZL202010833456.1	Ningbo AUX Electric; AUX Air Conditioner	August 18, 2040
6.	A control method and system for an electronic expansion valve of a multi-connected internal machine and a multi-connected internal machine (一種多聯內機電子膨脹閥控制方法、系統及多聯內機)	Invention	PRC	ZL202010958110.4	Ningbo AUX Electric; AUX Air Conditioner	September 14, 2040

No.	Patent	Type of patent	Place of Registration	Patent number	Owner	Expiry Date
7.	A volute element and air conditioner (一種蝸殼組件以及空調器)	Utility model	PRC	ZL202023344532.7	Ningbo AUX Electric; AUX Air Conditioner	December 30, 2030
8.	Frequency control method and device of air conditioner compressor and air conditioner (空調器壓縮機的頻率控制方法、裝置及空調器)	Invention	PRC	ZL202110291974.X	Ningbo AUX Electric; AUX Air Conditioner	March 18, 2041
9.	Compressor frequency control method, device and inverter air conditioner (壓縮機頻率控制方法、裝置及變頻空調)	Invention	PRC	ZL202110451885.7	Ningbo AUX Electric; AUX Air Conditioner	April 26, 2041
10.	Air conditioning frequency control method, device and air conditioner (空調頻率控制方法、裝置和空調器)	Invention	PRC	ZL202110462327.0	Ningbo AUX Electric; AUX Air Conditioner	April 27, 2041
11.	Frequency control method and device of air conditioner and air conditioner (空調器的頻率控制方法、裝置和空調器)	Invention	PRC	ZL202110502078.3	Ningbo AUX Electric; AUX Air Conditioner	May 8, 2041
12.	A control method for the minimum operating frequency of a variable frequency air conditioner and an air conditioner (一種變頻空調最小運行頻率的控制方法和空調器)	Invention	PRC	ZL202110568486.9	Ningbo AUX Electric; AUX Air Conditioner	May 25, 2041
13.	Compressor frequency control method, air conditioner, and computer-readable storage medium (一種壓縮機頻率控制方法、空調、計算機可讀存儲介質)	Invention	PRC	ZL202110677827.6	Ningbo AUX Electric; AUX Air Conditioner	June 18, 2041
14.	Compressor frequency control method, device and air conditioner (一種壓縮機頻率控制方法、裝置及空調器)	Invention	PRC	ZL202110705731.6	Ningbo AUX Electric; AUX Air Conditioner	June 24, 2041

No.	Patent	Type of patent	Place of Registration	Patent number	Owner	Expiry Date
15.	A compressor exhaust temperature control method, device and air conditioner (一種壓縮機排氣溫度控制方法、裝置及空調器)	Invention	PRC	ZL202110720605.8	Ningbo AUX Electric; AUX Air Conditioner	June 28, 2041
16.	An air conditioning refrigeration frequency control method, device, air conditioner and storage medium (一種空調製冷頻率控制方法、裝置、空調及存儲介質)	Invention	PRC	ZL202110755335.4	Ningbo AUX Electric; AUX Air Conditioner	July 5, 2041
17.	A frequency control method and device for a compressor and a multi-line air conditioner (一種壓縮機的頻率控制方法、裝置及多聯機空調器)	Invention	PRC	ZL202110853007.8	Ningbo AUX Electric; AUX Air Conditioner	July 27, 2041
18.	Frequency control method and device of compressor and inverter air conditioner (壓縮機的頻率控制方法、裝置及變頻空調器)	Invention	PRC	ZL202110940844.4	Ningbo AUX Electric; AUX Air Conditioner	August 16, 2041
19.	A power conversion control method and device (一種功率變換控制方法及裝置)	Invention	PRC	ZL201711003261.9	AUX Air Conditioner	October 24, 2037
20.	Power conversion control method and device (功率變換控制方法及裝置)	Invention	PRC	ZL201711003468.6	AUX Air Conditioner	October 24, 2037
21.	A multi-connection self-adjusting control method and device (一種多聯機自適應調節控制方法及裝置)	Invention	PRC	ZL201711051062.5	Ningbo AUX Electric	October 31, 2037
22.	Field weakening control method and device (弱磁控制方法及裝置)	Invention	PRC	ZL201711208016.1	AUX Air Conditioner	November 27, 2037
23.	Field weakening control method and device (一種弱磁控制方法及裝置)	Invention	PRC	ZL201711206262.3	AUX Air Conditioner	November 27, 2037

