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## BUSINESS

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### OVERVIEW

#### Who We Are

We are an integrated green home services provider and a pioneer in advocating and advancing green and healthy living environments. Our journey began in 1995 at the foothills of Mount Mogan, where a close connection to nature shaped our commitment of “*Bring Your Home to Life in Mount Mogan* (讓家住進莫干山)” — to deliver healthy, high-quality green home products that bring the natural livability of Mount Mogan into everyday living spaces. For over three decades, we have built our “*Moganshan* (莫干山)” brand into a nationally recognized brand in China, trusted by consumers for the health, reliability, and quality of product offerings. Beginning with wood-based panels, we have expanded our offerings into a comprehensive portfolio covering substantially all major furnishings required for green homes, enabling us to provide one-stop, whole-home customization solutions and positioning ourselves as an integrated service provider.

During the Track Record Period, we focused on the provision of green wood-based panels and customized home furnishings. According to CIC, we were the third-largest green wood-based panel provider and top 15 green customized home furnishings provider in China in terms of revenue in 2024. We have continuously participated in multiple national R&D projects since China’s Twelfth Five-Year Plan, with research focusing on critical technologies that facilitate industrial upgrading and transformation, and have conducted related application demonstrations. In addition, we have been recognized with multiple national honors and certifications, including *National Intellectual Property Demonstration Enterprise* (國家知識產權示範企業), *National Key Forestry Leading Enterprise* (國家林業重點龍頭企業), *National Green Factory* (國家綠色工廠), *National Green Supply Chain Demonstration Enterprise* (國家綠色供應鏈管理企業), and *5G Fully Connected Factory* (5G全連接工廠).

We play an active role in shaping and advancing industry standards for green home products. When developing green home products, we primarily use timber sourced from sustainably managed commercial forests as our raw material. Leveraging the economies of scale arising from large-scale procurement, we support afforestation, reforestation and the sustainable use of land with stable economic returns, thereby incentivizing the continuous cultivation of forestry resources. In addition, we actively engage in various tree-planting initiatives to promote ecological restoration and circular development. Alongside these upstream efforts, we invest in R&D to drive ongoing technological innovation, effectively reducing formaldehyde emissions across our products. All of our products have now been upgraded to meet the HE<sub>NF</sub>-grade formaldehyde emission standard. In addition, we have participated in the drafting of over 75 national and industry standards, including GB 18580-2025, contributing to the systematic upgrading of standards for green home products.

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We are committed to embedding sustainability into our daily operations, enabling us to fulfill corporate citizenship responsibilities and promote social value cocreation. In 2023, we released our *Dual-Carbon Strategy Action Guidelines*, which sets out a clear decarbonization pathway and committed to achieving key carbon-reduction milestones ahead of national schedule, namely, achieving peaking carbon emissions by 2028 and carbon neutrality by 2050 in our core operations. We rigorously implement this guideline, release progress reports on an annual basis, and have developed zero-carbon wood-based panel products. According to CIC, we are among the first in the industry to propose a dual-carbon strategy and to develop zero-carbon wood-based panels.

We have established an extensive sales and distribution network. As of September 30, 2025, we had 875 distributors covering all provinces in China and 45 overseas countries and regions. To further capture opportunities in emerging overseas markets, we are actively implementing an international expansion strategy centered on brand globalization, with a view to introducing the “*Moganshan* (莫干山)” brand to a broader global consumer base. Through these efforts, we aim to continuously enhance our position within the global value chain of the industry and ultimately develop into an integrated green home services provider with a global footprint.

We have achieved the following:



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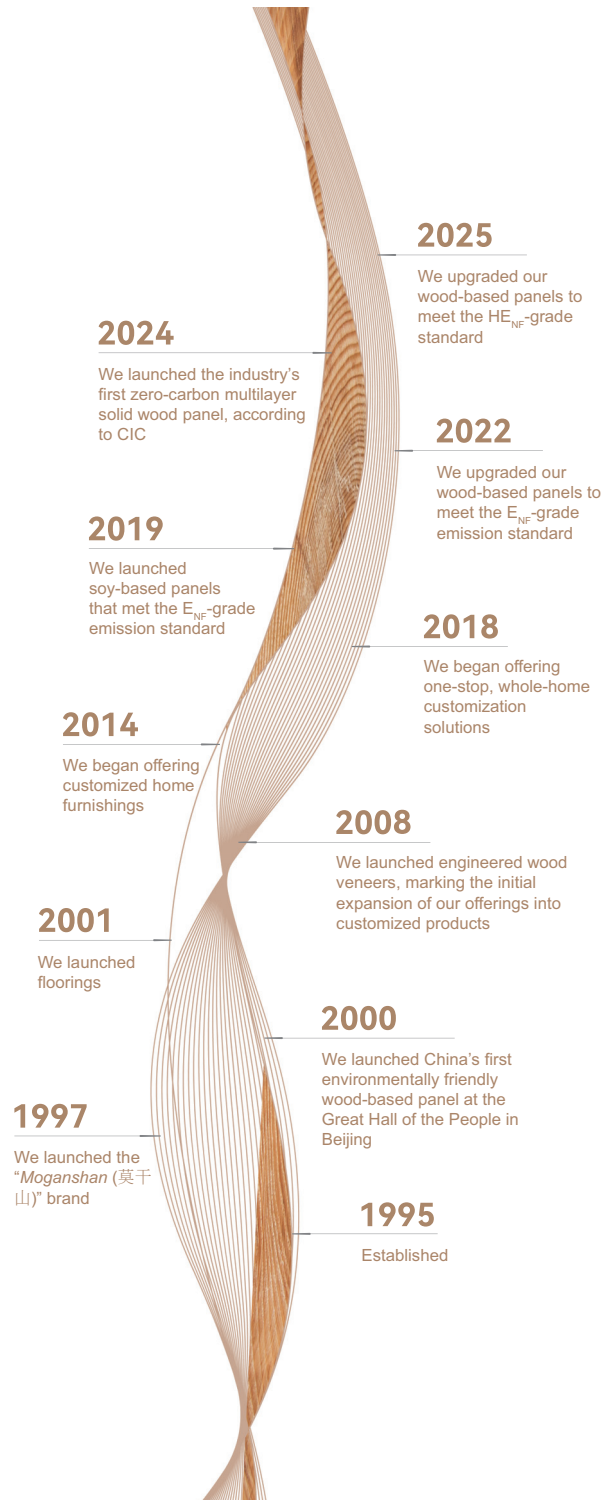
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*Notes:*

- (1) According to CIC, we were the third-largest green wood-based panel provider and top 15 green customized home furnishings provider in China in terms of revenue in 2024. We have also been recognized by the National Forestry and Grassland Administration as a *National Key Forestry Leading Enterprise* (國家林業重點龍頭企業).
- (2) Our “*Moganshan* (莫干山)” brand has been recognized with multiple national honors, including *China Well-Known Trademark* (中國馳名商標), *China Top Brand Product* (中國名牌產品), and *National Exempt-from-Inspection Products* (國家免檢產品). We were also selected as an annual representative brand at the CCTV Great Nation Brands National Brand Ceremony.
- (3) Our products have been included in green government procurement catalogues of national ministries and commissions and have been applied in national construction projects, including Beijing Daxing International Airport, China Central Television headquarters, Beijing Workers’ Stadium and National Tennis Center, and restoration projects at the Palace Museum.
- (4) We were among the first in the industry to release our *Dual-Carbon Strategy Action Guidelines*, according to CIC. We have been awarded as a *National Green Supply Chain Demonstration Enterprise*, completing the trio of national certifications for *Green Products*, *Green Factory*, and *Green Supply Chain*.
- (5) We have participated in the drafting of more than 75 national and industry standards. As of September 30, 2025, we held 208 registered patents.
- (6) We have established five-in-one R&D systems, including a national postdoctoral research workstation, a provincial key enterprise research institute, a provincial enterprise technology center, a CNAS-accredited national laboratory, and an academician and experts workstation. We were awarded the *Liang Xi Forestry Science and Technology Award*, the highest science and technology award in the forestry industry in China, established by the Chinese Forestry Society and approved by the Ministry of Science and Technology of China.
- (7) As of September 30, 2025, we had 875 distributors, covering all provinces in China and over 60 overseas countries and regions.
- (8) We have invested in intelligent production bases aligning with *Industry 4.0* initiative, establishing a benchmark for digital transformation within the industry.

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### Our Evolution — “From A Panel to A Home (從一張板到一個家)”



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### **Our Business**

We have built strengths across various aspects of our business, spanning R&D, supply chain management, manufacturing, brands and product offerings, as well as sales and distribution network.

### ***R&D***

We adhere to a development philosophy centered on “*Enhance Green Spaces and Enable A Better Quality of Life* (昇華綠色空間、成就美好生活),” with an emphasis on human well-being. Over the years, we have developed a portfolio of proprietary technologies, including formaldehyde-free bio-based adhesives technologies, plant-derived antibacterial and antiviral technologies, sustained fragrance-release technologies, dry-process flame-retardant technologies, and advanced color-fastness technologies. These innovations form a strong foundation that differentiates our products in both function and quality.

