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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2026

The board (the "**Board**") of directors (the "**Directors**") of Aux Electric Co., Ltd. (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**", "**our**" or "**us**") for the six months ended June 30, 2026 (the "**Reporting Period**") together with the comparative figures for the six months ended June 30, 2025 as follows. The unaudited consolidated financial statements of the Group for the Reporting Period have been reviewed by the audit committee of the Board (the "**Audit Committee**") and the auditor of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2026

		For the six months ended June 30,	
		2026	2025
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**17,503,668**	20,085,079
Cost of sales		**(14,334,001)**	(16,162,199)
Gross profit		**3,169,667**	3,922,880
Other income and gains		**275,236**	292,171
Selling and distribution expenses		**(756,969)**	(806,575)
Administrative expenses		**(509,302)**	(542,078)
Research and development expenses		**(368,417)**	(312,115)
Other expenses		**(363,495)**	(57,093)
Impairment loss on financial assets, net		**(52,153)**	(96,389)
Finance costs		**(17,008)**	(35,486)
PROFIT BEFORE TAX	*6*	**1,377,559**	2,365,315
Income tax expense	*7*	**(269,611)**	(492,568)
PROFIT FOR THE PERIOD		**1,107,948**	1,872,747
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		**2,152**	(4,778)
Reclassification adjustments for impairment income		**79**	16,657
Income tax effect		**(1,034)**	(2,229)
		1,197	9,650
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period		**32,715**	24,606
Income tax effect		**62,474**	(7,197)
		95,189	17,409

	Note	For the six months ended June 30, 2026 (Unaudited) RMB'000	2025 (Unaudited) RMB'000
Exchange differences on translation of foreign operations		**(28,822)**	12,591
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**67,564**	39,650
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**67,564**	39,650
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,175,512**	1,912,397
Profit attributable to:			
Owners of the parent		**1,107,948**	1,872,747
Total comprehensive income attributable to:			
Owners of the parent		**1,175,512**	1,912,397
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB0.70**	RMB1.39

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2026

	Notes	**June 30, 2026 (Unaudited)** *RMB'000*	December 31, 2025 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**6,294,508**	5,854,768
Investment property		**294,364**	305,366
Right-of-use assets	*11*	**1,541,865**	1,574,706
Intangible assets		**274,471**	297,024
Financial assets at fair value through profit and loss ("**FVTPL**")		**50,000**	–
Pledged deposits		**645,615**	800,346
Deferred tax assets		**629,852**	469,257
Prepayments		**170,754**	145,782
Total non-current assets		**9,901,429**	9,447,249
CURRENT ASSETS			
Inventories		**5,156,533**	6,430,878
Trade and bills receivables	*12*	**5,469,883**	2,997,031
Receivables at fair value through other comprehensive income		**1,197,124**	561,322
Prepayments, deposits and other receivables		**1,422,302**	1,512,309
Tax recoverable		**85,088**	90,910
Financial assets at fair value through profit or loss	*14*	**1,260,000**	1,400,000
Derivative financial instruments		**23,323**	272,887
Pledged deposits		**2,752,053**	1,827,325
Cash and bank balances		**7,736,589**	6,879,199
Amounts due from related parties		**57**	176
Total current assets		**25,102,952**	21,972,037

	Notes	June 30, 2026 (Unaudited) RMB'000	December 31, 2025 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	13	**13,048,266**	9,632,954
Other payables and accruals		**6,539,874**	4,436,523
Contract liabilities		**1,730,853**	4,181,897
Derivative financial instruments		**26,065**	2,646
Interest-bearing bank borrowings		**1,875,000**	860,000
Lease liabilities		**12,662**	16,008
Income tax payable		**289,490**	126,532
Deferred income		**45,509**	62,502
Provision		**170,304**	162,051
Amounts due to related parties		**213,372**	138,810
Total current liabilities		**23,951,395**	19,619,923
NET CURRENT ASSETS		**1,151,557**	2,352,114
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,052,986**	11,799,363
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**658,480**	602,846
Lease liabilities		**78,379**	83,662
Deferred tax liabilities		**37,507**	34,561
Other payables		**27,260**	65,697
Deferred income		**689,837**	654,643
Provision		**388,030**	399,567
Total non-current liabilities		**1,879,493**	1,840,976
Net assets		**9,173,493**	9,958,387
EQUITY			
Share capital		**57**	57
Reserves		**9,173,436**	9,958,330
Total equity		**9,173,493**	9,958,387

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL 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.

During the current period, the Company and its subsidiaries (collectively the "**Group**") were principally engaged in manufacturing and sales of household air-conditioners and central air-conditioners in Chinese mainland and other countries/jurisdictions.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2026 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2025.

The interim condensed consolidated financial information is presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and most of its subsidiaries, and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2025, except for the adoption of the following amended HKFRS Accounting Standards for the first time for the current period's financial information.

Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity*
Annual Improvements to HKFRS – Accounting Standards Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7

The nature and impact of the amended HKFRS Accounting Standards are described below:

(a) Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify that a financial asset is derecognised when the entity's rights to the contractual cash flows expire or are transferred, while a financial liability is derecognised on the settlement date. The amendments introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. Since the Group's accounting policy for the derecognition of financial assets and liabilities in prior years aligned with the amendments and the Group did not have the financial assets that were addressed by the amendments, the amendments did not have any impact on the interim condensed consolidated financial information. As the Group did not have equity investments designated at fair value through other comprehensive income that are in the scope of the amendments, the amendments did not have any impact on the interim condensed consolidated financial information.

(b) Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "**own-use**" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. As the Group did not have any contracts that are in the scope of the amendments, the amendments did not have any impact on the interim condensed consolidated financial information.

(c) *Annual Improvements to HKFRS Accounting Standards – Volume 11* set out narrow scope amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. The amendments include clarifications, simplifications, corrections or changes to improve consistency in the corresponding HKFRS Accounting Standards. The amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

Description of segments and principal activities

For management purposes, the Group is mainly engaged in manufacturing and sales of household air-conditioners and central air-conditioners in 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

	For the six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Chinese mainland	**8,870,390**	9,246,162
Asia (except for Chinese mainland)	**4,923,007**	6,063,792
European Union	**1,479,326**	2,210,038
North America	**1,082,764**	1,105,502
South America	**769,626**	938,515
Other countries/jurisdictions	**378,555**	521,070
Total revenue	**17,503,668**	20,085,079

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

(b) Non-current assets

	As at June 30, 2026	As at December 31, 2025
	RMB'000	*RMB'000*
	(Unaudited)	
Chinese mainland	**8,297,005**	7,855,230
Other countries/jurisdictions	**278,957**	322,416
Total non-current assets	**8,575,962**	8,177,646

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

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30, 2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**17,482,452**	20,062,276
Revenue from other sources		
Gross rental income from operating leases	**21,216**	22,803
Total	**17,503,668**	20,085,079

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended June 30, 2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods or services		
Sale of household air conditioners	**14,859,693**	17,525,173
Sale of central air conditioners	**1,746,623**	1,897,873
Installation services of household air-conditioners	**500,823**	389,423
Installation services of central air-conditioners	**29,824**	23,851
Others*	**345,489**	225,956
Total	**17,482,452**	20,062,276
Timing of revenue recognition		
Revenue recognized at a point in time:		
Sale of household air conditioners	**14,859,693**	17,525,173
Sale of central air conditioners	**1,746,623**	1,897,873
Installation services of household air-conditioners	**500,823**	389,423
Installation services of central air-conditioners	**29,824**	23,851
Others − sales of scrap and raw materials	**166,277**	192,634
Revenue recognized over time:		
Others	**179,212**	33,322
Total	**17,482,452**	20,062,276

* Others mainly consist of the Group's sales of scrap and raw materials and royalty income.