No.	Patent	Type of patent	Place of Registration	Patent number	Owner	Expiry Date
24.	Current adjustment method and device, motor drive control method and device (電流調節方法及裝置、電機驅動控制方法及裝置)	Invention	PRC	ZL201711209070.8	AUX Air Conditioner	November 27, 2037
25.	A motor speed adjustment method and device (一種電機速度調節方法及裝置)	Invention	PRC	ZL201711209067.6	AUX Air Conditioner	November 27, 2037
26.	A low-frequency vibration suppression method and device (一種低頻振動抑制方法及裝置)	Invention	PRC	ZL201711206198.9	AUX Air Conditioner	November 27, 2037
27.	A DC bus voltage protection method and device (一種直流母線電壓保護方法及裝置)	Invention	PRC	ZL201711208010.4	AUX Air Conditioner	November 27, 2037
28.	A current control method and device for a permanent magnet synchronous motor (一種永磁同步電機的電流控制方法及裝置)	Invention	PRC	ZL201711436054.2	AUX Air Conditioner	December 26, 2037
29.	Compressor frequency control method, device and air conditioner (一種壓縮機頻率控制方法、裝置及空調器)	Invention	PRC	ZL201810241124.7	AUX Air Conditioner	March 22, 2038
30.	An energy-saving comfort control method for variable frequency air conditioning system (一種變頻空調系統節能舒適性控制方法)	Invention	PRC	ZL201810397049.3	Ningbo AUX Electric	April 28, 2038
31.	An energy-saving control method for variable frequency air conditioning system (一種變頻空調系統節能控制方法)	Invention	PRC	ZL201810546922.0	Ningbo AUX Electric	May 31, 2038
32.	Air conditioning control method, device and air conditioner (一種空調控制方法、裝置及空調器)	Invention	PRC	ZL201810969222.2	AUX Air Conditioner	August 23, 2038
33.	An overcurrent protection self-locking circuit and air conditioner (一種過流保護自鎖電路及空調器)	Invention	PRC	ZL201810975953.8	Zhuhai Tuoxin	August 24, 2038

No.	Patent	Type of patent	Place of Registration	Patent number	Owner	Expiry Date
34.	Centralized control method, device and user terminal for air conditioner (一種空調器集中控制方法、裝置及客戶端)	Invention	PRC	ZL201910100793.7	AUX Air Conditioner	January 31, 2039
35.	A power-off control method and device for disassembling and washing air conditioners (一種拆洗空調的斷電控制方法及裝置)	Invention	PRC	ZL201910321937.1	Ningbo AUX Electric; AUX Air Conditioner	April 22, 2039
36.	An air conditioner and its anti-accidental touch control method (一種空調器及其防誤觸控制方法)	Invention	PRC	ZL201910322118.9	Ningbo AUX Electric; AUX Air Conditioner	April 22, 2039
37.	A PFC control method, control device and frequency conversion equipment for frequency conversion equipment (一種變頻設備PFC控制方法、控制裝置及變頻設備)	Invention	PRC	ZL201910409656.1	Ningbo AUX Electric; AUX Air Conditioner	May 16, 2039
38.	Method for controlling air conditioner and air conditioner (一種控制空調器的方法及空調器)	Invention	PRC	ZL201910901418.2	Ningbo AUX Electric	September 23, 2039
39.	Frequency control method, device and air conditioner of variable frequency air conditioner (一種變頻空調頻率控制方法、裝置及空調器)	Invention	PRC	ZL201910938108.8	Ningbo AUX Electric; AUX Air Conditioner	September 30, 2039
40.	Air conditioner with removable base (底座可拆卸的空調器)	Invention	PRC	ZL201710265285.5	AUX Air Conditioner	April 21, 2037
41.	Anti-falling wall-mounted air conditioner (防脱落的壁掛空調器)	Invention	PRC	ZL201710263252.7	AUX Air Conditioner	April 21, 2037
42.	Wall-mounted air conditioner with detachable base (底座可拆分的壁掛式空調)	Invention	PRC	ZL201710265251.6	AUX Air Conditioner	April 21, 2037
43.	A wall-mounted air conditioner with a detachable base (底座可拆卸的壁掛式空調)	Invention	PRC	ZL201710273781.5	AUX Air Conditioner	April 21, 2037
44.	Air conditioner with detachable base (底座可拆卸的空調)	Invention	PRC	ZL201710265565.6	AUX Air Conditioner	April 21, 2037