In 2024, we established the Moganshan CMF Research Center, dedicated to advancing color science, materials innovation, and surface design. By closely tracking both current and emerging trends in finishes and decorative surfaces, we develop products that balance visual appeal with practical performance to meet consumers’ growing demand for high-quality homes.

### ***Supply Chain Management***

We believe that high-quality products begin with raw materials. Timber sourced from responsibly managed commercial forests serves as our primary raw material, and we actively support responsible forestry practices, including afforestation and reforestation initiatives, thereby aligning commercial value with long-term environmental sustainability and advancing our dual-carbon reduction goals.

To further strengthen control across our supply chain, we established a supply chain management company in 2025. Through this approach, we centralize the procurement of key raw materials, enhancing quality assurance, supply stability, and cost structures.

### ***Manufacturing***

During the Track Record Period, we operated three production bases located in Zhejiang Province and Shandong Province. By incorporating advanced production equipment and information technologies, including customized design platforms as well as MES and ERP systems, we have developed our production bases into intelligent facilities aligned with *Industry 4.0* standards, enabling digital management across the full production lifecycle, from design through delivery with enhanced transparency and traceability.

We also work closely with carefully selected OEM Suppliers and OEM Partners nationwide. As of September 30, 2025, we collaborated with 285 OEM Suppliers and 136 OEM Partners, respectively. Through standardized processes and rigorous quality controls, we ensure that every product bearing our brands meets the same standards for reliability and performance.

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### *Brands and Offering Portfolio*

We generated revenue primarily from wood-based panels, customized home furnishings, and IP licensing during the Track Record Period. Our business segments generate synergies that support the continued expansion of our customer base, enable us to respond effectively to evolving market demand and deepen customer relationships while capturing new market opportunities.

Our expertise in wood-based panels has allowed us to develop strong brand recognition, robust technical capabilities, a well-established supply chain system, and an extensive sales and distribution network. These capabilities reinforce the wood-based panel business while enabling our customized home furnishings to scale rapidly with operational stability. As the customized home furnishings grow, it expands downstream applications for wood-based panels, broadens the customer base, and strengthens demand visibility, thereby creating a self-reinforcing cycle of sustainable growth across businesses.

Our IP licensing further allows us to extend our brands, technologies, and quality standards to OEM Partners, accelerating the proliferation of our brands and bringing our products into more households nationwide, thereby meeting growing consumer demand for green, environmentally responsible, and healthy products at scale.

### *Sales and Distribution Network*

Through an extensive sales and distribution network, we have achieved broad market coverage across China with one of the industry’s largest retail store coverages according to CIC, spanning higher-tier cities as well as lower-tier markets, and 45 overseas countries and regions. In addition, we support our distributors with training, marketing resources, and other value-added services to foster long-term collaboration.

At the same time, we continue to deepen relationships with direct sales customers, guiding them from initial brand discovery and product experience to long-term engagement and loyalty. For example, we work closely with leading home decoration and renovation companies, including Beike Shengdu, Jutong Decoration, Zhongbo Meijia, and Mingpin Decoration, leveraging their extensive consumer bases to broaden our market reach and deepen penetration.

### **Our Market Opportunities**

The integrated green home services industry in China represents substantial market opportunities, with the total market size expected to exceed RMB1.0 trillion in 2025. As China’s real estate sector moves away from growth driven by new construction and toward the upgrading and renovation of existing homes, the integrated green home services industry is experiencing a fundamental shift in its growth drivers.

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The number of residential properties aged over 20 years continues to rise. Coupled with the implementation of national *Urban Renewal and Old Urban Area Renovation* policies, this trend has generated substantial demand for secondary renovations and partial refurbishments. Accordingly, despite the moderation in the growth of new home transactions, the renovation needs from sold but yet-to-be-renovated new homes remains substantial. At the same time, the continued advancement of the national *Beautiful Countryside Construction* initiative has driven improvements in rural living environments and housing quality, creating new growth opportunities for the penetration of green home products and services into lower-tier markets. In addition, consumer awareness of residential quality, health, and environmental sustainability has increased markedly.

In addition, the integrated green home services market is massive, but highly fragmented on both the supply and demand ends with multiple distribution layers and limited geographic reach, leading to high costs, inefficiency and low transparency across the value chain. As a result, consumers seeking green home products and services have increasingly favored more integrated, one-stop offerings to enhance efficiency.