The revenue in the first half may be higher than that in the second half for every year, it is mainly due to the customers in overseas have higher demand from January to April and then it comes to warmer months in China so that distributors in China need to purchase air conditioners earlier than the peak summer months.

6. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**12,365,998**	13,825,355
Cost of services provided	**530,647**	388,274
Depreciation of property, plant and equipment	**277,229**	238,762
Depreciation of investment property	**11,002**	12,553
Depreciation of right-of-use assets	**33,021**	34,394
Amortization of software*	**9,459**	8,868
Amortization of patent*	**19,472**	19,472
Research and development costs	**368,417**	312,115
Lease payments not included in the measurement of lease liabilities	**73,367**	60,432
Auditor's remuneration	**1,036**	691
Listing expenses	**–**	14,825
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**922,945**	990,246
Pension scheme contributions and social welfare	**268,514**	305,655
Equity-settled share-based payment expenses	**5,269**	3,624
Total	**1,196,728**	1,299,525
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment property	**394**	1,894
Foreign exchange differences, net	**342,064**	6,009
Fair value gains of derivative financial instruments	**(3,781)**	(33,480)
Impairment loss of financial assets, net:		
Impairment loss of trade receivables, net	**46,921**	78,520
(Reversal of impairment loss)/Impairment loss of receivables at fair value through other comprehensive income	**(663)**	16,657
Impairment loss of financial assets included in prepayments, deposits and other receivables	**5,895**	1,212
Total	**52,153**	96,389
Write-down of inventories to net realizable value	**8,395**	22,271
Interest income	**(110,669)**	(47,465)
Losses on disposal of items of property, plant and equipment and intangible assets	**3,803**	918

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

7. INCOME TAX

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

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 the period at the respective rates prevailing in the relevant jurisdictions.

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

	For the six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax:		
Charge for the period	**364,422**	521,711
Underprovision in respect of prior periods	**29**	15,902
Deferred income tax	**(94,840)**	(45,045)
Total	**269,611**	492,568

8. DIVIDENDS

During the Period, a final dividend of HKD1.22 (equivalent to RMB1.06) per share in respect of the year ended December 31, 2025 was declared to the owners of the Company. The aggregate amount of the final dividend declared in the Period was HKD1,934,880,238 (equivalent to RMB1,683,529,312). The final dividend in respect of the year ended December 31, 2025 has been paid in August 2026.

The directors of the Company did not recommend the declaration of any interim dividend for the six months ended June 30, 2026 (six months ended June 30, 2025: Nil).

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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the period, as adjusted to reflect the rights issue during the period.

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 six months ended June 30, 2026 and 2025.

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

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent:	**1,107,948**	1,872,747
Shares		
Weighted average number of ordinary shares in issue during the period	**1,588,235,200**	1,350,000,000

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2026, the Group acquired assets at a cost of RMB310,198,000 (June 30, 2025: RMB359,200,000).

Assets (other than those classified as held for sale) with a net book value of RMB5,488,000 were disposed by the Group during the six months ended June 30, 2026 (June 30, 2025: RMB1,130,000), resulting in a net loss on disposal of RMB3,803,000 (June 30, 2025: RMB1,057,000).

11. LEASES

During the six months ended June 30, 2026, the Group acquired leasehold land at a cost of RMB:Nil (June 30, 2025: RMB410,745,000) which had been paid upfront during the current period, and additions to right-of-use assets related to leased buildings of RMB680,000 (June 30, 2025: RMB19,054,000).

12. TRADE AND BILLS RECEIVABLES

	As at June 30, 2026	As at December 31, 2025
	RMB'000	*RMB'000*
	(Unaudited)	
Trade receivables	**4,500,917**	2,331,100
Impairment	**(165,292)**	(125,703)
Trade receivables, net	**4,335,625**	2,205,397
Bills receivable	**1,134,258**	791,634
Trade and bills receivables	**5,469,883**	2,997,031

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

	As at June 30, 2026 *RMB'000* **(Unaudited)**	As at December 31, 2025 *RMB'000*
Within 3 months	**3,893,641**	1,624,501
3 to 6 months	**268,000**	284,520
6 to 12 months	**170,861**	294,845
1 to 2 years	**3,123**	1,531
Total	**4,335,625**	2,205,397

13. TRADE AND BILLS PAYABLES

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

	As at June 30, 2026 *RMB'000* **(Unaudited)**	As at December 31, 2025 *RMB'000*
Within 3 months	**7,678,875**	5,023,639
3 to 6 months	**80,422**	79,666
6 to 12 months	**7,986**	58,277
1 to 2 years	**2,767**	9,797
2 to 3 years	**2,178**	2,118
Over 3 years	**5,124**	7,998
Total	**7,777,352**	5,181,495

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance as at June 30, 2026 represents wealth management products issued by commercial banks in Chinese mainland, which were accounted for as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. As at June 30, 2026, the balance of wealth management products issued by any single commercial bank did not exceed 5% of the Group's total assets.

15. 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 statement 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.

16. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	June 30, 2026 *RMB'000* **(Unaudited)**	December 31, 2025 *RMB'000*
Buildings	**1,585,120**	1,814,702
Machinery	**110,429**	309,884
Total	**1,695,549**	2,124,586

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 integrate 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. We currently operate seven major industrial bases in locations such as Ningbo, Nanchang, Ma'anshan, Thailand and Wuhu, and have established three R&D centres in Ningbo, Zhuhai and Japan. Through our industry-first online wholesale new retail model, we have built a distinctive "Hello AUX (小奥直賣)" ecosystem, with business coverage across more than 160 countries and regions including North America, Europe, South America, Southeast Asia and the Middle East.

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

We remain committed to smart technology as our core focus, bridging the final mile between AI and users through AI voice interaction and one-click AI full-management functions. From 2022 to 2024, our smart voice-controlled air conditioners ranked No. 1 in national sales for three consecutive years. In 2025, our AI smart air conditioners ranked No. 1 in sales in China, and in 2024 and 2025, our smart air conditioners ranked first globally in sales for two consecutive years.

2. Industry Overview During the Reporting Period

According to AVC data estimates, China's retail sales volume of air conditioners amounted to 40.96 million units in the first half of 2026, representing a year-on-year decrease of 13.1%, while retail sales value amounted to RMB122.1 billion, representing a year-on-year decrease of 15.9%, mainly due to persistently elevated and volatile prices on the cost side and weak end-market demand. According to data from the General Administration of Customs, China exported 51.42 million air conditioners from January to June 2026, representing a year-on-year decrease of 9.2%, while export value amounted to US$9.63 billion, representing a year-on-year decrease of 9.7%. Regional divergence was highly pronounced, with the European market emerging as the biggest highlight in the first half of 2026, while localised conflicts further amplified market uncertainty.

