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AUX 奥克斯

AUX ELECTRIC CO., LTD.
奥克斯电气有限公司

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

(Stock Code: 2580)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2025

The board (the "**Board**") of directors (the "**Directors**") of Aux Electric Co., Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**", "**our**" or "**us**") for the year ended December 31, 2025 (the "**Reporting Period**") together with the comparative figures for the year ended December 31, 2024 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2025

		For the year ended December 31,	
		2025	2024
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**30,048,580**	29,759,319
Cost of sales		**(24,388,923)**	(23,518,994)
Gross profit		**5,659,657**	6,240,325
Other income and gains	*5*	**797,938**	616,263
Selling and distribution expenses		**(1,602,762)**	(1,276,678)
Administrative expenses		**(1,086,780)**	(1,025,375)
Research and development expenses		**(688,699)**	(710,035)
Impairment loss on financial assets, net		**(17,879)**	(43,233)
Other expenses		**(113,963)**	(207,074)
Finance costs		**(57,122)**	(45,146)
PROFIT BEFORE TAX	*6*	**2,890,390**	3,549,047
Income tax expense	*7*	**(655,407)**	(638,876)
PROFIT FOR THE YEAR		**2,234,983**	2,910,171

	Notes	For the year ended December 31, **2025** *RMB'000*	2024 *RMB'000*
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		**4,266**	(1,274)
Reclassification adjustments for impairment (losses)/income		**(5,291)**	1,309
Income tax effect		**(675)**	429
		(1,700)	464
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		**304,456**	55,192
Income tax effect		**(69,034)**	7,197
		235,422	62,389
Exchange differences on translation of foreign operations		**(13,726)**	9,083
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**219,996**	71,936
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**219,996**	71,936
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,454,979**	2,982,107
Profit attributable to:			
Owners of the parent		**2,234,983**	2,910,171
Total comprehensive income attributable to:			
Owners of the parent		**2,454,979**	2,982,107
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB1.56**	RMB2.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2025

	Notes	As of December 31, **2025** ***RMB'000***	2024 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,854,768**	5,006,191
Investment property		**305,366**	331,489
Right-of-use assets		**1,574,706**	1,217,277
Intangible assets		**297,024**	322,203
Pledged deposits		**800,346**	839,453
Deferred tax assets		**469,257**	498,699
Prepayments		**145,782**	172,399
Total non-current assets		**9,447,249**	8,387,711
CURRENT ASSETS			
Inventories	*10*	**6,430,878**	5,878,841
Trade and bills receivables	*11*	**2,997,031**	3,003,430
Receivables at fair value through other comprehensive income		**561,322**	964,806
Prepayments, deposits and other receivables		**1,512,309**	1,448,033
Tax recoverable		**90,910**	155,413
Financial assets at fair value through profit or loss		**1,400,000**	–
Derivative financial instruments		**272,887**	–
Pledged deposits		**1,827,325**	1,424,909
Cash and bank balances		**6,879,199**	2,907,756
Amounts due from related parties		**176**	73
Total current assets		**21,972,037**	15,783,261

	Notes	As of December 31, 2025 RMB'000	2024 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	*12*	**9,632,954**	10,395,125
Other payables and accruals		**4,436,523**	3,660,304
Contract liabilities		**4,181,897**	2,850,473
Derivative financial instruments		**2,646**	173,370
Interest-bearing bank borrowings		**860,000**	657,841
Lease liabilities		**16,008**	29,902
Income tax payable		**126,532**	126,736
Deferred income		**62,502**	57,317
Provision		**162,051**	159,864
Amounts due to related parties		**138,810**	141,890
Total current liabilities		**19,619,923**	18,252,822
NET CURRENT ASSETS/(LIABILITIES)		**2,352,114**	(2,469,561)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,799,363**	5,918,150
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**602,846**	895,493
Lease liabilities		**83,662**	88,000
Deferred tax liabilities		**34,561**	54,045
Other payables		**65,697**	109,040
Deferred income		**654,643**	573,637
Provision		**399,567**	362,229
Total non-current liabilities		**1,840,976**	2,082,444
Net assets		**9,958,387**	3,835,706
EQUITY			
Share capital	*13*	**57**	48
Reserves		**9,958,330**	3,835,658
Total equity		**9,958,387**	3,835,706

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

2. BASIS OF PREPARATION

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

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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 the Chinese mainland and other countries/jurisdictions, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's management for purposes of resource allocation and performance assessment. Therefore, no further operating segment analysis thereof is presented.