Driven by these trends, the integrated green home services industry presents significant growth opportunities and green home products and services are increasingly being used across a broader range of living scenarios to meet rising expectations for residential quality. Within the integrated green home services market, growth opportunities are particularly pronounced in green wood-based panels and customized home furnishings.

### ***Green Wood-Based Panel Industry***

Driven by a series of governmental policies, demand for green wood-based panel products has continued to rise. In particular, following the implementation of national standards such as GB/T 39600-2021, E<sub>NF</sub>-grade wood-based panel products have become the new industry benchmark. At the same time, as health-oriented consumption becomes more mainstream and consumers place greater emphasis on indoor living quality, demand for green wood-based panels as core renovation and decoration materials has increased significantly.

While China’s wood-based panels industry has long been characterized by a large overall scale, it remains relatively fragmented. As environmental performance becomes a core competitive differentiator, manufacturing capabilities for green products are increasingly defining competitive positioning among market participants. With the rapid adoption of higher environmental standards such as E<sub>0</sub> and E<sub>NF</sub>, the industry is showing a clear trend toward consolidation around leading green wood-based panel suppliers that are able to achieve higher formaldehyde emission standards at an earlier stage.

According to CIC, the market size of China’s green wood-based panels industry grew from RMB230.7 billion in 2019 to RMB310.6 billion in 2024, representing a CAGR of 6.1%. The market is expected to continue expanding at a CAGR of 5.7%, reaching RMB409.0 billion in 2029.

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### *Green Customized Home Furnishings Industry*

As China continues to advance its dual-carbon policies and consumers become increasingly conscious of health and environmental protection, the focus of customized home furnishings is expanding beyond personalized design and space efficiency to encompass environmental performance, green attributes, and sustainability. As a result, the demand for green customized home furnishings is increasing rapidly.

China’s green customized home furnishings market is characterized by intense competition and a relatively fragmented structure. With enhanced environmental regulations and growing consumer demand for one-stop consumption experiences, players lacking access to green materials, R&D capabilities, and integrated supply chains are exiting the market at an accelerating pace. Against this backdrop, the industry offers broad growth prospects and substantial potential for increased consolidation. At the same time, emerging overseas markets remain at an early stage of development and present significant growth opportunities.

According to CIC, the market size of China’s green customized home furnishings industry grew from RMB195.1 billion in 2019 to RMB322.0 billion in 2024, representing a CAGR of 10.5%, and the market is expected to further expand at a CAGR of 9.4%, reaching RMB504.1 billion in 2029.

We believe that, supported by our first-mover advantage, ongoing R&D capabilities, well-established supply chain system, and extensive sales and distribution network, we have built a favorable competitive position that enables us to consistently capture and benefit from these development trends.

### **Our Financial Performance**

During the Track Record Period, we continued to demonstrate strong operational resilience and sound profitability.

Our revenue increased by 1.8% from RMB3,394.2 million in 2023 to RMB3,455.6 million in 2024, and remained relatively stable for the nine months ended September 30, 2024 and 2025, amounting to RMB2,548.6 million and RMB2,518.8 million, respectively. In particular:

- Revenue from our customized home furnishings increased by 9.3% from RMB642.9 million in 2023 to RMB703.0 million in 2024, and increased by 35.7% from RMB474.8 million for the nine months ended September 30, 2024 to RMB644.2 million during the same period in 2025.
- Revenue from our IP licensing increased by 2.6% from RMB347.4 million in 2023 to RMB356.4 million in 2024, and increased by 23.8% from RMB247.5 million for the nine months ended September 30, 2024 to RMB306.4 million during the same period in 2025.

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We also maintained sound profitability. Our net profit increased by 0.2% from RMB320.0 million in 2023 to RMB320.8 million in 2024, and increased by 14.5% from RMB244.3 million for the nine months ended September 30, 2024 to RMB279.7 million during the same period in 2025.

### OUR STRENGTHS

#### A Pioneering Integrated Green Home Services Provider

##### *A Leader and Pioneer in Green Wood-Based Panels*

We were the third-largest green wood-based panel provider in China in terms of revenue in 2024, according to CIC. Since our inception, we have been dedicated to the research, development, and delivery of green home products.

We have continued to invest in R&D, driving ongoing technological advancement and product iteration while achieving sustained reductions in formaldehyde emissions. In 2019, we launched soy-based panels that meet the E<sub>NF</sub>-grade standard. Notably, the PRC government implemented the revised national standard GB/T 39600-2021, under which the E<sub>NF</sub>-grade was introduced as the then most stringent environmental protection standard globally in 2021. Our soy-based panel had met E<sub>NF</sub>-grade requirements two years prior to the implementation of this national standard, demonstrating our leadership in R&D.