According to AVC monitoring data, online air conditioner sales value from January to June 2026 recorded a cumulative year-on-year decrease of 25.3%. Traditional shelf-based e-commerce platforms showed weak growth, while emerging channels such as Douyin and Pinduoduo rapidly increased their market share. From a regional perspective, highly saturated replacement markets such as East China and South China recorded notable year-on-year declines, while lower-penetration regions such as Northeast China became structural bright spots. At the brand level, leading enterprises locked in market share through sub-brand strategies, while room for long-tail brands narrowed. The trend toward air-conditioner intelligence has become increasingly evident, driven by AI algorithms that are evolving from function execution to scenario-based services, and from standalone intelligence to whole-home cross-category coordination.

In overseas markets, demand diverged significantly across regions. In certain Southeast Asian countries, sustained high temperatures drove a steady recovery in end-market demand. Recurrent geopolitical conflicts in the Middle East affected demand release. Western Europe experienced extreme high temperatures, resulting in a concentrated surge in cooling demand, although channel inventory in regions such as Eastern Europe and Latin America remained at relatively high levels.

3. Business Performance of the Company During the Reporting Period

(1) Quality-centred R&D driving technological innovation and rapid product iteration

We have consistently persisted in continuous investment in core technology research and have 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.

We currently have two national-level innovation platforms, namely a National Enterprise Technology Centre and a National Industrial Design Centre. As of the first half of 2026, we had obtained two additional first-and second-class provincial/ministerial science and technology awards, bringing our cumulative total to 19 provincial/ministerial science and technology awards and 15 international awards. In industrial design, we won three top-tier international awards in the first half of 2026, including two German Red Dot Product Design Awards, one U.S. IDEA Design Award and one China Design Patent Silver Award.

As of the first half of 2026, we newly participated in the formulation or revision of two national technical standards, bringing the cumulative total of technical standards in which we have participated in formulating or revising to more than 174. We also continued to optimise the commercialisation of innovation achievements and the layout of patent protection. In the first half of 2026, we obtained 557 newly authorised patents worldwide, including four overseas authorised patents. As of the first half of 2026, our global patent applications exceeded 18,600, and the number of maintained authorised invention patents exceeded 3,600. We have continuously advanced patent quality enhancement and have won a cumulative total of eight awards, all Excellence Awards, in previous China Patent Award selections.

We remain committed to deepening product R&D in four major directions: energy saving, comfort, health and intelligence. At the same time, we have conducted in-depth fundamental air-conditioning research, such as wide-temperature reliability, enabling reliable operation within an outdoor temperature range of −35°C to 65°C. By applying vapor injection enthalpy enhancement technology, we have significantly improved ultra-low-temperature heating capability, with a maximum increase of 30%. Equipped with high-efficiency refrigerant cooling technology, the system uses the air conditioner's own refrigerant circulation to quickly remove heat generated by controller components, ensuring the normal operation of electronic control components under ultra-high-temperature conditions and enhancing high-temperature reliability.

We have also focused on improving temperature control precision. Our self-developed non-stop defrosting technology intelligently determines when light frost forms based on feedback signals and initiates defrosting without shutdown. Under this mechanism, light frost on the outdoor unit can be removed while the indoor unit continues to provide heating. Under standard low-temperature heating conditions, this enables continuous heating for 24 hours. Compared with traditional reverse-cycle defrosting technology, indoor temperature fluctuation during defrosting is reduced from 6°C to 2°C.

In intelligent interaction, we launched our flagship "Good Air AI Air Conditioner" products – the Air Butler i8/i9 series. The entire product range adopts a Bauhaus-inspired light luxury design language and won the German Red Dot Design Award. At the same time, the products obtained L4-level smart certification and are capable of real-time indoor environment monitoring, enabling one-click full management of temperature, humidity, airflow, purification and fresh air, thereby achieving a leap from passive temperature adjustment to proactive air management while saving both money and space. In terms of hardware, the products are equipped with the industry's first 3D gentle-breeze technology, combined with canopy-and-carpet airflow and sound-source positioning, eliminating direct blasts of cold air. Together with top-tier L5 AI voice capabilities, the system understands what users say and does what they want.

Based on comfort and health, we have self-developed ultra-quiet indoor and outdoor unit technologies. Equipped with bionic air ducts, diagonal-flow silent fan blades, PID frequency control technology and high-density sound-absorbing cotton, together with adaptive outdoor fan speed control, our products achieve indoor unit operating noise as low as 15 decibels and outdoor unit operating noise as low as 38 decibels. They are also equipped with millimetre-wave radar technology to intelligently detect human activity and realise airflow avoidance and airflow-following functions. When no person is detected, the system automatically reduces frequency or shuts down to achieve energy-saving effects.

In the central air-conditioning segment, we launched the X9 top-discharge and X9-F side-discharge series, leading the VRF market toward larger capacity and energy-saving transformation. The top-discharge series supports up to 44 HP, while the side-discharge series supports up to 26 HP. The newly designed low-power main control circuit reduces outdoor unit standby power to as low as 1W, saving electricity and improving energy efficiency. The IP55 fully sealed electronic control box protects control components from external interference, while the industry-leading electronic control cooling technology enables stable operation at temperatures as high as 58°C.

At the same time, we launched large-capacity commercial heat pumps that provide integrated air-conditioning and hot water solutions. Featuring a family-style premium "quiet blue" exterior, A+++ energy efficiency, operation at ultra-low temperatures of −30°C, outlet water temperatures up to 85°C, minimum outdoor unit noise of 40dB(A), and a wide single-unit cooling capacity range of 22–40kW, the products support up to eight units in parallel within a single system and achieve a maximum capacity of 320kW, covering all scenarios from residential to commercial use.

(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

We have continued to deepen the transformation of our online wholesale new retail model and to advance "deep channel integration, omni-domain digital traffic acquisition and intelligent ecosystem development".

To accurately respond to customer needs and comprehensively improve service satisfaction, we have established the "AUX Cloud Warehouse" system. This system enables unified nationwide inventory management, intelligent allocation and resource sharing, and creates a full digital closed loop covering warehousing, distribution and fulfilment. It effectively addresses industry pain points such as inventory backlog and delayed regional stock transfers, significantly improving supply chain turnover efficiency and terminal fulfilment capabilities. At the same time, the cloud warehouse system is deeply integrated with the “Hello AUX” ecosystem, connecting brands, channels and end-users directly and realising transparency throughout the entire process of transactions, delivery, traceability and after-sales service. This has created an efficient and lean digital sales model that strengthens back-end support while strongly empowering front-end sales.

The cloud warehouse system was officially launched in May 2026 and had already been successfully rolled out in Zhejiang, Jiangxi and Guangxi in the first half of 2026.

Meanwhile, we have focused on deepening user value and continuously strengthening user stickiness. Through digital systems, we accurately accumulate user data and analyse consumption demand, enabling refined user operations and customised services and moving away from the traditional single-dimensional product distribution model. Supported by comprehensive after-sales protection and convenient digital services, we continue to improve user consumption experience and repurchase rates.

