

CONNECTED TRANSACTIONS

OVERVIEW

Prior to the [REDACTED], we have entered into certain transactions with parties who will, upon the [REDACTED], become connected persons of our Company. Details of such continuing connected transactions are set out below.

The table below sets forth certain parties who will become our connected persons upon the [REDACTED] and the nature of their relationships with our Company.

Connected Person	Connected Relationship
Shuyi Property	As of the Latest Practicable Date, Shuyi Property was wholly owned by AUX International Holdings Limited (奧克斯國際控股有限公司), a company listed on the Stock Exchange (stock code: 2080) and owned as to 68.55% as to Huiyi Limited, a company incorporated in the BVI with limited liability, which is in turn owned as to 90% by Ze Hui. Therefore, Shuyi Property is a connected person of our Company under Rule 14A.07 of the Listing Rules.
Longzhicheng	As of the Latest Practicable Date, Longzhicheng was owned as to 60% by Mr. LU Anjun (陸安君), a nephew of Mr. HE Xiwan, and 40% by Ms. ZHANG Yafen (張亞芬), the spouse of Mr. LU Anjun, respectively and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Jiahuikai	As of the Latest Practicable Date, Jiahuikai was owned as to 90% by Mr. CHEN Guanghui (陳光輝), a cousin of Mr. ZHENG Jianjiang and Mr. ZHENG Jiang and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Wenbang	As of the Latest Practicable Date, Wenbang was owned as to 40% by Mr. CHEN Yinjun (陳寅君), a cousin of Mr. ZHENG Jianjiang and Mr. ZHENG Jiang and 60% by Ms. MA Bibo (馬碧波), the spouse of Mr. CHEN Yinjun, respectively, and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.

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FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

Procurement of Property Management Services

Ningbo Aux Electric entered into a framework agreement with Shuyi Property with a term of three years commencing on January 1, 2024 and ending on December 31, 2026, under which we have agreed to procure property management services, including maintenance, cleaning and/or security services in respect of industrial park properties owned or occupied by our Group, from Shuyi Property and its subsidiaries. The service fees will be agreed between the parties on an arm’s length basis and set out in each specific service agreement, and calculated on the basis of, among others, (i) the service fee per worker, (ii) the average number of workers to be sent by Shuyi Property and its subsidiaries for the provision of services during the period covered under the specific service agreement and (iii) the prevailing market rates for similar services.

Our Directors currently expect that the highest applicable percentage ratio in respect of the aggregate transaction amount of such transactions, calculated for the purpose of Chapter 14A of the Listing Rules, will be less than 0.1% on an annual basis. Under Rule 14A.76(1) of the Listing Rules, these transactions will be fully exempt from the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our partially-exempt continuing connected transactions upon the [REDACTED]:

Transaction	Applicable Listing Rules	Waivers sought	Proposed annual caps for the year ending December 31,		
			2025	2026	2027
Partially-exempt continuing connected transactions					
Longzhicheng Components Procurement Framework Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	RMB170.00 million	RMB230.00 million	RMB300.00 million
Jiahuikai Components Procurement Framework Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	RMB150.00 million	RMB190.00 million	RMB250.00 million
Wenbang Components Procurement Framework Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	RMB60.00 million	RMB80.00 million	RMB100.00 million

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Longzhicheng Components Procurement Framework Agreement

Principal Terms

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

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

Historical Amount

The following table sets forth the historical transaction amounts of the procurement of Longzhicheng Components by our Group from Longzhicheng during the Track Record Period:

	For the year ended December 31,			For the three months ended March 31,
	2022	2023	2024	2025
Historical Transaction Amount (RMB in million)	54.95	106.61	126.37	26.43

Annual Cap

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

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

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Basis of Annual Cap

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

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

Pricing Policies

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

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

CONNECTED TRANSACTIONS

Implementation Agreements

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

Reasons for and Benefits of the Transactions

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

Jiahuikai Components Procurement Framework Agreement

Principal Terms

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

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

CONNECTED TRANSACTIONS

Historical Amount

The following table sets forth the historical transaction amounts of the procurement of Jiahuikai Components by our Group from Jiahuikai during the Track Record Period:

	For the year ended December 31,			For the three months ended March 31,
	2022	2023	2024	2025
Historical Transaction				
Amount (RMB in million) .	41.05	65.89	111.04	31.38

Annual Cap

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

	For the year ending December 31,		
	2025	2026	2027
Proposed Annual Cap (RMB in million)	150.00	190.00	250.00