In 2022, we introduced our *Redefining Environmental Protection Once Again* strategy, under which we continued to advance the development of products with formaldehyde emissions approaching zero and upgrade our wood-based panels to meet E<sub>NF</sub>-grade. In 2025, we further upgraded our wood-based panels to meet the HE<sub>NF</sub>-grade standard, maintaining low formaldehyde emission levels even under high-temperature conditions and reinforcing our leading position in the industry.

We play an active role in shaping and advancing industry standards for China’s green wood-based panels. We have participated in the drafting of more than 75 national and industry standards, including five international standards and 71 national standards. For example, we participated in the revision of the national standard GB 18580-2025. This revision significantly tightened formaldehyde emission limits while enhancing testing methodologies and product classification standards, thereby promoting industry standardization and the high-quality development of the green wood-based panel industry.

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### *An Industry Leader in Advancing Low-Carbon Standards*

In response to China’s dual-carbon strategy, we have integrated the principles of sustainable development across our entire value chain and have emerged as a benchmark for the industry’s low-carbon transition. We are among the first in the industry to release *Dual-Carbon Strategic Action Guide*, according to CIC, which sets out the roadmap and timelines for achieving dual-carbon reductions, namely, achieving peaking carbon emissions by 2028 and carbon neutrality by 2050 in our core operations.

We have rigorously implemented this guideline, released regular reports on an annual basis, and introduced the industry’s first zero-carbon multilayer solid wood panel in 2024, according to CIC. Enabled by technological innovation, this product reduces carbon emissions across its full life cycle, representing our progression from a focus on green and environmentally responsible products toward low-carbon and zero-carbon solutions.

We have been awarded as a *National Green Supply Chain Demonstration Enterprise*, completing the trio of national certifications for *Green Products*, *Green Factory*, and *Green Supply Chain*, and have established a comprehensive green supply chain management framework. These initiatives contribute to a demonstrable and replicable model for sustainable development within the industry.

### *Key Partner to National R&D and Construction Projects*

We have continuously participated in multiple national R&D projects since China’s Twelfth Five-Year Plan, focusing on critical technologies including bio-based adhesives, energy-efficient wood drying, value-added processing of wood-based materials, green decorative materials, and low-smoke, low-toxicity flame-retardant wood materials, and have carried out related application demonstrations.

Leveraging reliable product quality and strong delivery capabilities, we have become an important partner in a number of national landmark construction projects. Our products have been used in multiple major national construction projects, including Beijing Daxing International Airport, China Central Television headquarters, Beijing Workers’ Stadium and National Tennis Center, and restoration projects at the Palace Museum.

### **Nationally Recognized “Moganshan (莫干山)” Brand**

China’s integrated green home services industry is highly competitive and fragmented, making strong brand recognition essential to differentiation, customer trust, and retention. Along our way, our persistent offering of healthy, high-quality, green home products has made our “Moganshan (莫干山)” brand one of the most distinctive, credible, and enduring names in the industry. Building on the success of our “Moganshan (莫干山)” brand, we have continued to enrich our brand portfolio, including the launch of the “Senquan (森泉)” brand.

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### ***“Bring Your Home to Life in Mount Mogan (讓家住進莫干山)”***

Our “*Moganshan* (莫干山)” brand is known for green, environmentally responsible, and healthy living. Rooted in nature, we are committed to delivering healthy, high-quality green home products that bring the natural livability of Mount Mogan into everyday living spaces.

As China’s economy continues to develop and public awareness of health steadily increases, consumers have become increasingly attentive to the health attributes of their living environments. In particular, they place greater emphasis on the control of harmful substances such as formaldehyde and pay closer attention to product quality and its impact on health and the environment when making renovation and material decisions.

In response, we have continuously strengthened our technical capabilities in formaldehyde emission control, delivering steady improvements in product performance. In the meantime, we actively participate in the development and refinement of industry standards. These efforts reinforce consumer confidence, support the expansion of our product portfolio, and enable deeper, longer-term customer relationships.

### ***Brand Recognitions and Industry Awards***

We have successfully established “*Moganshan* (莫干山)” as a nationally recognized brand, associated with green, high-quality wood-based panels and customized home furnishings and capable of meeting the evolving demand for healthy home renovations and living environment upgrades at scale. Strong brand recognition has strengthened our competitive moat, customer trust, and brand loyalty, providing support for our ongoing expansion.