In user operations, we shifted toward a “diversified and premium” operating approach and successfully established regular activities such as “community group buying”, “theme pop-up events”, “cross-industry alliances” and “store livestreaming”, thereby deepening user touchpoints. We also innovated our To-C (consumer facing) communication model and broke through the communication barriers of the home appliance industry by placing advertisements on the nationwide 12306 railway media platform, partnering with the two well-known domestic intellectual properties (“**IP**”) “吾皇貓” and Shanghai Animation Film Studio for integrated marketing campaigns, and leveraging major campaigns such as the AUX Fans Festival and mid-year promotional events to achieve simultaneous breakthroughs in brand exposure and conversion. We also showcased cutting-edge products and technologies at AWE and the Canton Fair, and partnered with Milu for World Cup sports marketing to broaden our brand influence in both domestic and overseas markets. We actively embraced the transformation of new retail by launching instant retail delivery and installation services and connecting online and offline traffic channels. We also deeply integrated with the WeChat ecosystem, building our own traffic pool through a combination strategy of “mini-programs + social e-commerce + private domain operations” to empower customer fission and traffic generation. By building a full-domain traffic system that combines public-domain customer acquisition with long-term private-domain operations, we achieved efficient traffic conversion and continuously drove growth in both store traffic and sales.

(3) ***Accelerating global expansion, strengthening localisation of overseas operations and increasing sales of self-owned brands***

In the first half of 2026, for overseas markets, we launched the industry's first single-axial square cabinet-style air conditioner. Taking the high-energy-efficiency market in Saudi Arabia as an example, the product achieved T1 cooling capacity of 60K, T3 high-temperature cooling capacity of 54K, ultra-long-distance airflow delivery of 25 metres, and ultra-large air volume of 2,800 m^3/h, all of which are at industry-leading levels. For the European market, based on user scenarios where outdoor units are installed near windows or on balconies, we launched a one-click ultra-silent function, reducing outdoor unit noise to as low as 35 decibels and indoor unit noise to as low as 15 decibels, effectively addressing noise-related pain points. For ultra-low-temperature application scenarios, we launched ultra-low-temperature models capable of normal operation at −40°C and non-attenuated heating performance at −25°C, thereby ensuring heating effectiveness during extremely cold winters.

Our premium sub-brand ShinFlow launched the new I Series wall-mounted units, which integrate multiple intelligent functions, including smart voice, local intelligent control, app-based remote smart control and AI smart energy saving. Equipped with innovative millimetre-wave radar sensing technology, the products can accurately identify the positions of people indoors and achieve airflow-following and directional smart airflow delivery, creating a personalised and comfortable cooling experience and precisely adapting to the local needs of Southeast Asian markets.

For the Vietnam market, the I Series is equipped with core functions including AI energy saving, WiFi smart connectivity, voice control and UVC sterilisation, delivering a comprehensive home experience featuring high efficiency and energy saving, remote smart control, clean air and even airflow for Vietnamese households. For the Malaysian market, the products focus on human-sensing technology, AI energy saving, voice control and ultraviolet air purification functions, enabling adaptive airflow adjustment based on human position and movement to create a personalised and comfortable experience while maintaining quiet operation and a healthy indoor living environment. For the Thai market, the I Series is equipped with six core features, namely human sensing, AI energy saving, voice and WiFi smart control, silent airflow delivery, highly efficient PM2.5 filtration and easy maintenance, precisely meeting the upgraded needs of urban Thai households for intelligent cooling, clean air and convenient operation.

We remain firmly committed to our self-owned brand strategy. As of the first half of 2026, we had established sales companies in ten countries, namely Italy, Spain, Saudi Arabia, the United Arab Emirates, Malaysia, Thailand, Vietnam, Indonesia, the United States and Egypt, and we continue to promote the localisation of "R&D, marketing and services".

We continued to advance the development of our overseas after-sales service system. In the first half of 2026, we newly added two major European after-sales service networks in Italy and Spain. Our overseas after-sales service network covers seven countries and regions, namely Malaysia, Thailand, Vietnam, Dubai, Saudi Arabia, Spain and Italy, with more than 1,100 after-sales service outlets in total. Through warehouse deployment, precise stockpiling of core spare parts and pre-positioned inventory at service outlets, we ensure spare parts delivery within 24 hours and improve first-time repair rates. Relying on a multilingual call centre and the Global Customer Service System (GCSS) after-sales service system, we conduct 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, our 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, we have also introduced high-standard service policies in key overseas markets, such as a 10-year warranty on compressors and 365-day replacement-only, forming differentiated overseas service competitiveness and strengthening our after-sales service reputation in overseas markets.

(4) Comprehensively advancing digital transformation to improve efficiency and sustain competitiveness

In the domestic market, we have established a six-core-value intelligent cloud warehouse system, comprehensively reducing burdens on channel merchants from six dimensions: cost saving, peace of mind, convenience, time saving, labour saving and manpower saving. Based on retail rights and credit ratings, we provide benefits such as exemption from warehouse rental fees, exemption from delivery fees and interest-free cloud credit. The system also allows channel partners to lock in distributor policies, place replenishment orders with one click and view operating data in real time. It supports direct shipment from manufacturers, inventory sharing and unified warehouse custody. It also enables intelligent reconciliation, eliminates the need for manual inventory counting and allows direct order placement and shipment to users. Supported by integrated delivery-and-installation services and end-to-end logistics tracking, the system also reduces manpower expenses for warehouse management, drivers and finance personnel. Through multiple digital warehousing functions, it effectively reduces merchants' pressures relating to warehousing rental, working capital turnover and manpower operations.

For channel management, we have continued to optimise "AUX Manager (小奥管家)", which supports multi-dimensional data dashboards, enabling frontline sales teams, distributors 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, the system can systematically carry out a series of operational tasks such as store network expansion, on-site store inspections, execution of promotional campaigns, personnel training and terminal empowerment, further improving the management standards and operational efficiency of channel terminals.

In overseas markets, we have strengthened the construction of our overseas digital system, covering ten overseas sales companies and achieving standardised online management of overseas distribution, finance and after-sales service processes. We also completed the full-process digitalisation rollout at the Thailand factory, filling the gap in overseas manufacturing systems and enabling integrated online circulation of overseas order placement, plant production, finished goods warehousing and export customs documentation, thereby connecting data between the overseas sales side and the Southeast Asian manufacturing side.

On the R&D side, we have continued to build our digital R&D system. Digital tools are used to connect the full process from demand insight, product planning, simulation verification and modular development. Leveraging the digital platform to connect with the Japan R&D centre, we have achieved real-time interconnection between domestic and overseas R&D. Through digital analysis of user profiles, we accurately capture differentiated domestic and overseas needs, while deepening platform modularisation in parallel and significantly improving the precision of new product planning. In addition, digital technologies such as large AI models, digital twin simulation and intelligent algorithm testing have been implemented, enabling unified management of R&D drawings, simulation data and experimental reports. The digital R&D system has become a core support for our technological innovation and differentiated product breakthroughs.

On the manufacturing side, we have continued to promote intelligent development at our three major bases in Ningbo, Ma'anshan and Nanchang. At the Ningbo base, we newly launched an electronic intelligent warehouse and a self-developed Vendor Managed Inventory (VMI) warehouse, realising fully unmanned distribution of electronic materials and achieving a 99% on-time material completeness rate.

In line with our global capacity planning, we have also advanced the digital upgrade of the Thailand production base. Our self-developed Manufacturing Operations Management (MOM) system has been formally launched at the Thailand base, realising full-process digitalisation from order placement to shipment. On this basis, we continue to advance comprehensive digital coverage of personnel, machines, materials, processes and environment.