No.	Patent	Type of patent	Place of Registration	Patent number	Owner	Expiry Date
45.	A wall-mounted air conditioner with a detachable base (一種底座可拆式壁掛空調器)	Invention	PRC	ZL201710263202.9	AUX Air Conditioner	April 21, 2037
46.	A wall-mounted air conditioner with a detachable base (底座可拆卸的壁掛式空調器)	Invention	PRC	ZL201710265567.5	AUX Air Conditioner	April 21, 2037
47.	Air conditioner with detachable base (底座可拆式空調)	Invention	PRC	ZL201710263225.X	AUX Air Conditioner	April 21, 2037
48.	Installation structure of base for wall-mounted air conditioner (壁掛式空調用底座的安裝結構)	Invention	PRC	ZL201710413395.1	AUX Air Conditioner	June 5, 2037
49.	Installation structure of air duct and volute tongue of air conditioner (一種空調器風道與蝸舌的安裝結構)	Invention	PRC	ZL201710581691.2	AUX Air Conditioner	July 17, 2037
50.	Power conversion control device (功率變換控制裝置)	Invention	PRC	ZL201710597303.X	AUX Air Conditioner	July 20, 2037
51.	Power conversion control method and device (功率變換控制方法及裝置)	Invention	PRC	ZL201710596765.X	AUX Air Conditioner	July 20, 2037
52.	Power conversion control system (功率變換控制系統)	Invention	PRC	ZL201710597270.9	AUX Air Conditioner	July 20, 2037
53.	Variable frequency drive system (變頻驅動系統)	Invention	PRC	ZL201710602007.4	AUX Air Conditioner	July 21, 2037
54.	Variable frequency drive method and device (變頻驅動方法及裝置)	Invention	PRC	ZL201710602008.9	AUX Air Conditioner	July 21, 2037
55.	Variable frequency drive control device (變頻驅動控制裝置)	Invention	PRC	ZL201710602005.5	AUX Air Conditioner	July 21, 2037
56.	A power conversion control method and device (一種功率變換控制方法及裝置)	Invention	PRC	ZL201711003419.2	AUX Air Conditioner	October 24, 2037
57.	A compressor permanent magnet synchronous motor control method, device and air conditioner (一種壓縮機永磁同步電機控制方法、裝置及空調器)	Invention	PRC	ZL201911006816.4	Ningbo AUX Electric; AUX Air Conditioner	October 22, 2039