Geographical information

(a) ***Revenue from external customers***

	2025	2024
	RMB'000	*RMB'000*
Chinese Mainland	**15,307,527**	15,078,580
Asia (except for Chinese mainland)	**8,208,247**	7,339,872
European Union	**2,835,481**	3,024,817
North America	**1,452,264**	2,095,134
South America	**1,509,047**	1,507,028
Other countries/jurisdictions	**736,014**	713,888
Total revenue	**30,048,580**	29,759,319

The revenue information above is based on the locations of the customers.

(b) ***Non-current assets***

	2025	2024
	RMB'000	*RMB'000*
Chinese mainland	**7,855,230**	6,761,527
Other countries/jurisdictions	**322,416**	288,032
Total non-current assets	**8,177,646**	7,049,559

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's total revenue for each of the reporting period.

Information about products and services have been disclosed in note 5 to the financial information.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2025	2024
	RMB'000	*RMB'000*
Revenue from contracts with customers	**30,006,309**	29,707,212
Revenue from other sources		
Gross rental income from operating leases	**42,271**	52,107
Total	**30,048,580**	29,759,319

Revenue from contracts with customers

(i) Disaggregated revenue information

	2025	2024
	RMB'000	*RMB'000*
Types of goods or services		
Sale of household air conditioners	**24,887,222**	24,568,233
Sale of central air conditioners	**3,214,307**	3,169,839
Installation services of household air-conditioners	**1,348,199**	1,336,230
Installation services of central air-conditioners	**70,257**	53,661
Others*	**486,324**	579,249
Total	**30,006,309**	29,707,212
Timing of revenue recognition		
Revenue recognized at a point in time:		
Sale of household air conditioners	**24,887,222**	24,568,233
Sale of central air conditioners	**3,214,307**	3,169,839
Installation services of household air-conditioners	**1,348,199**	1,336,230
Installation services of central air-conditioners	**70,257**	53,661
Others – sales of scrap and raw materials	**355,032**	521,228
Revenue recognized over time:		
Others	**131,292**	58,021
Total	**30,006,309**	29,707,212

* 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:

	2025	2024
	RMB'000	*RMB'000*
Sale of air conditioners	**2,222,523**	1,665,425
Installation services	**495,974**	473,251
Royalty income	**39,663**	50,510
Total	**2,758,160**	2,189,186

(ii) Performance obligations

Information about the Group's performance obligations is summarized below:

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:

	2025	2024
	RMB'000	*RMB'000*
Other income:		
Government grants: *(Note)*		
Asset-related	**95,368**	56,134
Income related	**300,500**	179,633
Bank interest income	**164,588**	217,790
	560,456	453,557
Other gains:		
Foreign exchange differences, net	**–**	86,042
Realized gains on derivative financial instruments	**–**	19,099
Fair value gains on derivative financial instruments	**167,469**	–
Fair value gains on financial assets at fair value through profit or loss	**20,137**	28,389
Compensations from suppliers	**21,642**	22,723
Others	**28,234**	6,453
	237,482	162,706
Total	**797,938**	616,263

Note: The income related government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward the Group's support and contribution for the development of local economies. The asset-related government grants are related to purchases of property, plant and equipment. The grants related to assets were recognized in profit or loss over the useful lives of relevant assets. As at December 31, 2025, there was no unfulfilled conditions or contingencies relating to these government grants (2024: nil).

