

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.



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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

	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
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		<u>1,441,738</u>	<u>2,486,794</u>	<u>2,910,171</u>	<u>751,595</u>	<u>924,548</u>
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)
		<u>1,032</u>	<u>(827)</u>	<u>464</u>	<u>(836)</u>	<u>4,765</u>
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)
		<u>—</u>	<u>—</u>	<u>62,389</u>	<u>6,955</u>	<u>48,376</u>

APPENDIX I
ACCOUNTANTS' REPORT

	<i>Notes</i>	Year ended December 31,			Three months ended March 31,	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Exchange differences on translation of foreign operations		<u>1,998</u>	<u>4,312</u>	<u>9,083</u>	<u>7,553</u>	<u>1,539</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>3,030</u>	<u>3,485</u>	<u>71,936</u>	<u>13,672</u>	<u>54,680</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		<u>3,030</u>	<u>3,485</u>	<u>71,936</u>	<u>13,672</u>	<u>54,680</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>1,444,768</u>	<u>2,490,279</u>	<u>2,982,107</u>	<u>765,267</u>	<u>979,228</u>
Profit attributable to:						
Owners of the parent		<u>1,441,738</u>	<u>2,486,794</u>	<u>2,910,171</u>	<u>751,595</u>	<u>924,548</u>
Total comprehensive income attributable to:						
Owners of the parent		<u>1,444,768</u>	<u>2,490,279</u>	<u>2,982,107</u>	<u>765,267</u>	<u>979,228</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted.	13	<u>RMB1.11</u>	<u>RMB1.91</u>	<u>RMB2.23</u>	<u>RMB0.58</u>	<u>RMB0.68</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at March 31,
	Notes	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

	<i>Notes</i>	As at December 31,			As at March 31,
		2022	2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET CURRENT LIABILITIES .		(3,189,980)	(2,029,444)	(2,469,561)	(831,183)
TOTAL ASSETS LESS					
CURRENT LIABILITIES . . .		<u>3,200,913</u>	<u>5,119,692</u>	<u>5,918,150</u>	<u>6,801,493</u>
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	<u>321,189</u>	<u>324,883</u>	<u>362,229</u>	<u>372,844</u>
Total non-current liabilities		<u>1,473,211</u>	<u>877,413</u>	<u>2,082,444</u>	<u>1,977,283</u>
Net assets		<u><u>1,727,702</u></u>	<u><u>4,242,279</u></u>	<u><u>3,835,706</u></u>	<u><u>4,824,210</u></u>
EQUITY					
Share capital	33	—	—	48	48
Reserves	34	<u>1,727,702</u>	<u>4,242,279</u>	<u>3,835,658</u>	<u>4,824,162</u>
Total equity		<u><u>1,727,702</u></u>	<u><u>4,242,279</u></u>	<u><u>3,835,706</u></u>	<u><u>4,824,210</u></u>

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
	<i>RMB'000</i> <i>(note 34)</i>	<i>RMB'000</i> <i>(note 34)</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 . . .	<u>508,442</u>	<u>53,557</u>	<u>65,501</u>	<u>(12,265)</u>	<u>4,520</u>	<u>1,107,947</u>	<u>1,727,702</u>

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	<u>508,442</u>	<u>129,724</u>	<u>89,799</u>	<u>(7,953)</u>	<u>3,693</u>	<u>3,518,574</u>	<u>4,242,279</u>

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 (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 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	<u>48</u>	<u>177,809</u>	<u>815,144</u>	<u>547,763</u>	<u>94,044</u>	<u>1,130</u>	<u>4,157</u>	<u>(21,595)</u>	<u>2,217,206</u>	<u>3,835,706</u>

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	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 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	<u>48</u>	<u>177,809</u>	<u>815,144</u>	<u>547,763</u>	<u>99,134</u>	<u>2,669</u>	<u>8,922</u>	<u>30,967</u>	<u>3,141,754</u>	<u>4,824,210</u>

Three months ended March 31, 2024 (unaudited)

	Attributable to owners of the parent							
	Merger reserve	Reserve funds	Share award reserve	Exchange fluctuation reserve	Financial	Cash flow hedge reserve	Retained profits	Total equity
					assets revaluation reserve			
	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) . .	<u>508,442</u>	<u>129,724</u>	<u>94,569</u>	<u>(400)</u>	<u>2,857</u>	<u>4,820</u>	<u>4,270,169</u>	<u>5,010,181</u>