Basis of Annual Cap

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

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

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Pricing Policies

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

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

Implementation Agreements

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

Reasons for and Benefits of the Transactions

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

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Wenbang Components Procurement Framework Agreement

Principal Terms

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

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

Historical Amount

The following table sets forth the historical transaction amounts of the procurement of Wenbang Components by our Group from Wenbang during the Track Record Period:

	For the year ended December 31,			For the three months ended March 31,
	2022	2023	2024	2025
Historical Transaction				
Amount (RMB in million) .	20.07	44.91	42.30	11.67

Annual Cap

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

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

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Basis of Annual Cap

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

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

Pricing Policies

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

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

Implementation Agreements

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

CONNECTED TRANSACTIONS

Reasons for and Benefits of the Transactions

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

Listing Rules Implications

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

Internal Control Procedures

Our Group adopts the following internal control measures to ensure that the transactions will be carried out in accordance with the terms of the CCT Framework Agreements, including the pricing policies, and in compliance with all the applicable requirements under the Listing Rules:

- (i) to meet the management requirements of the Stock Exchange in relation to the CCT Framework Agreements and transactions contemplated thereunder, our Group has formulated internal guidelines for connected transactions based on the applicable requirements under the Listing Rules, which further clarifies the duties of each functional department with respect to the connected transactions so as to ensure that all transactions under the CCT Framework Agreements are effectively monitored and supervised and are in the interests of our Company and our Shareholders as a whole;
- (ii) the supply chain department of our Group will supervise and monitor the individual agreements to be entered into under the CCT Framework Agreements to ensure that they will be entered into in accordance with the pricing policies under the CCT Framework Agreements;

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- (iii) our Group will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, and review and compare at least two quotations from Independent Third Parties, with the quotes from Longzhicheng, Jiahuikai or Wenbang when determining which supplier to engage with, so as to ensure that the price provided by Longzhicheng, Jiahuikai or Wenbang is fair and reasonable, and is determined on normal commercial terms or on terms no less favorable to our Group than the terms available from Independent Third Parties;
- (iv) upon the [REDACTED], our Group will comply with the annual review requirements in respect of the transactions contemplated under the CCT Framework Agreements in accordance with Chapter 14A of the Listing Rules, such as engaging our Company’s auditor to conduct annual review and having the independent non-executive Directors to review the transactions contemplated under such agreements and give opinions/confirmations in our Company’s annual reports;
- (v) the finance department of our Group will monitor the transaction amounts under each of the CCT Framework Agreements by preparing designated management accounts for the continuing connected transactions therein on a monthly basis to make sure that the actual contract amounts do not exceed the relevant annual caps. If it is expected that the transaction amount of any continuing connected transaction that is or will be incurred in the financial year will reach or exceed the relevant annual caps, the finance department of our Group shall report to the management and consider the measures to be taken to ensure that the requirements under the Listing Rules are complied with, including obtaining the approval of Independent Shareholders (if required); and
- (vi) if any revision or adjustment on the terms (including without limitation, the price of the Longzhicheng Components, Jiahuikai Components and Wenbang Components) of the individual agreement under the CCT Framework Agreements is necessary, provided such revision or adjustment is in compliance with the CCT Framework Agreements, an approval application will be made by the supply chain department of our Group and approved by, among others, the legal team, the board secretary office and other responsible department (if applicable) of our Group.

WAIVER

In respect of the transactions as contemplated under the CCT Framework Agreements described above, we have applied for, and the Stock Exchange [has granted] us, waivers from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules. Save for the announcement requirement for which a waiver has been sought, our Group will comply with all other relevant requirements under Chapter 14A of the Listing Rules with respect to the CCT Framework Agreements and the transactions contemplated thereunder.

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CONFIRMATION FROM OUR DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that (i) the CCT Framework Agreements and the transactions contemplated thereunder set out above are entered into in the ordinary and usual course of our business on normal commercial terms or better which are fair and reasonable and in the interests of our Group and our Shareholders as a whole; (ii) the proposed monetary annual caps in respect of the CCT Framework Agreements are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Having considered the above, the Sole Sponsor is of the view that (i) the CCT Framework Agreements and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of our Company on normal commercial terms or better which are fair and reasonable, and in the interests of our Company and the Shareholders as a whole; and (ii) the proposed monetary annual caps in respect of the CCT Framework Agreements are fair and reasonable and in the interests of our Company and the Shareholders as a whole.