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2025	2024
	RMB'000	*RMB'000*
Cost of inventories sold	**20,407,781**	19,620,017
Cost of services provided	**1,418,456**	1,367,945
Depreciation of property, plant and equipment	**497,852**	438,894
Depreciation of investment property	**28,358**	24,147
Depreciation of right-of-use assets	**69,795**	45,843
Amortization of software*	**14,341**	13,307
Amortization of patent*	**38,943**	38,943
Research and development costs	**688,699**	710,035
Lease payments not included in the measurement of lease liabilities	**108,930**	56,909
Auditor's remuneration	**5,736**	4,837
Listing expenses	**29,188**	20,471
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**1,859,449**	1,801,365
Pension scheme contributions and social welfare	**483,486**	551,427
Equity-settled share-based payment expenses	**9,687**	1,581
Total	**2,352,622**	2,354,373
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment property	**2,704**	3,521
Foreign exchange differences, net	**2,938**	(86,042)
Fair value losses of derivative financial instruments	**(167,469)**	165,102
Impairment loss of financial assets, net		
Impairment loss of trade receivables, net	**22,534**	43,286
(Reversal of impairment loss)/Impairment loss of receivables at fair value through other comprehensive income	**(5,291)**	1,309
Impairment loss/(Reversal of impairment loss) of financial assets included in prepayments, deposits and other receivables	**636**	(1,362)
Total	**17,879**	43,233
Write-down of inventories to net realizable value	**1,481**	19,657
Interest income	**(164,588)**	(217,790)
Losses on disposal of items of property, plant and equipment and intangible assets	**2,975**	5,674

* The amortization of software and patent for the reporting period are included in "Administrative expenses" and "Research and development expenses", respectively, in the consolidated statements of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the countries or jurisdictions in which members of the Group are domiciled and operate.

Chinese Mainland

Under the law of the PRC on corporate income tax (the "**CIT Law**") and the implementation regulation of the CIT Law, the CIT rate of the PRC subsidiaries is 25% unless they are subject to preferential tax as set out below.

In 2021, Ningbo Aux Electric Co., Ltd. was accredited as a "High and New Technology Enterprise" ("**HNTE**") and was entitled to a preferential income tax rate of 15% for a period of three years from December 2021 to December 2024. This subsidiary subsequently renewed its HNTE qualification in 2024 and was entitled to the preferential tax rate of 15% from December 2024 to December 2027.

The State Taxation Administration of the PRC ("**STA**") announced in March 2021 that manufacturing enterprises engaging in research and development activities would be entitled to claim 200% of their research and development expenses as an additional tax deduction since January 1, 2021. The STA further announced in March 2023 that eligible enterprises would be entitled to claim 200% of their research and development expenses as an additional tax deduction since January 1, 2023. The Group has made its best estimate for the additional tax deduction to be claimed for the Group's entities in ascertaining their assessable profits during the reporting period.

Cayman Islands and British Virgin Islands

Under the current laws of the Cayman Islands and British Virgin Islands, the Company and its subsidiaries incorporated in the British Virgin Islands are not subject to tax on income or capital gains during the reporting period.

Hong Kong

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the reporting period, except for a subsidiary incorporated in Hong Kong which is a qualifying entity under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of the qualifying entity are taxed at 8.25% and the remaining profits are taxed at 16.5%.

Thailand

Under the current laws of Thailand, the Company's subsidiaries incorporated in Thailand are not subject to tax on income or capital gains during the reporting period.

Singapore

Under the current laws of Singapore, Singapore profits tax is calculated at 17% on the estimated assessable profits arising in Singapore for the reporting period.

Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including Japan, Malaysia, USA, UAE and KSA is calculated on the estimated assessable profit for each of the reporting period at the respective rates prevailing in the relevant jurisdictions.

The income tax expense of the Group is analyzed as follows:

	2025	2024
	RMB'000	*RMB'000*
Current income tax:		
Charge for the year	**626,328**	592,917
Underprovision in respect of prior years	**88,830**	2,646
Deferred income tax	**(59,751)**	43,313
Total	**655,407**	638,876

A reconciliation of the income tax expense applicable to profit before tax using the statutory tax rate for the country or jurisdiction in which the majority of the Company's subsidiaries are domiciled to the income tax expense at the effective tax rate is as follows:

	2025	2024
	RMB'000	*RMB'000*
Profit before tax	**2,890,390**	3,549,047
Tax at the statutory tax rate	**722,598**	887,262
Effect of lower tax rate enacted by local tax authorities	**(84,257)**	(143,202)
Expenses not deductible for tax	**9,195**	4,937
Additional deductible allowance for research and development costs	**(112,830)**	(124,359)
Deductible temporary differences and tax losses not recognized	**37,952**	17,482
Utilization of tax losses not recognized in previous years	**(6,081)**	(5,890)
Adjustments in respect of current tax of previous years	**88,830**	2,646
Tax charge at the Group's effective rate	**655,407**	638,876

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdiction in which the Group operates, and the legislation is effective for the Group's financial year beginning January 1, 2024.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which it operates are above 15%. There are a limited number of jurisdictions where the Pillar Two effective tax rate is slightly below 15%. The Group does not expect a material exposure to Pillar Two income taxes.

8. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2025 of RMB1.06 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

During the year ended December 31, 2024, a dividend of approximately RMB3,793,500,000 was declared and paid by Ningbo Aux Electric Co., Ltd. to its then shareholders.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares 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 years ended December 31, 2025 and 2024.

The calculations of basic and diluted earnings per share are based on:

	2025	2024
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent:	**2,234,983**	2,910,171

	Number of shares	
	2025	2024
Shares		
Weighted average number of ordinary shares in issue during the year	**1,429,411,733**	1,302,530,389

10. INVENTORIES

The Group

	2025	2024
	RMB'000	*RMB'000*
Finished goods	**4,593,550**	3,890,577
Finished goods in transit	**224,710**	405,671
Raw materials	**907,185**	936,380
Work in progress	**705,433**	646,213
Total	**6,430,878**	5,878,841

11. TRADE AND BILLS RECEIVABLES

The Group

	2025	2024
	RMB'000	*RMB'000*
Trade receivables	**2,331,100**	2,221,953
Impairment	**(125,703)**	(109,379)
Trade receivables, net	**2,205,397**	2,112,574
Bills receivable	**791,634**	890,856
Trade and bills receivables	**2,997,031**	3,003,430

The Group's trading terms with its customers are mainly on credit. The credit term is generally from one to four months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control process to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing. Bills receivable are aged within six months.

An ageing analysis of the Group's trade receivables, based on the revenue recognition date and net of loss allowance, is as follows:

	2025	2024
	RMB'000	*RMB'000*
Within 3 months	**1,624,501**	1,987,016
3 to 6 months	**284,520**	84,672
6 to 12 months	**294,845**	39,772
1 to 2 years	**1,531**	1,114
Total	**2,205,397**	2,112,574

The movements in the loss allowance for impairment of trade receivables are as follows:

	2025	2024
	RMB'000	*RMB'000*
At beginning of the year	**109,379**	67,962
Impairment losses, net	**22,534**	43,286
Amounts written off as uncollectible	**(6,210)**	(1,869)
At end of the year	**125,703**	109,379

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. To measure the expected credit losses, trade receivables have been assessed on an individual basis for debtors in severe financial difficulty, or by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience, based on the aging of the trade receivables, adjusted as appropriate to reflect current and forward-looking information.

The information about the credit risk exposure on the Group's trade receivables are set out below:

As at December 31, 2025

	Expected credit loss rate	**Gross carrying amount**	**Expected credit losses**	**Net carrying amount**
		RMB'000	***RMB'000***	***RMB'000***
Provision on a collective basis:				
Aged within 1 year	**1.74%**	**2,242,893**	**(39,027)**	**2,203,866**
Aged 1 to 2 years	**92.94%**	**21,684**	**(20,153)**	**1,531**
Aged 2 to 3 years	**100.00%**	**16,760**	**(16,760)**	**–**
Aged over 3 years	**100.00%**	**15,971**	**(15,971)**	**–**
Provision on an individual basis	**100.00%**	**33,792**	**(33,792)**	**–**
		2,331,100	**(125,703)**	**2,205,397**

As at December 31, 2024

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Provision on a collective basis:				
Aged within 1 year	1.88%	2,151,844	(40,384)	2,111,460
Aged 1 to 2 years	94.29%	19,533	(18,419)	1,114
Aged 2 to 3 years	100.00%	9,381	(9,381)	–
Aged over 3 years	100.00%	17,808	(17,808)	–
Provision on an individual basis	100.00%	23,387	(23,387)	–
		2,221,953	(109,379)	2,112,574

12. TRADE AND BILLS PAYABLES

The Group

	2025	2024
	RMB'000	*RMB'000*
Trade payables	**5,181,495**	6,451,406
Bills payable	**4,451,459**	3,943,719
Total	**9,632,954**	10,395,125

Bills payable are aged within six months. An ageing analysis of the trade payables, based on the invoice date, is as follows:

	2025	2024
	RMB'000	*RMB'000*
Within 3 months	**5,023,639**	6,292,210
3 to 6 months	**79,666**	125,223
6 to 12 months	**58,277**	20,721
1 to 2 years	**9,797**	4,600
2 to 3 years	**2,118**	2,922
Over 3 years	**7,998**	5,730
Total	**5,181,495**	6,451,406

The trade payables are non-interest-bearing and are normally settled on terms of one to three months.