* 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

		Year ended December 31,			Three months ended March 31,	
	Notes	2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
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

APPENDIX I
ACCOUNTANTS' REPORT

<i>Notes</i>	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
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

<i>Notes</i>	Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
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	<u>(138,462)</u>	<u>(1,388,776)</u>	<u>(208,316)</u>	<u>(1,185,658)</u>	<u>(1,112,623)</u>

		Year ended December 31,			Three months ended March 31,	
	Notes	2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(unaudited)						
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	RMB'000
					(unaudited)	
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

		As at December 31,	As at March 31,
	Notes	2024	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.* (寧波驊頤貿易有限公司)	(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 . . .	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 9 and HKFRS 7 . . .	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to HKFRS 9 and HKFRS 7 . . .	<i>Contracts Referencing Nature-dependent Electricity</i> ²
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7</i> ²
HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosure</i> 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	<u>19,527,585</u>	<u>24,831,833</u>	<u>29,759,319</u>	<u>7,362,572</u>	<u>9,352,397</u>

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.	<u>258,581</u>	<u>265,149</u>	<u>288,032</u>	<u>302,484</u>
Total non-current assets	<u>5,814,242</u>	<u>5,852,397</u>	<u>7,049,559</u>	<u>7,097,598</u>

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	<u>19,527,585</u>	<u>24,831,833</u>	<u>29,759,319</u>	<u>7,362,572</u>	<u>9,352,397</u>

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	<u>19,496,413</u>	<u>24,782,526</u>	<u>29,707,212</u>	<u>7,348,075</u>	<u>9,341,420</u>
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	<u>19,496,413</u>	<u>24,782,526</u>	<u>29,707,212</u>	<u>7,348,075</u>	<u>9,341,420</u>

* 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	<u>1,022,018</u>	<u>1,327,423</u>	<u>2,189,186</u>	<u>1,615,340</u>	<u>2,163,161</u>

(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: <i>(Note)</i>					
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
	<u>129,681</u>	<u>323,316</u>	<u>453,557</u>	<u>92,381</u>	<u>81,904</u>
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
	<u>191,976</u>	<u>142,256</u>	<u>162,706</u>	<u>9,242</u>	<u>42,318</u>
Total	<u>321,657</u>	<u>465,572</u>	<u>616,263</u>	<u>101,623</u>	<u>124,222</u>

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,			Three months ended March 31,	
		2022	2023	2024	2024	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		<u>1,327,143</u>	<u>1,840,375</u>	<u>2,354,373</u>	<u>541,976</u>	<u>612,207</u>
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		<u>13,075</u>	<u>(2,965)</u>	<u>43,233</u>	<u>65,920</u>	<u>67,872</u>
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	<u>604,106</u>	<u>151,804</u>	<u>207,074</u>	<u>31,412</u>	<u>44,577</u>

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	<u>96,032</u>	<u>61,483</u>	<u>45,146</u>	<u>12,868</u>	<u>17,458</u>

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	<u>9,102</u>	<u>13,900</u>	<u>6,196</u>	<u>2,292</u>	<u>2,249</u>
Total	<u>9,302</u>	<u>14,108</u>	<u>6,496</u>	<u>2,367</u>	<u>2,324</u>

* 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	<u>200</u>	<u>208</u>	<u>300</u>	<u>75</u>	<u>75</u>

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**	<u>1,262</u>	<u>6,472</u>	<u>1,355</u>	<u>13</u>	<u>9,102</u>
Non-executive directors:					
Mr. ZHENG Jiang	—	—	—	—	—
Mr. HE Xiwan	—	—	—	—	—
Ms. LI Jian	—	—	—	—	—
	<u>1,262</u>	<u>6,472</u>	<u>1,355</u>	<u>13</u>	<u>9,102</u>

APPENDIX I

ACCOUNTANTS' REPORT

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	—	—	—	—	—
	<u>755</u>	<u>824</u>	<u>666</u>	<u>4</u>	<u>2,249</u>

* 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
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	<u>15,816</u>	<u>37,933</u>	<u>11,556</u>	<u>6,829</u>	<u>7,231</u>