No.	Patent	Type of patent	Place of Registration	Patent number	Owner	Expiry Date
58.	Fins of a heat exchanger, heat exchanger and air conditioner (一種換熱器的翅片、換熱器及空調)	Utility model	PRC	ZL201921879738.4	Ningbo AUX Electric; AUX Air Conditioner	November 4, 2029
59.	Speech recognition methods, devices, home appliances and computer-readable storage media (語音辨識方法、裝置、家電設備及計算機可讀存儲介質)	Invention	PRC	ZL201911094968.4	Ningbo AUX Electric; AUX Air Conditioner	November 11, 2039
60.	A driving wheel, driving element and air conditioner (一種驅動輪、驅動組件及空調器)	Utility model	PRC	ZL202122088989.4	Ningbo AUX Electric; AUX Air Conditioner	August 31, 2031
61.	Air guide door component and air conditioner (一種導風門組件及空調器)	Utility model	PRC	ZL202122112088.4	Ningbo AUX Electric; AUX Air Conditioner	August 31, 2031
62.	An indoor unit and air conditioner (一種室內機和空調器)	Utility model	PRC	ZL202122240827.8	Ningbo AUX Electric; AUX Air Conditioner	September 15, 2031
63.	A wire controller, home appliance system, control method, monitoring system and storage medium (一種線控器、家電系統、控制方法、監測系統和存儲介質)	Invention	PRC	ZL202111142089.1	Ningbo AUX Electric; AUX Air Conditioner	September 28, 2041
64.	A grid-side harmonic current suppression method for electrolytic capacitor-free compressor controller (一種無電解電容壓縮機控制器電網側諧波電流抑制方法)	Invention	PRC	ZL202111171351.5	Zhejiang University; Ningbo AUX Electric	October 8, 2041
65.	Energy-saving control method, device and computer-readable storage medium for maintaining air-conditioning comfort (維持空調舒適性的節能控制方法、裝置和計算機可讀存儲介質)	Invention	PRC	ZL202111232629.5	Ningbo AUX Electric; AUX Air Conditioner	October 22, 2041

No.	Patent	Type of patent	Place of Registration	Patent number	Owner	Expiry Date
66.	Air conditioner, bus voltage compensation method and device, storage medium (空調器、母線電壓補償方法及裝置、存儲介質)	Invention	PRC	ZL202111292893.8	Ningbo AUX Electric; Zhejiang University; AUX Air Conditioner; Zhuhai Tuoxin	November 3, 2041
67.	Air conditioning compressor control method, device, air conditioner and readable storage medium (空調壓縮機控制方法、裝置、空調器及可讀存儲介質)	Invention	PRC	ZL202111429735.2	Ningbo AUX Electric; AUX Air Conditioner	November 29, 2041
68.	Pipe protecting support and air conditioner	Invention	EPO	EP18897880.3	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
69.	The supporting structure that protects the piping and air conditioner uses this structure	Invention	Vietnam	1-2020-03162	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
70.	Pipe protecting support and air conditioner	Invention	Malaysia	PI2020003315	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
71.	A pipe protection bracket and air conditioner (一種護管支架以及空調器)	Invention	India	202017028051	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
72.	Pipe protecting support and air conditioner	Invention	New Zealand	765686	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
73.	Electric control unit and air conditioner	Invention	Japan	7045452	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
74.	Electronic control and air conditioning unit	Invention	Vietnam	1-2020-03154	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038

No.	Patent	Type of patent	Place of Registration	Patent number	Owner	Expiry Date
75.	Mounting structure and air conditioner	Invention	EPO	EP18903481.2	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
76.	Mounting structure and air conditioner	Invention	Japan	6952193	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
77.	Mounting structure and air conditioner	Invention	Malaysia	PI2020003313	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
78.	Mounting structure and air conditioner	Invention	India	202017028052	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
79.	Mounting structure and air conditioner	Invention	New Zealand	765679	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
80.	Wiring device and air conditioner	Invention	EPO	EP18904337.5	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
81.	Connectors and air conditioners	Invention	Japan	6952194	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
82.	Wiring device and air conditioner	Invention	India	202017028046	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
83.	Wiring device and air conditioner	Invention	New Zealand	765681	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
84.	Air conditioner base and air conditioner	Invention	EPO	EP18908223.3	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038