In terms of IT infrastructure, we have established two overseas cloud data centres in Singapore and Frankfurt and connected them simultaneously with compliant public cloud resources in various regions, forming a hybrid distributed computing foundation of "local IDC + public cloud". The Singapore node serves as the global operations and traffic scheduling hub and carries the full business traffic in the Asia-Pacific region. The Frankfurt node strictly complies with the GDPR and supports localised business operations, enabling user services and local data storage in Europe.

Relying on high-quality cross-border dedicated lines from domestic telecom operators, we have built a closed-loop global SD-WAN ring network. Through our AI computing power scheduling platform, we have connected domestic IDCs with overseas cloud data centres to enable intelligent and dynamic allocation between local private computing power and public cloud elastic computing power. Resources are automatically scaled up or down according to business load, balancing computing cost and service stability. At the same time, the network is supported by an AI full-domain network operations and maintenance system that monitors key indicators such as network bandwidth, latency, packet loss and link load on a 24/7 basis. Through AI algorithms, the system predicts congestion and line failures and automatically switches to the optimal transmission path within milliseconds, continuously iterating and optimising global cross-border access performance to ensure low-latency and stable access for overseas branches and global end users.

The system is also supported by standardised and compliant cross-border data procedures. By region, data isolation, desensitisation and full-operation log auditing have been completed, enabling cross-regional data interconnection on a compliant and controllable basis. This entire global IT foundation has been deeply applied to various AI scenarios: hybrid computing scheduling supports global business intelligence analysis and overseas localised AI customer service; AI network monitoring systems enable automated fault diagnosis and intelligent bandwidth governance. With integrated computing power and intelligent network infrastructure, we comprehensively support the Company's long-term global digital and intelligent development.

Around our AI ecosystem strategy, we have continued to deepen the integration of AI technologies across the entire business chain, using digital methods to resolve business bottlenecks, optimise operational processes and strengthen risk controls. Through industry benchmarking and scenario-based self-identification, we have successfully deployed AI application scenarios across R&D, legal, finance, sales, service, manufacturing, supply chain and IT, focusing on core business pain points and converting frontline practical experience into standardised digital capabilities, thereby effectively reducing dependence on individual experience.

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 32 years. We currently operate seven major industrial bases in locations such as Ningbo, Nanchang, Ma'anshan, Thailand and Wuhu, and have three R&D centres in Ningbo, Zhuhai and Japan. Our business has expanded to more than 160 countries and regions including North America, Europe, South America, Southeast Asia and the Middle East.

We were the exclusive official air conditioner supplier for the 19th Asian Games Hangzhou. From 2018 to 2024, we ranked among the top three globally in terms of sales of household split-type air conditioners for seven consecutive years. From 2022 to 2024, our smart voice-controlled air conditioners ranked No. 1 in national sales for three consecutive years.

We have also received two authoritative recognitions: from 2024 to 2025, our smart air conditioners ranked first globally in sales for two consecutive years, and in 2025, our AI smart air conditioners ranked No.1 in sales in China. These two credentials strongly demonstrate our industry-leading position in the smart air-conditioning sector.

We have built a multi-layered brand matrix, with "AUX" as our main brand for the global market, "Hutssom (華蒜)" targeting the high cost-performance mass market, "AUFIT" focusing on younger consumer groups, and "ShinFlow" positioning 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

We continue to deepen our R&D philosophy that "quality is the foundation and innovation is the soul". With global R&D deployment, substantial technology reserves and core breakthroughs across multiple fields as the foundation, we deeply integrate R&D innovation into the entire value chain of our core businesses such as home appliances and heat pumps, thereby achieving deep integration of technological innovation with market demand and green development.

We have a 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. We hold two national China National Accreditation Service for Conformity Assessment (CNAS) laboratory certifications and have established 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.

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

Our 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. Our Power-Saver Hero Ultra model can reduce electricity consumption by up to 48%. Our 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 our Changxiang Wind 2Plus air conditioner won the "Annual Product Innovation" award. At the same time, digitalisation is used to enhance product development capabilities by establishing a digital product planning platform, accelerating the conversion of technologies into products that meet customer needs. We also continue to deepen platform modularisation, effectively improving the accuracy of product planning and implementation success rates. Leveraging our rich product portfolio and economies of scale, integrating digital consumer interaction models, and continuously refining user research and insight capabilities, we empower efficient R&D strategy formulation and create products, technologies and solutions aligned with market demand.

We adhere to a combination of independent R&D and open collaboration, continuously deepening cross-sector ecosystem cooperation and promoting the application of frontier technologies. We have entered into AI technology cooperation with leading companies such as Alibaba and Baidu, deeply integrating our 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 appliances" to "emotional intelligent agents". At the same time, at the level of basic research, we have 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

Our pioneering "Hello AUX" ecosystem centres on five key business scenarios: procurement, sales, promotion, training and service, and 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.

In building all-channel coverage, we adhere to a full-scenario, full-region and full-customer-segment channel layout. Offline, we optimise store networks in first-and second-tier core business districts, community experience stores and township specialty stores, continue to penetrate county-level and previously uncovered markets, and complete standardised upgrades of terminal stores to strengthen our offline retail foundation. Online, we establish a full-domain presence across mainstream e-commerce platforms, content livestreaming, local instant retail and private-domain community channels, while also connecting B-end incremental channels such as home decoration packages and government and enterprise bulk procurement, thereby realising online-offline integration.

At the same time, we newly launched the cloud warehouse system, achieving deep integration between the two systems and enabling visualised and intelligent full-process management of warehousing allocation, inventory sharing, regional stock transfer and fulfilment delivery. This precisely activates full-domain inventory resources, effectively reduces the risk of slow-moving inventory and improves fulfilment efficiency. We also implement "streamlining and efficiency enhancement" to optimise channel operating quality and efficiency. We continue to promote channel flattening reform, reducing redundant links in multi-tier distribution and opening efficient pathways for brands to reach terminals directly. Resources are concentrated to empower high-quality benchmark stores, significantly improving single-store operating efficiency.

In the process, we have also strictly rectified channel price disorder and cross-region product diversion to standardise market order. By streamlining layers, procedures and irregularities, we effectively reduce channel operating costs, safeguard reasonable distributor profits and build a healthy and sustainable channel ecosystem.

(4) Continuously deepening global layout

In the domestic market, our self-developed "Hello AUX" smart digital marketing engine serves as an industry-specific 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, we have replicated the mature domestic "Hello AUX" new retail model abroad and established a full-chain overseas operating system connecting "product R&D, marketing, channel deployment and after-sales service". Our self-developed overseas sales app, "HelloAUX", helps users complete online product selection and order placement. Our self-developed overseas service app, "AUXService", provides users with fast and convenient after-sales service and has already achieved 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 our 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, we have established an integrated full-chain sales platform covering factories, overseas warehouses, customers, sales and after-sales services, serving markets in the Americas, Europe and Asia. Our 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 decision implementation. 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, we have established the PIDD development model for product innovation, covering the full process from demand to market launch, overturning the traditional mass-production development model and implementing it digitally through PLM. Through AI, we have developed intelligent design tools based on R&D design standards and benchmark cases, expanded simulation applications to T-category projects and significantly shortened the design process. Through national configuration selection, we have enhanced our ability to meet customer needs, reduced configuration complexity and improved order delivery experience.