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
	<i>(unaudited)</i>				
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	<u>392,569</u>	<u>655,606</u>	<u>638,876</u>	<u>208,061</u>	<u>284,184</u>

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	<u>392,569</u>	<u>655,606</u>	<u>638,876</u>	<u>208,061</u>	<u>284,184</u>

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
<u>Earnings</u>					
Profit attributable to ordinary equity holders of the parent:	<u>1,441,738</u>	<u>2,486,794</u>	<u>2,910,171</u>	<u>751,595</u>	<u>924,548</u>

	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	<u>1,300,921,250</u>	<u>1,300,921,250</u>	<u>1,302,530,389</u>	<u>1,300,921,250</u>	<u>1,350,000,000</u>

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	<u>3,103,284</u>	<u>23,553</u>	<u>1,307,708</u>	<u>78,852</u>	<u>131,142</u>	<u>46,879</u>	<u>4,691,418</u>
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	<u>2,921,411</u>	<u>17,253</u>	<u>1,149,701</u>	<u>65,520</u>	<u>203,838</u>	<u>49,392</u>	<u>4,407,115</u>
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	<u>2,921,411</u>	<u>17,253</u>	<u>1,149,701</u>	<u>65,520</u>	<u>203,838</u>	<u>49,392</u>	<u>4,407,115</u>

	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	<u>2,921,411</u>	<u>17,253</u>	<u>1,149,701</u>	<u>65,520</u>	<u>203,838</u>	<u>49,392</u>	<u>4,407,115</u>
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	<u>2,831,023</u>	<u>37,853</u>	<u>1,055,526</u>	<u>76,000</u>	<u>265,695</u>	<u>50,848</u>	<u>4,316,945</u>
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	<u>2,831,023</u>	<u>37,853</u>	<u>1,055,526</u>	<u>76,000</u>	<u>265,695</u>	<u>50,848</u>	<u>4,316,945</u>

	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	<u>2,831,023</u>	<u>37,853</u>	<u>1,055,526</u>	<u>76,000</u>	<u>265,695</u>	<u>50,848</u>	<u>4,316,945</u>
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	<u>2,824,001</u>	<u>41,162</u>	<u>1,286,984</u>	<u>100,734</u>	<u>701,168</u>	<u>52,142</u>	<u>5,006,191</u>
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	<u>2,824,001</u>	<u>41,162</u>	<u>1,286,984</u>	<u>100,734</u>	<u>701,168</u>	<u>52,142</u>	<u>5,006,191</u>

	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	<u>2,824,001</u>	<u>41,162</u>	<u>1,286,984</u>	<u>100,734</u>	<u>701,168</u>	<u>52,142</u>	<u>5,006,191</u>
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	<u>3,177,920</u>	<u>39,082</u>	<u>1,506,795</u>	<u>105,206</u>	<u>220,403</u>	<u>52,138</u>	<u>5,101,544</u>
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	<u>3,177,920</u>	<u>39,082</u>	<u>1,506,795</u>	<u>105,206</u>	<u>220,403</u>	<u>52,138</u>	<u>5,101,544</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>242,947</u>	<u>118,507</u>	<u>361,454</u>
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	<u>233,603</u>	<u>115,290</u>	<u>348,893</u>
At December 31, 2022:			
Cost	395,006	160,869	555,875
Accumulated depreciation	(161,403)	(45,579)	(206,982)
Net carrying amount	<u>233,603</u>	<u>115,290</u>	<u>348,893</u>
	Buildings	Land use rights	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>233,603</u>	<u>115,290</u>	<u>348,893</u>
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	<u>241,282</u>	<u>112,073</u>	<u>353,355</u>
At December 31, 2023:			
Cost	423,356	160,869	584,225
Accumulated depreciation	(182,074)	(48,796)	(230,870)
Net carrying amount	<u>241,282</u>	<u>112,073</u>	<u>353,355</u>

APPENDIX I

ACCOUNTANTS' REPORT

	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	<u>241,282</u>	<u>112,073</u>	<u>353,355</u>
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	<u>222,633</u>	<u>108,856</u>	<u>331,489</u>
At December 31, 2024:			
Cost	425,637	160,869	586,506
Accumulated depreciation	(203,004)	(52,013)	(255,017)
Net carrying amount	<u>222,633</u>	<u>108,856</u>	<u>331,489</u>