At the same time, we have received broad recognition from national authorities, industry associations, and consumers. We have been awarded multiple national honors, including *National Brand of China’s Panel Industry* (中國板材國家品牌), *China Well-Known Trademark* (中國馳名商標), *National Key High-Tech Enterprise* (國家高新技術企業), *National Key Forestry Leading Enterprise* (國家林業重點龍頭企業), and *National Forestry Standardization Demonstration Enterprise* (國家林業標準化示範企業), as well as industry awards such as *Top 100 Comprehensive Strength Brands in China’s Home Furnishings Industry* (中國家居綜合實力100強品牌), *Leading Brand in the Whole-House Customization Industry* (全屋定制行業領先品牌), and *Craftsmanship Brand in the Whole-House Customization Industry* (全屋定制行業工匠品牌). These recognitions have further associated our brand with reliability and quality, contributing to strong brand recognition and our long-term sustainability.

### **Strong R&D Capabilities and Continuous Technological Innovations**

Technological innovation is important to our long-term industry leadership. Through continuous technology iteration, we help shape higher industry standards and support the industry’s transition toward greener, lower-carbon development.

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### *Five-in-One R&D System*

We have established a market-driven five-in-one R&D system:

- ***National Postdoctoral Research Workstation.*** Established as a provincial postdoctoral station in 2018 and upgraded to a national research workstation in 2022, this workstation serves as a key base for attracting top-tier research talent and advancing frontier technologies. As of September 30, 2025, a total of 14 postdoctoral researchers had been admitted to this research workstation to conduct research.
- ***Provincial Key Enterprise Research Institute.*** Focused on foundational research and applied technology development in wood-based panels and customized home furnishings, this research institute provides long-term scientific and technical support for innovation.
- ***Provincial Enterprise Technology Center.*** Responsible for translating research outcomes into scalable production capabilities, this center support engineering applications, and continuous process optimization.
- ***CNAS-Accredited Laboratory.*** Our laboratory is certified by the China National Accreditation Service for Conformity Assessment and operates at national standards, enabling precise testing of raw materials, semi-finished products, and finished products to ensure environmental and performance compliance.
- ***Academician and Expert Workstation.*** Established in 2018, this workstation brings in leading academicians and experts to support strategic development and major technological breakthroughs.

In addition, we established a research and teaching base with Zhejiang A&F University in 2010. In 2005, we co-founded the Shenghua Yunfeng Laboratory with the Research Institute of Wood Industry of the Chinese Academy of Forestry. We have established close collaborative relationships with national leading universities, including Tsinghua University, Fudan University, Nanjing Forestry University, and Northeast Forestry University. Furthermore, we have undertaken multiple national and provincial research projects. In addition, we have increased our investment in aesthetics and design by establishing a CMF Research Center and the Moganshan Home Furnishing Design Institute. In addition, we participated in the development of more than 75 international, national, and industry standards. As of September 30, 2025, we held 208 registered patents.

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### *Continuous Technological Innovations*

We have been advancing and upgrading standards for green wood-based panels to address rising sustainability requirements and health expectations of consumers. For example, our formaldehyde-free bio-based adhesive technology uses natural plant materials such as soy and cassava to create soy-based adhesive as well as nano-scale plant-based adhesive that replace traditional urea-formaldehyde resins, addressing the industry’s long-standing dependence on formaldehyde at its source.

We developed the soy-based panels, meeting the E<sub>NF</sub>-grade while maintaining strong performance. Through a proprietary cross-oriented structural design and optimized hot-pressing process, we overcame traditional limitations of plant-based adhesives, including poor water resistance and bonding performance, achieving a balanced combination of environmental safety and functional durability. This technology was awarded the *Liang Xi Forestry Science and Technology Award*, the highest science and technology award in the forestry industry in China, established by the Chinese Forestry Society and approved by the Ministry of Science and Technology of China.

In response to increased post-pandemic emphasis on indoor hygiene and protection, we developed plant-based antibacterial and antiviral technologies using herbal extracts. Leveraging this technology, our wood-based panels can achieve antibacterial rates of up to 99.99% against common bacteria and demonstrate effective inactivation of select viruses. In addition, we have introduced controlled fragrance-release technologies based on microencapsulation technologies, offering additional functional value and product differentiation. We have also developed a dry-process flame-retardant technology, which incorporates flame-retardant components into the adhesive formulation to enhance fire resistance without compromising the physical performance of wood-based panels.

### *Pioneering Low-Carbon Strategy*

We believe that corporate growth should advance in harmony with social responsibility. We have proactively positioned ourselves around green and low-carbon development, fulfilled our responsibilities as a corporate citizen, and promoted the cocreation of social value.