No.	Patent	Type of patent	Place of Registration	Patent number	Owner	Expiry Date
85.	Air conditioner stand and air conditioner	Invention	Japan	6944596	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
86.	Air conditioner fixing base and air conditioners using this base	Invention	Vietnam	1-2020-03158	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
87.	Air conditioner base and air conditioner	Invention	India	202017028050	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
88.	Air conditioner base and air conditioner	Invention	New Zealand	765683	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
89.	Buckle assembly and air conditioner	Invention	EPO	EP18910529.9	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
90.	Snap fit unit and air conditioner	Invention	Japan	6931128	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
91.	Locking mechanism and air conditioners using this locking mechanism	Invention	Vietnam	1-2020-03159	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
92.	Buckle assembly and air conditioner	Invention	India	202017028048	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
93.	Buckle assembly and air conditioner	Invention	New Zealand	765684	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
94.	Electronic control box structure and wall-mounted air conditioner	Invention	EPO	EP18910367.4	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038

No.	Patent	Type of patent	Place of Registration	Patent number	Owner	Expiry Date
95.	Electric control box structure and wall-mounted air conditioner	Invention	Japan	6944597	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
96.	Damper device and air conditioner	Invention	Russia	2020117784	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
97.	Sliding door device and air conditioner	Invention	India	202017028045	Ningbo AUX Electric; AUX Air Conditioner	December 29, 2038
98.	Evaporator support structure and air conditioner having evaporator support structure	Invention	India	202147019269	Ningbo AUX Electric	December 13, 2039
99.	Evaporator support structure and air conditioner having evaporator support structure	Invention	EPO	EP19898206.8	Ningbo AUX Electric	December 13, 2039

(c) Software Copyrights

As of the Latest Practicable Date, we were the registered proprietor of the following software copyrights which we consider to be or may be material to our business:

No.	Subject	Owner	Certification Number	First Published Date	Certification Date
1.	AUX Manager APP V1.0.0	AUX Air Conditioner	2024SR0492457	Unpublished	April 11, 2024
2.	AUX Service APP V2.3.47	AUX Air Conditioner	2024SR0492445	Unpublished	April 11, 2024
3.	Hello AUX APP V1.0.0	AUX Air Conditioner	2024SR0493349	Unpublished	April 11, 2024
4.	AUX Manager APP V4.28.0 (小奧管家APP V4.28.0)	AUX Air Conditioner	2024SR0492681	Unpublished	April 11, 2024
5.	AUX A APP V1.0.0 (奧克斯A APP V1.0.0)	AUX Air Conditioner	2024SR1569431	Unpublished	October 21, 2024
6.	Electrolytic capacitor-free variable frequency air conditioning system control software V1.0 (無電解電容變頻空調系統控制軟件V1.0)	Ningbo AUX Electric; AUX Air Conditioner	2022SR1442260	Unpublished	November 1, 2022

No.	Subject	Owner	Certification Number	First Published Date	Certification Date
7.	Household inverter air conditioner outdoor unit software control platform V1.0 (家用變頻空調外機軟件控制平台V1.0)	Ningbo AUX Electric	2021SR1674309	Unpublished	November 9, 2021
8.	AUX A+ iOS software V5.0.0 (奧克斯A+ iOS端軟件V5.0.0)	Ningbo AUX Electric	2019SR0940398	July 29, 2019	September 10, 2019
9.	AUX A+ Android software V5.0.0 (奧克斯A+ Android端軟件V5.0.0)	Ningbo AUX Electric	2019SR0940107	July 29, 2019	September 10, 2019
10.	AUX IoT Intelligent Cloud Management Platform V1.0 (奧克斯物聯網智能雲端管理平台V1.0)	Ningbo AUX Electric	2019SR0853659	Unpublished	August 16, 2019
11.	Aoyun Service Software V1.0 (奧雲服務軟件V1.0)	AUX Air Conditioner	2019SR0082178	June 29, 2018	January 23, 2019
12.	AUX A+ software Android version V3.0.2 (奧克斯A+軟件Android版V3.0.2)	AUX Air Conditioner	2018SR681448	February 28, 2018	August 24, 2018
13.	Modular machine unit main controller software V1.0 (模塊機機組主控制器軟件V1.0)	Ningbo AUX Electric	2023SR0910834	Unpublished	August 9, 2023
14.	Multi-link unit internal unit main controller software V1.0 (多聯機組內機主控制器軟件V1.0)	Ningbo AUX Electric	2023SR0910221	Unpublished	August 9, 2023
15.	Unit fixed frequency unit main controller software V1.0 (單元定頻機組主控制器軟件V1.0)	Ningbo AUX Electric	2023SR0910806	Unpublished	August 9, 2023