	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	<u>222,633</u>	<u>108,856</u>	<u>331,489</u>
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	<u>217,054</u>	<u>108,791</u>	<u>325,845</u>
At March 31, 2025:			
Cost	426,053	160,869	586,922
Accumulated depreciation	(208,999)	(52,078)	(261,077)
Net carrying amount	<u>217,054</u>	<u>108,791</u>	<u>325,845</u>

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 . . .	<u>580,640</u>	<u>549,160</u>	<u>515,378</u>	<u>507,340</u>

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	<u>5,058</u>	<u>10,728</u>	<u>117,902</u>	<u>127,041</u>
Analyzed into:				
Current portion	4,625	6,190	29,902	31,979
Non-current portion	<u>433</u>	<u>4,538</u>	<u>88,000</u>	<u>95,062</u>

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	<u>5,058</u>	<u>10,728</u>	<u>117,902</u>	<u>127,041</u>

(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	<u>73,744</u>	<u>66,641</u>	<u>104,066</u>	<u>23,823</u>	<u>46,168</u>

(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	<u>15,972</u>	<u>31,018</u>	<u>38,160</u>	<u>9,705</u>	<u>8,547</u>

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	<u>1,075</u>	<u>16,403</u>	<u>14,312</u>	<u>13,313</u>
Total	<u>52,031</u>	<u>140,951</u>	<u>120,836</u>	<u>119,484</u>

(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
	<i>RMB'000</i>
December 31, 2023	
At January 1, 2023:	
Cost	14,215
Accumulated depreciation	(8,747)
Net carrying amount	<u>5,468</u>
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	<u>10,084</u>
At December 31, 2023:	
Cost	42,104
Accumulated depreciation	(32,020)
Net carrying amount	<u>10,084</u>
December 31, 2024	
At January 1, 2024:	
Cost	42,104
Accumulated depreciation	(32,020)
Net carrying amount	<u>10,084</u>
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	<u>7,964</u>
At December 31, 2024:	
Cost	42,104
Accumulated depreciation	(34,140)
Net carrying amount	<u>7,964</u>
March 31, 2025	
At January 1, 2025:	
Cost	42,104
Accumulated depreciation	(34,140)
Net carrying amount	<u>7,964</u>
At January 1, 2025, net of accumulated depreciation	7,964
Depreciation provided during the period	(78)
At March 31, 2025, net of accumulated depreciation	<u>7,886</u>
At March 31, 2025:	
Cost	42,104
Accumulated depreciation	(34,218)
Net carrying amount	<u>7,886</u>

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	<u>68,208</u>	<u>—</u>	<u>68,208</u>
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	<u>61,606</u>	<u>—</u>	<u>61,606</u>
At December 31, 2022:			
Cost	118,020	—	118,020
Accumulated amortization	(53,606)	—	(53,606)
Accumulated impairment	(2,808)	—	(2,808)
Net carrying amount	<u>61,606</u>	<u>—</u>	<u>61,606</u>
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	<u>61,606</u>	<u>—</u>	<u>61,606</u>
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	<u>68,717</u>	<u>—</u>	<u>68,717</u>
At December 31, 2023:			
Cost	135,484	—	135,484
Accumulated amortization	(63,959)	—	(63,959)
Accumulated impairment	(2,808)	—	(2,808)
Net carrying amount	<u>68,717</u>	<u>—</u>	<u>68,717</u>

The Group

	Software	Patent	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>68,717</u>	<u>—</u>	<u>68,717</u>
At January 1, 2024, net of accumulated amortization and impairment	68,717	—	68,717
Additions	33,474	272,600	306,074
Amortization provided during the year	(13,307)	(38,943)	(52,250)
Disposals	(340)	—	(340)
Exchange realignment	<u>2</u>	<u>—</u>	<u>2</u>
At December 31, 2024, net of accumulated amortization and impairment	<u>88,546</u>	<u>233,657</u>	<u>322,203</u>
At December 31, 2024:			
Cost	165,024	272,600	437,624
Accumulated amortization	(73,670)	(38,943)	(112,613)
Accumulated impairment	(2,808)	—	(2,808)
Net carrying amount	<u>88,546</u>	<u>233,657</u>	<u>322,203</u>
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	<u>88,546</u>	<u>233,657</u>	<u>322,203</u>
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	<u>43</u>	<u>—</u>	<u>43</u>
At March 31, 2025, net of accumulated amortization and impairment	<u>88,852</u>	<u>223,921</u>	<u>312,773</u>
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	<u>88,852</u>	<u>223,921</u>	<u>312,773</u>

