
FUTURE PLANS AND USE OF PROCEEDS

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.

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- 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.

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- 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

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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 intend to apply the additional net proceeds to the above purposes in the proportions stated above.

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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.