In response to China’s dual-carbon goals, we released the *Dual-Carbon Strategic Action Guidelines* in 2023, clearly defining our decarbonization pathways and phased targets, and committing to the early achievement of key emissions-reduction objectives.

Through lifecycle carbon footprint management, green manufacturing upgrades, clean energy adoption, and carbon offset mechanisms, we have taken early, practical steps toward a viable low-carbon development pathway while expanding functional panel categories to meet evolving sustainability and health expectations.

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### Comprehensive Product Portfolio from A Panel to A Home

Over decades of operations, we have developed a comprehensive product portfolio covering substantially all furnishings required for green homes, which enables us to deliver one-stop, whole-home customization solutions, addressing evolving customer needs while expanding market reach and supporting long-term business resilience.

#### *Wood-Based Panels*

Wood-based panels are our core offerings. We offer a comprehensive selection of wood-based panels, spanning a wide variety of structures, functions, and surface finishes, suitable for substantially all types of home furnishings and interior applications, catering to specific market needs, including:

- ***Health and protection.*** Wood-based panels with antibacterial, antiviral, and anti-mold functions, addressing growing demand for healthier living environments.
- ***Sensory experience.*** Quality wood panels with refined fragrance features, including jasmine, lavender, and tea aromas.
- ***Safety.*** Flame-retardant plywood meeting B1 fire-resistance standards, widely used in national projects with stringent fire-safety requirements.
- ***Design and aesthetics.*** Engineered wood veneers developed through biomimetic modification of fast-growing timber, closely replicating the color and grain of rare natural woods, as well as the *Unseen* series with 16 original designs and the *Chinese Mountain Palette* series with 36 designs.
- ***Structural performance and sustainability.*** Zero-carbon multilayer solid wood panel, using nano-based, formaldehyde-free plant adhesives to achieve zero added formaldehyde, benzene, and VOCs, while maintaining high bonding strength and dimensional stability.
- ***High-end customization.*** High-quality surface materials such as EB high-energy cured lacquer panels and PET eco-friendly panels. EB panels use electron-beam curing technology to deliver 5H hardness, thermal repairability, fingerprint resistance, and strong yellowing resistance.

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### *Customized Home Furnishings*

Since 2014, we have focused on the development and manufacturing of green customized home furnishings. We offer one-stop, whole-home customization solutions covering the entire decoration process, from planning and design to material selection, furnishing manufacturing, delivery and installation. Through these solutions, we provide substantially all major furnishings required for green homes, including, among others, flooring, wall panels, doors, wardrobes and kitchen cabinets.

Unlike the chipboard commonly used in the market, we differentiate ourselves by centering our furnishings on a solid wood core. All of our customized home furnishings are equipped with solid wood core substrates, fundamentally addressing consumer concerns around the environmental performance and durability of chipboard.

Guided by consistent use of materials and color systems across categories, our one-stop, whole-home customization solutions achieve a high level of visual and structural unity, enhancing overall space quality while simplifying the customer experience.

### **Nationwide Sales and Distribution Network with Extensive Coverage**

We have established an extensive sales and distribution network across China. As of September 30, 2025, we collaborated with 875 distributors covering all provinces in China, and reaching 45 overseas countries and regions. This dense and well-penetrated network provides efficient access for end customers, enhances brand visibility, and strengthens our connection with end consumers.

We believe that shared success with our distributors is essential to the long-term sustainability of our business. We therefore manage distributor relationships with a long-term partnership approach, maintaining stable cooperation while continuously strengthening their operational capabilities through operational support.

For example, we introduced a rapid home installation service model for our distributors, designed to support them in delivering end-to-end services to consumers. Under this service, distributors provide integrated services to their customers, including measurement, design consultation, product selection, and installation, by leveraging our product portfolio together with distributors’ extensive retail networks. This service meets consumer demand for cost-effective and convenient solutions, enhances the end-user experience, thereby creating additional business opportunities for distributors, and ultimately deepening our market expansion and penetration.

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### **Smart Manufacturing and Green Supply Chain**

We are developing intelligent production bases in line with *Industry 4.0* standards alongside an efficient, digital supply chain. We operate production bases incorporating advanced production equipment and information technologies. Specifically, we have deployed advanced automated production lines from global-leading suppliers.

By integrating MES, ERP, and WMS systems, we have achieved end-to-end digital management across order processing, production scheduling, manufacturing, and logistics. This integrated approach improves production efficiency and material utilization while ensuring the precision and consistency required for customized products. It also addresses common industry challenges such as long delivery cycles and higher error rates in customized home furnishings.