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		Total
	Stage 1	Stage 2	Stage 3	
	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	<u>375</u>	<u>601</u>	<u>17,766</u>	<u>18,742</u>

As at December 31, 2023

	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
	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	<u>1,495</u>	<u>649</u>	<u>12,554</u>	<u>14,698</u>

As at December 31, 2024

	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
	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	<u>716</u>	<u>767</u>	<u>11,853</u>	<u>13,336</u>

As at March 31, 2025

	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
	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
	<u>2,841,937</u>	<u>2,707,905</u>	<u>5,878,841</u>	<u>5,227,435</u>

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	<u>1,427,542</u>	<u>1,944,902</u>	<u>3,003,430</u>	<u>4,764,574</u>

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	<u>793,609</u>	<u>1,202,820</u>	<u>2,112,574</u>	<u>3,985,632</u>

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	<u>72,943</u>	<u>67,962</u>	<u>109,379</u>	<u>157,339</u>

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)	—
		<u>866,552</u>	<u>(72,943)</u>	<u>793,609</u>

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)	—
		<u>1,270,782</u>	<u>(67,962)</u>	<u>1,202,820</u>

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)	—
		<u>2,221,953</u>	<u>(109,379)</u>	<u>2,112,574</u>

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)	–
		<u>4,142,971</u>	<u>(157,339)</u>	<u>3,985,632</u>

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	<u>142,407</u>	<u>610,003</u>	<u>793,760</u>	<u>1,798,235</u>
Total	<u>155,907</u>	<u>670,606</u>	<u>964,806</u>	<u>1,905,411</u>

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	<u>2,311</u>	<u>5,610</u>	<u>1,309</u>	<u>18,316</u>
At end of year/period	<u>7,183</u>	<u>12,793</u>	<u>14,102</u>	<u>32,418</u>

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	<u>38,728</u>	<u>20,762</u>	<u>—</u>	<u>41,290</u>
Liabilities:				
Forward currency contracts	—	238	144,578	69,981
Futures contracts for the purchase of copper	—	—	28,792	—
	<u>—</u>	<u>238</u>	<u>173,370</u>	<u>69,981</u>

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 II)	(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 II)	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 II)	(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 II)	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) (<i>note II</i>)	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) (<i>note II</i>)	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) (<i>note II</i>)	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 (<i>note II</i>)	(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	<u>5,436,034</u>	<u>6,436,447</u>	<u>10,395,125</u>	<u>11,948,435</u>

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	<u>3,375,084</u>	<u>3,338,697</u>	<u>6,451,406</u>	<u>6,769,518</u>

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
	<u>1,964,235</u>	<u>3,098,603</u>	<u>3,660,304</u>	<u>3,819,287</u>
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	<u>1,330,375</u>	<u>2,209,731</u>	<u>2,850,473</u>	<u>2,805,624</u>

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

As at December 31, 2022				
	Note	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				<u>1,062,303</u>
Non-current				
Bank loans – secured	(a)	3.65-3.85	2024-2029	602,101
Total – non-current				<u>602,101</u>
As at December 31, 2023				
	Note	Effective interest rate (%)	Maturity	RMB'000
Current				
Bank loans – unsecured		0.65-2.75	2024	1,200,444
Total – current				<u>1,200,444</u>
Non-current				
Bank loans – secured	(a)	3.65	2029	880
Total – non-current				<u>880</u>
As at December 31, 2024				
	Note	Effective interest rate (%)	Maturity	RMB'000
Current				
Bank loans – unsecured		0.60-2.31	2025	641,982
Current portion of long term bank loans – unsecured		2.60-2.65	2025	15,859
Total – current				<u>657,841</u>
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				<u>895,493</u>