13. SHARE CAPITAL

	Numbers of ordinary shares	**Amount**
	'000	*US$*
Authorized:		
As at January 1, 2024	–	–
Authorized ordinary shares of US$0.000005 each	10,000,000	50,000
As at December 31, 2024 and December 31, 2025	10,000,000	50,000

A summary of movements in the Company's ordinary share capital is as follows:

	Numbers of ordinary shares *'000*	Nominal value of shares *US$*	Equivalent nominal value of shares *RMB'000*
Issued and fully paid:			
As at January 1, 2024	–	–	–
Issue of ordinary shares of US$0.000005 each	1,350,000	6,750	48
As at December 31, 2024 and January 1, 2025	1,350,000	6,750	48
Issue of ordinary shares pursuant to IPO of US$0.000005 each	238,235	1,191	9
As at December 31, 2025	1,588,235	7,941	57

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 23, 2024. Upon its incorporation, one ordinary share was issued and allotted at par value, which was then transferred to AUX Holdings.

On November 22, 2024, the Company issued and allotted 1,300,921,249 ordinary shares to AUX Holdings. Upon such issuance, AUX Holdings held 1,300,921,250 ordinary shares of the Company.

On December 20, 2024, 49,078,750 ordinary shares were issued and allotted to offshore shareholding platforms at an aggregated consideration of approximately US$24.7 million (equivalent to approximately RMB177,811,000). The consideration was fully paid on December 24, 2024.

On September 2, 2025, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of the issuance of 238,235,200 new shares of US$0.000005 each issued at an offer price of HK$17.42 per share.

14. 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.

Ningbo Aosheng Trading Co., Ltd. has filed an appeal against the decision and the second-instance hearing was held in January 2026. As of the date of this announcement, the court in the PRC has conducted a trial of the case, but has not yet given a judgment.

The directors of the Company, based on the aforementioned decision, believe it is not probable that an outflow of resources will be required. Accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Business Overview and Principal Products

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

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

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

2. Industry Overview During the Reporting Period

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

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

3. Business Performance of the Company During the Reporting Period

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Core Competitiveness

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

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

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

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

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

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

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

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

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

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

3. Comprehensive, Innovative and Streamlined Sales Channels

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

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

4. Continuously Deepening Global Layout

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

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

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

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

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

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

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

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

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

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

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

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

5. Future Development Prospects of the Company

1. Development Strategy of the Company

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

2. *Key Operational Priorities for 2026*

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

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

(2) **Strengthening our own brands:** We will continue to expand the global presence of our core brand, "AUX", while enhancing penetration in the mass market through sub-brands such as "Hutssom" and "AUFIT". At the same time, we will introduce "ShinFlow" to enter the premium segment, thereby establishing a multi-tiered brand portfolio. Positioned as the "preferred choice for smart air conditioning", we will increase brand visibility and enhance brand recognition. In parallel, driven by

the rapid development of artificial intelligence, we will accelerate the integration and application of AI technologies, cloud-based voice systems and AIoT, enabling a transition in product positioning from value-for-money to intelligence-driven value, thereby enhancing brand premium and customer value. We will also continue to develop our own brands in overseas markets by establishing three to five new overseas sales companies each year. Through a combined national distributor and sales company model, we aim to drive rapid growth in our own-brand business and further enhance global brand influence.

(3) **Deepening the central air conditioning business:** We will remain focused on our core business areas, with residential air conditioning as our foundation while accelerating the development of our central air conditioning business. In the domestic market, we will continue to strengthen our multi-split systems offering and launch highly competitive products (such as the X9 series multi-split systems), focusing on key sectors including public infrastructure, commercial buildings, hotels and schools. At the same time, the product line will be extended to include air conditioner of data centre and liquid-cooled air conditioner. In overseas markets, we will accelerate the development of large-scale commercial air conditioning solutions, focusing on key regions such as the Middle East, North America, Southeast Asia and Europe, and further increase the contribution of central air conditioning to our overall business.