(d) Domain Name

As of the Latest Practicable Date, we had registered the following internet domain name which we consider to be or may be material to our business:

No.	Domain Name	Owner	Expiry date
1.	aux-home.com	AUX Air Conditioner	July 9, 2030

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

D. SHAREHOLDING PLATFORMS

For the purpose of awarding share-based compensation to employees, directors, and other stakeholders of our Group ("**Eligible Partners**") to secure their services and incentivize their maximum effort towards our success, four limited partnerships were set up in the PRC as Pre-reorganization Shareholding Platforms. Certain employees of other companies controlled by our Controlling Shareholders were granted awards in the form of partnership interests in the Pre-reorganization Shareholding Platforms, taking into account factors such as the significance of the relationship between the related entity with which they are associated and the Group, as well as their contributions within such related entity. During the Pre-IPO Reorganization, for the purpose of better administration and to complete the relevant ODI procedure, Offshore Shareholding Platforms were established and each Eligible Partner's interests in the Pre-reorganization Shareholding Platforms were reflected in such Offshore Shareholding Platforms.

For further details, see "History, Reorganization and Corporate Structure — Major Corporate Developments and Pre-IPO Reorganization of Our Group — Establishment of Pre-reorganization Shareholding Platforms" and "History, Reorganization and Corporate Structure — Our Shareholding Platforms" in the Prospectus.

E. FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interest

(a) Interests and Short Positions of the Directors and Chief Executive of our Company in the Shares, Underlying Shares and Debentures of Our Company and Our Associated Corporation

The following table sets out the interests and short positions of our Directors and chief executive of our Company as of the date of this prospectus and immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules:

(i) Interest in our Company

		As of the date of this prospectus		Immediately after the Global Offering	
Name	**Nature of interest**	**Number of Shares(1)**	**Approximate percentage of interest in our Company**	**Number of Shares(1)**	**Approximate percentage of interest in our Company**
Mr. ZHENG Jianjiang	Interests in controlled corporation (2)	1,300,921,250	96.36%	1,300,921,250	83.54%

Notes:

(1) All interests stated are long positions.

(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. For details, see the section headed "Substantial Shareholders" in this prospectus.

(ii) Interest in associated corporations of our Company

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

Notes:

(1) As of the Latest Practicable Date, 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) As of the Latest Practicable Date, AUX Holdings was wholly owned by China Prosper.

(b) Interests of the Substantial Shareholders in the Shares and Underlying Shares of Our Company

Save as disclosed in the section headed "Substantial Shareholders," immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the voting power at any general meeting of any member of our Group.

2. Directors' Service Contracts and Letters of Appointment

(a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as an executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

(b) Non-executive Directors and Independent non-executive Directors

Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from the Listing Date.

Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive Director is not entitled to any remuneration.

The appointments of the non-executive Directors and independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

3. Director's Remuneration

Save as disclosed in "Directors and Senior Management" of this prospectus and the Accountants' Report as set out in Appendix I to this prospectus, for the three financial years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2025, none of our Directors received other remunerations of benefits in kind from us.