As at March 31, 2025				
	Note	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
	<u>1,664,404</u>	<u>1,201,324</u>	<u>1,553,334</u>	<u>2,308,221</u>

	As at December 31,			As at March 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
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	–	–
	<u>1,664,404</u>	<u>1,201,324</u>	<u>1,553,334</u>	<u>2,308,221</u>

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 overseas 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	<u>177,809</u>	<u>(46)</u>	<u>—</u>	<u>177,763</u>
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>1,592</u>	<u>1,592</u>
As at March 31, 2025	<u>—</u>	<u>—</u>	<u>1,592</u>	<u>179,355</u>

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	<u>62,588,000</u>
At January 1, 2023	62,588,000
Forfeited during the year.	(2,706,000)
At December 31, 2023	<u>59,882,000</u>
At January 1, 2024	59,882,000
Forfeited during the year	(10,803,250)
At December 31, 2024	<u>49,078,750</u>
At January 1, 2025	49,078,750
Forfeited during the period	—
At March 31, 2025	<u>49,078,750</u>

The fair value of services received in return for shares granted was measured by reference to the fair value of shares granted less the subscription price paid by the eligible participants. The fair value of the shares granted is measured as the market value at the grant date, which is determined by an external valuer using discounted cash flow method, taking into account the terms and conditions upon which the restricted shares were granted.

During the years ended December 31, 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 (<i>note 8</i>)	95,796	236	—
Early cancellation of leases	—	(74)	—
Exchange realignment	—	(42)	—
At December 31, 2022	<u>1,664,404</u>	<u>5,058</u>	<u>1,243,538</u>

Year ended December 31, 2023

	Interest-bearing bank borrowings	Lease liabilities	Amounts due to related parties
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 (<i>note 8</i>)	61,373	110	—
Early cancellation of leases	—	(246)	—
Exchange realignment	—	3	—
At December 31, 2023	<u>1,201,324</u>	<u>10,728</u>	<u>1,494,052</u>

Year ended December 31, 2024

	Interest-bearing bank borrowings	Lease liabilities	Amounts due to related parties
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2024	1,201,324	10,728	1,494,052
Changes from financing cash flows	308,178	(25,027)	(1,494,052)
New leases	—	130,904	—
Interest expense (<i>note 8</i>)	43,832	1,314	—
Exchange realignment	—	(17)	—
At December 31, 2024	<u>1,553,334</u>	<u>117,902</u>	<u>—</u>

Three months ended March 31, 2025

	Interest-bearing bank borrowings	Lease liabilities
	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2025	1,553,334	117,902
Changes from financing cash flows	738,697	(6,439)
New leases	—	16,445
Interest expense (<i>note 8</i>)	16,190	1,268
Early cancellation of leases	—	(2,141)
Exchange realignment	—	6
At March 31, 2025	<u>2,308,221</u>	<u>127,041</u>

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 (<i>note 8</i>)	12,510	358	—
Exchange realignment	—	(6)	—
At March 31, 2024 (unaudited)	<u>1,366,648</u>	<u>8,884</u>	<u>1,477,921</u>

(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	RMB'000
				(unaudited)	
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	<u>48,103</u>	<u>111,830</u>	<u>187,071</u>	<u>48,781</u>	<u>36,726</u>

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	<u>546,459</u>	<u>752,548</u>	<u>1,096,883</u>	<u>894,851</u>

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
	<u>142,995</u>	<u>258,553</u>	<u>339,011</u>	<u>77,231</u>	<u>78,735</u>
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
	<u>27,512</u>	<u>42,121</u>	<u>38,471</u>	<u>6,256</u>	<u>5,908</u>
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
	<u>19,301</u>	<u>210</u>	<u>142</u>	<u>51</u>	<u>14</u>
Rental payments:					
Entities controlled by					
Mr. ZHENG Jianjiang . .	<u>2,598</u>	<u>5,161</u>	<u>3,995</u>	<u>1,170</u>	<u>1,025</u>
Interest expense:					
Entities controlled by					
Mr. ZHENG Jianjiang .	104	38	284	70	38
Yinzhou Rural Commercial					
Bank	6,192	425	—	—	—
	<u>6,296</u>	<u>463</u>	<u>284</u>	<u>70</u>	<u>38</u>
Purchase of property, plant and equipment:					
Entities controlled by					
Mr. ZHENG Jianjiang . .	<u>791</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,477</u>