In the supply chain field, we have continuously deepened supplier full-life-cycle management. Relying on our Supplier Relationship Management (SRM) system, we have upgraded supplier admission, fulfilment, assessment and elimination processes toward greater standardisation, transparency and refinement. We have strengthened fulfilment process control and closed-loop exception handling, carried out supplier performance evaluations, issue rectification and dynamic replacement, and built a stable and efficient supply chain ecosystem featuring survival of the fittest, collaboration and mutual benefit.

In intelligent manufacturing, we have built a 100%-self-owned-intellectual-property MOM system, which, following successful adaptation in the compressor business, has also been successfully applied to the air-conditioning business. The system covers major manufacturing business domains including production, quality, warehousing and equipment, achieving complete independence and controllability of core production systems. At the same time, we have built a benchmark "lights-out factory" for the industry, deepened the functions of the 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 bases.

In sales, with the "AUX App" at the core, we have built the AUX digital ecosystem, integrating retail sales data and leveraging the funding capabilities of Agricultural Bank of China to obtain 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 wholesale new 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 exposure; benchmarking; and product leadership". 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.

FUTURE DEVELOPMENT PROSPECTS OF THE COMPANY

1. Development Strategy of the Company

We will take technological innovation as our core engine and firmly implement our strategies of internationalisation, overseas self-owned products and central air conditioning, while continuously deepening our global layout. We will continue to increase R&D investment, focusing on intelligent control, high-efficiency energy saving, in-house development of core components and green low-carbon technologies, so as to build core barriers through technological innovation and drive product premiumisation and brand upgrading. We will remain committed to internationalisation, further consolidating our leading markets, increasing market share in weaker markets and breaking into major untapped markets. We will continue to pursue our overseas self-owned product strategy, advance the establishment of overseas sales companies and plan to set up three to five sales companies each year, with local teams gaining deep insights into customer needs while also establishing after-sales service outlets and piloting e-commerce operations. We will strengthen our central air-conditioning business, upgrade domestic products, focus on heavy commercial business in overseas markets, accelerate R&D for adaptive products, and deepen our presence in core regions such as Europe, South America, the Middle East and Africa.

2. Key Operational Priorities for 2026

In 2026, external uncertainties continue to intensify. In response, we will remain focused on the following core tasks and address external challenges through determined measures to ensure stable and orderly operations and achieve steady development.

(1) **Firmly advancing internationalisation:** As the world's fifth-largest air conditioner supplier, our products are sold in more than 160 countries and regions, forming a comprehensive global layout featuring leadership in advantaged markets, breakthroughs in high-potential markets and entry into untapped markets. We will deepen our strategy of global localisation, focus on high-potential core regions and promote the transformation of our overseas markets from mere "scale expansion" to "dual enhancement of scale + profit". We will continue to consolidate our mature and advantaged markets in Southeast Asia and the Middle East, leveraging the favourable momentum created by our previous brand expansion and strong market sales. We will further cultivate core countries and regional markets, strengthen localised brand promotion, terminal operations and scenario-based marketing implementation, continuously reinforcing our leading regional market position and stabilising our core market base. At the same time, we will focus on making breakthroughs in emerging high-potential markets such as Europe, Latin America and Central and Eastern Europe, deeply adapting to local policy standards, consumption trends and market rules, making up for the shortcomings in new market growth and cultivating new growth curves. Our Original Design Manufacturer

(ODM) business will continue to maintain its leading cost advantages and efficient delivery capabilities, while our Original Brand Manufacturer (OBM) business will continue to pursue the coordinated development of the national distributor model and sales company model in parallel, as we move toward becoming a globally recognised brand.

(2) **Firmly promoting self-owned brands:** We will strengthen our AI smart brand positioning and enhance brand premium through a multi-layered brand matrix. Positioned as the "preferred choice for smart air conditioning", we will continue to increase brand communication across all domains, maintain our marketing approach through IP collaborations, exhibitions and sports marketing, and continuously communicate the differentiated selling points of our AI whole-home air solutions. We will accelerate the launch of product series integrating large AI models, cloud voice systems and AIoT whole-home interconnection, thereby upgrading our brand positioning from value-for-money to intelligence-driven value.

We will operate our four major brands in a layered manner: AUX will consolidate the mainstream smart air-conditioning market; Hutssom will deepen its penetration of the mass affordable market; AUFIT will further target younger consumers; and ShinFlow will expand into overseas premium experience stores and high-end property channels, continuously raising our overall brand premium. At the same time, we will continue to develop our self-owned brands overseas by planning to establish three to five new overseas sales companies each year. Through a coordinated "national distributor + sales company" model, we aim to drive the rapid expansion of our overseas self-owned brand business. In parallel, we will implement localised product customisation and establish localised service networks overseas, continuously enhancing the global influence of our self-owned brands and accelerating the transformation from "product export" to "brand export".

(3) **Deepening the central air-conditioning business:** We will continue to drive market growth through sustained product innovation and global expansion. In the domestic market, we will continue to deepen our VRF business, accelerate the promotion of core products such as the X9 series, and focus on key sectors including municipal and industrial construction, commercial buildings, hotels and education. We will also continue to improve our product portfolio in areas such as large water chillers to cultivate new growth drivers. In overseas markets, we will focus on advancing heavy commercial businesses such as heat pumps, concentrating on core regions including Europe, the Middle East, North America, South America and Southeast Asia, accelerating the development of products, channels and certification systems, and continuously increasing both the influence of our self-owned brands and the contribution of the central air-conditioning business.

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

3. Risks Faced and Countermeasures

(1) Geopolitical conflict risk

Geopolitical conflicts bring multiple external uncertainties and continue to put pressure on the air-conditioning industry. Conflicts disrupt global energy supply, drive up crude oil prices and increase air conditioner production costs. The growing navigation risks in key Middle Eastern shipping routes have led to higher ocean freight rates and longer transportation cycles, increasing export fulfilment pressure. As the Middle East is an important overseas market for our air conditioners, geopolitical instability may suppress local end-market demand and weaken order stability.

(2) Exchange rate fluctuation risk

As our overseas revenue accounts for nearly 50% of total revenue, and the import and export of our products involve foreign currencies such as U.S. dollars, euros, Japanese yen and Thai baht, fluctuations in the exchange rates of the relevant currencies may affect our financial position and increase financial costs. Overseas sales are mainly conducted in the local currencies of the countries and regions in which we operate, while our consolidated financial statements are prepared in Renminbi ("**RMB**"). Accordingly, we are 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.

(3) Risk of raw material price fluctuation and supply shortage

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

(4) Overseas operational risk

As our overseas revenue accounts for approximately 50% of total revenue and our products are sold to more than 160 countries and regions, our 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.

(5) 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 profits, reduce the price competitiveness of products and result in fewer orders from relevant countries. Frequent policy changes further heighten operating uncertainty, and we 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.

(6) Price war risk

Intensified competition in the air-conditioning industry may trigger price wars. Continuous price reductions to capture market share could significantly squeeze profit margins, and rising costs of raw materials such as copper may further reduce profits. We will increase R&D investment, improve product mix, raise the proportion of high-margin products and improve profitability.

FINANCIAL REVIEW

In the first half of 2026, the Group's revenue amounted to approximately RMB17,503.7 million, representing a decrease of 12.9% from RMB20,085.1 million in the first half of 2025.

In the first half of 2026, profit attributable to owners of the Company amounted to RMB1,107.9 million, representing a decrease of 40.8% from approximately RMB1,872.7 million in the first half of 2025.