4. Disclaimers

(i) there is no existing or proposed service contract (excluding any contract expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(ii) save as disclosed in this section, none of our Directors or the experts named in the paragraph headed "— F. Other Information — 6. Qualifications and Consents of Experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iii) none of our Directors nor any of the experts named in the paragraph headed "— F. Other Information — 6. Qualifications and Consents of Experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group as a whole;

(iv) save as disclosed in this section and in "Substantial Shareholders" section to this prospectus, none of our Directors and the chief executive of our Company has any interests or short positions in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange; and

(v) none of our Directors or their respective close associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of the number of our issued shares) has any interest in our five largest suppliers or our five largest customers in each year/period during the Track Record Period.

F. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of the subsidiaries of our Company.

2. Litigation

As of the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that would have a material adverse effect on our financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The total amount of sponsor's fee is US$1,000,000 and payable by us. The Sole Sponsor has made an application on our Company's behalf to the Listing Committee for the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made for the Shares to be admitted into CCASS.

4. Preliminary Expenses

Our Company did not incur any material preliminary expenses.

5. No Material Adverse Change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since March 31, 2025 (being the date to which the latest combined financial statements of our Group were prepared).

6. Qualifications and Consents of Experts

Each of the experts named below has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report, letter, summary of valuations, valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Ernst & Young (China) Advisory Limited	Transfer pricing advisor to our Company

Name	Qualification
Jingtian & Gongcheng	Legal advisors to our Company as to PRC law
Maples and Calder (Hong Kong) LLP	Legal advisors to our Company as to Cayman Islands law
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Save as disclosed in this prospectus and in connection with the Underwriting Agreements, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. Binding Effect

This prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

9. Miscellaneous

(i) Save as disclosed in "History, Reorganization and Corporate Structure" and in connection with the Underwriting Agreements, within the two years immediately preceding the date of this prospectus:

(a) no share or loan capital of our Company or any of our subsidiaries has been issued nor agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(c) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(d) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions of any share in our Company or any of our subsidiaries.

(ii) There are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries.

(iii) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related party transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

(iv) There are no arrangements under which future dividends are waived or agreed to be waived.

(v) There have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months immediately preceding the date this prospectus.

(vi) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

(vii) No equity or debt securities of our Group is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought.

(viii) Our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of the material contracts referred to in "Appendix V — Statutory and General Information — C. Further Information about Our Business — 1. Summary of Material Contracts" in this prospectus; and

(b) the written consents referred to in "Appendix V — Statutory and General Information — F. Other Information — 6. Qualifications and Consents of Experts" in this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.aux-home.com** during a period of 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the audited combined financial statements of our Company for the years ended December 31, 2022, 2023 and 2024 and the three months ended March 31, 2025;

(d) the report on unaudited pro forma financial information of our Company from Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(e) the letter and valuation certificate relating to the selected property interest of our Group prepared by JLL, the text of which is set out in Appendix III to this prospectus;

(f) the PRC legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisors in respect of certain general corporate matters of our Group in the PRC;

(g) the PRC legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisors in respect of data compliance in the PRC;

(h) the industry report prepared by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" of this prospectus;

(i) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor as to Cayman Islands law, summarizing certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;

(j) the report issued by Ernst & Young (China) Advisory Limited in respect of the transfer pricing assessment;

(k) the material contracts referred to in "Appendix V — Statutory and General Information — C. Further Information about Our Business — 1. Summary of Material Contracts" in this prospectus;

(l) the written consents referred to in "Appendix V — Statutory and General Information — F. Other Information — 6. Qualifications and Consents of Experts" in this prospectus;

(m) the service contracts and letters of appointment referred to in "Appendix V — Statutory and General Information — E. Further Information about Our Directors, Chief Executive and Substantial Shareholders — 2. Directors' Service Contracts and Letters of Appointment" in this prospectus; and

(n) the Cayman Companies Act.

AUX 奥克斯