(4) **Expanding product categories:** Building on brand licensing arrangements and leveraging our existing channel resources, we will expand into new home appliance categories through Original Equipment Manufacturer (OEM) models and other approaches, further enhancing the Group's overall profitability resilience and ability to withstand risk.

3. Risks Faced and Countermeasures

(1) Exchange Rate Fluctuation Risk

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

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

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

(3) Overseas Operational Risk

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

(4) Risk of Increased Tariffs and Retaliatory Trade Measures

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

(5) Price War Risk

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

DISCUSSION AND ANALYSIS ON OVERALL OPERATIONS

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

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

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

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

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

FINANCIAL REVIEW

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

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

REVENUE

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

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

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

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

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

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

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

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

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

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

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

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

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

SELLING AND DISTRIBUTION EXPENSES

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

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

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

ADMINISTRATIVE EXPENSES

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

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

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

RESEARCH AND DEVELOPMENT EXPENSES

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

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

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

IMPAIRMENT LOSS ON FINANCIAL ASSETS, NET

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

OTHER EXPENSES

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

FINANCE COSTS

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

PROFIT FOR THE YEAR

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

FINANCIAL POSITION

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

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

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

The Company's current liabilities increased from RMB18,252,8 million as of December 31, 2024 to RMB19,619.9 million as of December 31, 2025, primarily due to the increase in interest-bearing bank borrowings of RMB202.2 million and increase in contract liabilities of RMB1,331.4 million, respectively.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

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

TRADE AND BILLS RECEIVABLES

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

TRADE AND BILLS PAYABLES

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

GEARING RATIO

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

CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Reporting Period.

CAPITAL EXPENDITURE

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

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

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

CAPITAL COMMITMENTS

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

CHARGE OF ASSETS

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

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

FOREIGN EXCHANGE RISK AND HEDGING

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

CONTINGENT LIABILITIES

As of December 31, 2025, save as the information disclosed in note 14 to the consolidated financial information in this announcement, the Group has no other significant contingent liabilities that are likely to have a material and adverse effect on our business, financial condition or results of operations.

EMPLOYEE AND REMUNERATION POLICY

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

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

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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

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

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

The shares (the "**Shares**") of the Company were first listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on September 2, 2025 (the "**Listing Date**").

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including any sale of treasury shares (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"))) since the Listing Date and up to December 31, 2025.

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

USE OF NET PROCEEDS

The Shares were listed on the main board of the Stock Exchange on September 2, 2025 with a total of 238,235,200 Shares issued at a price of HK$17.42 per Share. The net proceeds received by the Company from the global offering were approximately HK$3,993.5 million after deducting underwriting fees and commissions and relevant expenses payable by us in connection with the global offering, which will be utilized for the purposes as set out in the prospectus of the Company dated August 25, 2025 (the "**Prospectus**"). Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for details of the intended use of proceeds. As of the date of this announcement, there was no change in the intended use of net proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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

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

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

Note:

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

ISSUANCE OF SHARES

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

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

FINAL DIVIDEND

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

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

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

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

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

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE

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

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules as its corporate governance code of practices. The Board is of opinion that the Company has complied with all code provisions set out in Part 2 of CG Code from the Listing Date to December 31, 2025.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Company has established an audit committee of the Board (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and the CG Code on August 20, 2025. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control procedures of the Company. The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely, Mr. Xiang Wei (chairperson of the Audit Committee), Ms. Li Jian and Dr. Jing Xian. Mr. Xiang Wei holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee has reviewed the Group's consolidated financial statements and annual results for the year ended December 31, 2025. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and other statutory provisions, and sufficient disclosures have been made in the Group's consolidated financial statements.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended December 31, 2025, but represents an extract from the consolidated financial statements for the year ended December 31, 2025 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing as issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.aux-home.com. The annual report of the Company for the year ended December 31, 2025 will be published on the above websites and made available to the Shareholders in accordance with the Listing Rules.

By order of the Board
AUX ELECTRIC CO., LTD.
Zheng Jianjiang
Chairman of the Board and Executive Director

Hong Kong, March 27, 2026

As at the date of this announcement, the executive Directors are Mr. Zheng Jianjiang and Mr. Xin Ning, the non-executive Directors are Mr. Zheng Jiang, Mr. He Xiwan and Ms. Li Jian, and the independent non-executive Directors are Mr. Xiang Wei, Dr. Jing Xian and Mr. Tao Shengwen.