REVENUE

The table below sets forth the absolute amounts and percentages of the Company's revenue by types of goods for the six months ended June 30, 2026 and 2025.

	For the six months ended June 30,				
	2026		2025		Change
	RMB'000	***% of Revenue***	*RMB'000*	*% of Revenue*	*%*
	(Unaudited)		(Unaudited)		
Household air conditioners	**15,388,485**	**87.9**	17,914,592	89.2	(14.1)
– Wall-mounted units	**13,054,275**	**74.6**	15,386,493	76.6	(15.2)
– Cabinet-style units	**2,083,190**	**11.9**	2,338,494	11.6	(10.9)
– Mobile units	**251,020**	**1.4**	189,605	1.0	32.4
Central air conditioners	**1,748,479**	**10.0**	1,921,724	9.6	(9.0)
Others	**366,704**	**2.1**	248,763	1.2	47.4
Total	**17,503,668**	**100.0**	20,085,079	100.0	(12.9)

Note: Any discrepancies in any table or chart between the total shown and the sum of the amounts listed in this announcement are due to rounding.

In the first half of 2026, the Company achieved revenue of RMB17,503.7 million, representing a year-on-year decrease of 12.9%, of which revenue from household air conditioners amounted to RMB15,388.5 million, representing a year-on-year decrease of 14.1%; revenue from central air conditioners reached RMB1,748.5 million, representing a year-on-year decrease of 9.0%; and revenue from others amounted to RMB366.7 million, representing a year-on-year increase of 47.4%. The decrease in revenue was mainly attributable to, inter alia, the ongoing geopolitical tensions in the Middle East and subdued domestic end-consumer demand.

The revenue from sales of household air conditioners decreased by 14.1% from RMB17,914.6 million for the first half of 2025 to RMB15,388.5 million for the first half of 2026, primarily attributable to (1) geopolitical tensions in the Middle East leading to a decline in sales volume in the region; and (2) the appreciation of RMB, which together resulted in a decrease in overseas revenue.

The revenue from sales of central air conditioners decreased by 9.0% from RMB1,921.7 million for the first half of 2025 to RMB1,748.5 million for the first half of 2026, primarily attributable to the decrease in overseas revenue driven by the appreciation of RMB.

The table below sets forth the absolute amounts and percentages of the Company's revenue by brand for the six months ended June 30, 2026 and 2025.

	For the six months ended June 30,				
	2026		2025		Change
	RMB'000 **(Unaudited)**	***% of Revenue***	*RMB'000* (Unaudited)	*% of Revenue*	*%*
AUX	**9,167,537**	**52.4**	9,955,544	49.6	(7.9)
Hutssom	**370,089**	**2.1**	503,216	2.5	(26.5)
AUFIT	**924,050**	**5.3**	516,215	2.6	79.0
ODM	**6,675,287**	**38.1**	8,861,341	44.1	(24.7)
Other business	**366,704**	**2.1**	248,763	1.2	47.4
Total	**17,503,668**	**100.0**	20,085,079	100.0	(12.9)

From a brand perspective, our revenue was mainly driven by product sales of AUX products, recorded revenue of RMB9,167.5 million, representing a year-on-year decrease of 7.9%. The revenue from sales of AUFIT products increased by 79.0% from RMB516.2 million for the first half of 2025 to RMB924.1 million for the first half of 2026, primarily attributable to the remarkable effectiveness of brand operations.

The following table provides a breakdown of the Company's revenue by geographical location, both in absolute amounts and as a percentage of total revenue, for the six months ended June 30, 2026, and 2025.

	For the six months ended June 30,				
	2026		2025		Change
	RMB'000 **(Unaudited)**	***% of Revenue***	*RMB'000* (Unaudited)	*% of Revenue*	*%*
Chinese mainland	**8,870,390**	**50.7**	9,246,162	46.0	(4.1)
Asia (except Chinese mainland)	**4,923,007**	**28.1**	6,063,792	30.2	(18.8)
Europe	**1,479,326**	**8.5**	2,210,038	11.0	(33.1)
North America	**1,082,764**	**6.2**	1,105,502	5.5	(2.1)
South America	**769,626**	**4.4**	938,515	4.7	(18.0)
Other countries/regions	**378,555**	**2.2**	521,070	2.6	(27.4)
Total	**17,503,668**	**100.0**	20,085,079	100.0	(12.9)

From a regional contribution perspective, revenue in the first half of 2026 decreased by RMB2,581.4 million compared to the first half of 2025, primarily attributable to the net impact of decrease in revenue of RMB1,140.8 million from Asia (except Chinese mainland) (mainly the Middle East).

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the breakdown of the Company's gross profit and gross profit margin by types of goods for the six months ended June 30, 2026, and 2025.

	For the six months ended June 30,			
	2026		2025	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Household air conditioners	**2,364,035**	**15.4**	3,209,066	17.9
Central air conditioners	**481,768**	**27.6**	594,855	31.0
Others	**323,864**	**88.3**	118,961	47.8
Total	**3,169,667**	**18.1**	3,922,880	19.5

The Company's overall gross profit margin for the first half of 2026 decreased from 19.5% in the first half of 2025 to 18.1%. The decrease was mainly caused by lower gross profit on export sales resulting from the persistently elevated level of raw material costs and appreciation of RMB. 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 the six months ended June 30, 2026 and 2025.

	For the six months ended June 30,			
	2026		2025	
	RMB'000	***% of Revenue***	*RMB'000*	*% of Revenue*
	(Unaudited)		(Unaudited)	
Selling and distribution expenses	**756,969**	**4.3**	806,575	4.0

In the first half of 2026, the Company's selling and distribution expenses amounted to RMB757.0 million, representing a year-on-year decrease of 6.2%. This decrease was primarily due to the decrease in freight and miscellaneous expenses resulting from the decline in sales volume. Selling and distribution expenses as a percentage of revenue were approximately 4.3% and 4.0% in the first half of 2026 and in the first half of 2025, respectively.

ADMINISTRATIVE EXPENSES

The table below sets forth the Company's administrative expenses and percentage of revenue for the six months ended June 30, 2026 and 2025.

	For the six months ended June 30,			
	2026		2025	
	RMB'000	***% of Revenue***	*RMB'000*	*% of Revenue*
	(Unaudited)		(Unaudited)	
Administrative expenses	**509,302**	**2.9**	542,078	2.7

In the first half of 2026, the Company's administrative expenses amounted to RMB509.3 million, representing a year-on-year decrease of 6.0%. This decrease was primarily due to the streamlined management structure, which resulted in a decrease in remuneration. Administrative expenses as a percentage of revenue were approximately 2.9% and 2.7% in the first half of 2026 and in the first half of 2025, respectively.

RESEARCH AND DEVELOPMENT EXPENSES

The table below sets forth the Company's research and development expenses and percentage of revenue for the six months ended June 30, 2026 and 2025.

	For the six months ended June 30,			
	2026		2025	
	RMB'000	***% of Revenue***	*RMB'000*	*% of Revenue*
	(Unaudited)		(Unaudited)	
Research and development expenses	**368,417**	**2.1**	312,115	1.6

In the first half of 2026, the Company's research and development expenses amounted to RMB368.4 million, representing a year-on-year increase of 18.0%. This increase was primarily due to the increase in investment in moulds, R&D materials and related items resulting from intensified R&D efforts for new products. Research and development expenses as a percentage of revenue were approximately 2.1% and 1.6% in the first half of 2026 and in the first half of 2025, respectively.