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	<u>1,679</u>	<u>4,100</u>	<u>4,101</u>	<u>1,025</u>	<u>1,025</u>
	<u>13,785</u>	<u>22,604</u>	<u>11,054</u>	<u>4,267</u>	<u>4,064</u>

(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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank balance*				
Yinzhou Rural Commercial Bank . .	<u>230,466</u>	<u>13,925</u>	<u>43,031</u>	<u>54,972</u>

* 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from related parties:				
Trade nature				
Entities controlled by Mr. ZHENG				
Jianjiang	<u>—</u>	<u>—</u>	<u>73</u>	<u>366**</u>
Non-trade nature				
China Prosper	107,459	97,135	—	—
Mr. ZHENG Jianjiang	31,526	32,341	—	—
Entities controlled by Mr. ZHENG				
Jianjiang	<u>2,529</u>	<u>7,525</u>	<u>—</u>	<u>—</u>
	<u>141,514</u>	<u>137,001</u>	<u>—</u>	<u>—</u>

** 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from related parties:				
Non-trade nature				
Mr. ZHENG Jianjiang	31,526	32,341	32,341	—
Entities controlled by Mr. ZHENG				
Jianjiang	<u>2,529</u>	<u>7,525</u>	<u>7,525</u>	<u>—</u>
	<u>34,055</u>	<u>39,866</u>	<u>39,866</u>	<u>—</u>

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	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

[#] 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
	<u>72,651</u>	<u>83,950</u>	<u>141,890</u>	<u>120,441</u>

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	<u>72,651</u>	<u>83,950</u>	<u>141,890</u>	<u>120,441</u>

	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	–	–
	<u>1,243,538</u>	<u>1,494,052</u>	<u> </u>	<u> </u>

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	<u>38,728</u>	<u>155,907</u>	<u>4,571,069</u>	<u>4,765,704</u>

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	<u>20,762</u>	<u>670,606</u>	<u>9,839,956</u>	<u>10,531,324</u>

APPENDIX I

ACCOUNTANTS' REPORT

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	<u>964,806</u>	<u>8,327,313</u>	<u>9,292,119</u>

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	<u>300,000</u>	<u>41,290</u>	<u>1,905,411</u>	<u>11,240,502</u>	<u>13,487,203</u>

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	<u>9,861,506</u>

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 (<i>note 30</i>)	–	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 (<i>note 30</i>)	–	–	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 (<i>note 30</i>)	–	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			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	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			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	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			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	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			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	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			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Derivative financial instruments	—	238	—	238
	=	=	=	=

As at December 31, 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	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			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	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			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	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
	<u>3,139,737</u>	<u>3,004</u>	<u>19,528</u>	<u>1,648,776</u>	<u>4,811,045</u>

As at December 31, 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	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
	<u>7,893,097</u>	<u>3,250</u>	<u>13,405</u>	<u>2,683,470</u>	<u>10,593,222</u>

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
	<u>5,307,386</u>	<u>3,837</u>	<u>12,660</u>	<u>4,077,615</u>	<u>9,401,498</u>

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
	<u>6,448,193</u>	<u>16,592</u>	<u>11,143</u>	<u>6,827,324</u>	<u>13,303,252</u>

* 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	<u>1,316,189</u>	<u>7,997,025</u>	<u>645,800</u>	<u>7,886</u>	<u>9,966,900</u>

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	<u>1,578,002</u>	<u>9,995,938</u>	<u>4,991</u>	<u>883</u>	<u>11,579,814</u>

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	<u>141,890</u>	<u>14,055,005</u>	<u>1,072,204</u>	<u>54,553</u>	<u>15,323,652</u>

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	<u>120,441</u>	<u>16,580,695</u>	<u>980,890</u>	<u>52,192</u>	<u>17,734,218</u>

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	<u>14,706,949</u>	<u>19,969,470</u>	<u>24,170,972</u>	<u>27,576,040</u>
Total liabilities	<u>12,979,247</u>	<u>15,727,191</u>	<u>20,335,266</u>	<u>22,751,830</u>
Asset-liability ratio*	<u>88%</u>	<u>79%</u>	<u>84%</u>	<u>83%</u>

* 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.