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 the first half of 2026, the Company's net impairment loss on financial assets amounted to RMB52.2 million, representing a year-on-year decrease of 45.9%. 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 the first half of 2026, the Company's other expenses amounted to RMB363.5 million, compared to RMB57.1 million in the first half of 2025. This increase was primarily due to the increase in exchange losses resulting from the continuous appreciation of RMB against major currencies.

FINANCE COSTS

Finance costs primarily represent interest incurred on bank borrowings and interest on lease liabilities. In the first half of 2026, the Company's finance costs amounted to RMB17.0 million, representing a year-on-year decrease of 52.1%. This decrease was primarily due to the decrease in forfaiting and bank borrowings.

PROFIT FOR THE PERIOD

For the foregoing reasons, the Company's net profit decreased by 40.8% from RMB1,872.7 million in the first half of 2025 to RMB1,107.9 million in the first half of 2026.

FINANCIAL POSITION

	As of June 30, 2026	As of December 31, 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current assets	**9,901,429**	9,447,249
Current assets	**25,102,952**	21,972,037
Current liabilities	**23,951,395**	19,619,923
Non-current liabilities	**1,879,493**	1,840,976
Net assets	**9,173,493**	9,958,387

The Company's non-current assets increased from RMB9,447.2 million as of December 31, 2025 to RMB9,901.4 million as of June 30, 2026, primarily due to the increase in investment in property, plant and equipment.

The Company's current assets increased from RMB21,972.0 million as of December 31, 2025 to RMB25,103.0 million as of June 30, 2026, primarily due to the increase in trade and bills receivables.

The Company's current liabilities increased from RMB19,619.9 million as of December 31, 2025 to RMB23,951.4 million as of June 30, 2026, primarily due to the increase in trade and bills payables.

The Company's non-current liabilities increased from RMB1,841.0 million as of December 31, 2025 to RMB1,879.5 million as of June 30, 2026, mainly due to the increase in interest-bearing bank borrowings.

The Company's net assets decreased from RMB9,958.4 million as of December 31, 2025 to RMB9,173.5 million as of June 30, 2026, mainly due to the distribution of the final dividend for year 2025.

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 of June 30, 2026, the Group had a current ratio of 1.05 (December 31, 2025: 1.12).

As of June 30, 2026, approximately 100% of the interest-bearing borrowings balance was denominated in RMB. The variable rate and fixed rate interest-bearing borrowings were RMB658.5 million and RMB1,875.0 million, respectively.

As of June 30, 2026, the Group's cash and cash equivalents amounted to RMB7,586.6 million (December 31, 2025: RMB5,052.8 million), representing an increase of 50.1% as compared to that as of the end of 2025, primarily due to the increase in net cash flows generated from operating and financing activities.

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 export revenue. Our trade and bills receivables increased from RMB2,997.0 million as of December 31, 2025 to RMB5,469.9 million as of June 30, 2026, primary along with the industry practice of overseas revenue being primarily concentrated in the first half of the year which led to the increase in trade and bills receivables.

TRADE AND BILLS PAYABLES

Trade and bills payables mainly represent payments for purchasing materials. Our trade and bills payables increased from RMB9,633.0 million as of December 31, 2025 to RMB13,048.3 million as of June 30, 2026, primarily due to the increase in material procurement resulting from the increase in production volume.

GEARING RATIO

As of June 30, 2026, the Group's gearing ratio (defined as total liabilities divided by total assets of the Group) was 73.8% (December 31, 2025: 68.3%), representing an increase of 5.5 percentage points mainly due to the distribution of the final dividend for year 2025.

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 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 RMB633.6 million in the first half of 2025 to RMB960.4 million in the first half of 2026, mainly due to the construction of production bases.

CAPITAL COMMITMENTS

The Group's capital commitments, contracted but not yet provided for, amounted to RMB1,695.5 million as of June 30, 2026 (December 31, 2025: RMB2,124.6 million), primarily associated with property, plant and equipment related to the construction of manufacturing facilities.

CHARGE OF ASSETS

As of June 30, 2026, the net value of pledged assets for interest-bearing bank borrowings and bank facilities of the Company is RMB629.9 million. These pledged assets primarily comprise certain buildings and land use rights.

As of June 30, 2026, the value of pledged deposits to secure draw bills payable of the Company is RMB3,397.7 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 June 30, 2026, save as the information disclosed in Note 15 to the interim condensed 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.

EMPLOYEES AND REMUNERATION POLICY

As of June 30, 2026, the Group employed 15,246 employees (June 30, 2025: 15,637 employees). The total remuneration cost incurred by the Group for the six months ended June 30, 2026 was RMB1,196.7 million, as compared to RMB1,240.0 million for the six months ended June 30, 2025.

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 June 30, 2026, 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, associates or joint ventures or significant investments held during the Reporting Period.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

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 "**Stock Exchange**") (the "**Listing Rules**"))) during the Reporting Period.

As of June 30, 2026, the Company did not hold any treasury shares (as defined under the Listing Rules).

USE OF NET PROCEEDS

The shares of the Company (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 of the Shares (the "**Global Offering**") were approximately HK$3,993.5 million after deducting underwriting fees and commissions and relevant expenses payable by the Company 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 June 30, 2026, 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 June 30, 2026, approximately HK$2,026.7 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 utilization	Unutilized amount as of January 1, 2026	Actual amount utilized during the Reporting Period	Unutilized amount as of June 30, 2026	Expected timeline for utilization of unutilized net proceeds
(i)	Worldwide research and development	Approximately 20% (HK$798.7 million)	HK$584.4 million	HK$151.8 million	HK$432.6 million	Within next four years
(ii)	Upgrading our intelligent manufacturing system and supply chain management	Approximately 50% (HK$1,996.8 million)	HK$1,388.0 million	HK$331.4 million	HK$1,056.6 million	Within next four years
(iii)	Enhancing our sales and distribution channels	Approximately 20% (HK$798.7 million)	HK$640.6 million	HK$163.0 million	HK$477.6 million	Within next four years
(iv)	Working capital and general corporate purposes[(2)]	Approximately 10% (HK$399.4 million)	–	–	–	–
Total		HK$3,993.5 million	HK$2,613.0 million	HK$646.2 million	HK$1,966.8 million	

Notes:

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

(2) As of December 31, 2025, the proceeds from the Global Offering allocated to working capital and general corporate purposes had been fully utilized for the following purposes: (i) salaries (approximately 72%); (ii) freight and miscellaneous expenses (approximately 8%); (iii) utilities fees; (iv) repair and maintenance expenses; (v) advertising expenses; (vi) inland haulage charges; (vii) promotion expenses; and (viii) others.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended June 30, 2026 (for the six months ended June 30, 2025: nil).

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, 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.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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 under the CG Code during the Reporting Period.

COMPLIANCE WITH THE 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 during the Reporting Period.

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 during the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The unaudited interim condensed consolidated results of the Group for the six months ended June 30, 2026 have been reviewed by the Company's external auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. 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 unaudited interim condensed consolidated results of the Group for the six months ended June 30, 2026 and considered that the results complied with relevant accounting standards, rules and regulations and appropriate disclosure have been duly made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.aux-home.com. The interim report of the Company for the six months ended June 30, 2026 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, August 28, 2026

As of 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 Ms. Tang Mei Shan.