We embed sustainability throughout the entire supply chain. We have established long-term and stable partnerships with fast-growing plantation bases for poplar, fir, eucalyptus, and other species in regions including Guangxi, Guangdong, Hunan, and Northeast China. These partnerships support the sustainable and reliable supply of high-quality upstream raw materials.

In our manufacturing processes, we strictly control energy consumption and emissions, increase the use of clean energy, and promote the recycling and reuse of production waste. We have also implemented a “one panel, one code” traceability system. By scanning a QR code, consumers can access information on production origin and quality inspection records, ensuring traceable sourcing and controllable quality for every panel.

### **Experienced and Visionary Management Supported by Pragmatic, Collaborative Culture**

Our management team brings together seasoned industry leaders with decades of experience and professionals. With a long-term strategic view and deep industry knowledge, the team has built a disciplined and effective management framework supported by robust internal controls. Our management team has remained stable over time, enabling consistent execution and clear strategic direction. Guided by a strong understanding of industry dynamics, our management team has successfully navigated multiple market cycles and led our evolution from a wood-based panel business to an integrated green home services provider.

We place strong emphasis on employee development, well-being, and long-term career growth. Through a structured talent pipeline and comprehensive development programs, we cultivate teams with high cohesion and strong execution capability. We also established the Shenghua Yunfeng Scholarship to attract and support outstanding research talent.

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Our corporate culture is grounded in integrity, professionalism, responsibility, and gratitude. This pragmatic and collaborative culture fosters accountability, encourages innovation, and supports sustained performance in a competitive environment. Together, our people and culture form a stable foundation for long-term growth, enabling us to create lasting value for all participants across the value chain.

### OUR STRATEGIES

#### Strengthen Production Capacity and Efficiency

We are committed to building an industry-leading smart manufacturing system and green supply chain. We plan to:

- Build an automated, intelligent production base for customized home furnishings in Deqing, Zhejiang Province. We expect to further expand the production capacity of customized home furnishings, thereby enriching our product portfolio and driving long-term development. In addition, we plan to continuously invest in upgrading the facilities and equipment at this production base to achieve higher levels of digitalization and intelligence, which will enhance operational efficiency and profitability in the long term.
- Upgrade the facilities and equipment at existing production bases to improve digitalization and intelligence and enhance overall operational efficiency. We will continue to uphold the *Industry 4.0* standards and further implement information technology systems such as ERP, MES, and WMS to achieve full-process digital management from order reception and flexible production to logistics delivery, significantly improving production flexibility and operational efficiency.
- Enhance green and low-carbon manufacturing. We strictly adhere to national green factory standards and continuously reduce energy consumption and carbon emissions per unit through photovoltaic energy application, waste heat recovery, and technological transformations.
- Strengthen green management in the upstream supply chain. We will improve the full lifecycle green supply chain management from raw material procurement to finished product delivery by strengthening supplier selection and management, adopting environmentally friendly materials and manufacturing processes, and promoting energy-efficient logistics and distribution practices.

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### **Strengthen R&D and Expand Product Portfolio**

We will continue to invest in R&D and drive product iteration through technological innovation. We plan to:

- Advance existing technologies. Leveraging our integrated five-in-one R&D system, we plan to further strengthen our core technological capabilities, including formaldehyde-free bio-based adhesive technologies, dry-process flame-retardant technologies, and advanced color-fastness technologies.

We will continue to develop and launch additional zero-carbon panels and panels with enhanced functional attributes, such as antibacterial, antiviral, and fragrance-releasing properties. These efforts are intended to address consumers’ increasing demand for healthier and more sustainable living environments.

- Explore frontier technologies. In response to the growing demand for one-stop, whole-home customization, we plan to further expand our product categories and further integrate a comprehensive portfolio of key customized home furnishings required for whole-home solutions.

To this end, we will enhance our CMF design research capabilities to deliver cohesive and integrated space solutions with consistent aesthetic styling. In addition, we will continue to explore the application of new materials and advanced technologies, including panels with specialized functions such as electromagnetic shielding, phase-change thermal energy storage, thermochromic surfaces, self-healing coatings, and intelligent safety monitoring. We will also advance the value-added utilization of bamboo- and wood-based materials through continued research in composite manufacturing, surface decoration, and functional modification technologies, enabling higher-value applications of bamboo-wood resources such as bamboo particleboard and bamboo decorative panels.

### **Enhance Brand Recognition and Reputation**

We will continue to enhance the premium and market influence of our brands through a multi-dimensional branding construction. We plan to:

- Enhance the brand image by focusing on consumer emotional value recognition. Through online marketing and offline activities, we will further increase brand exposure, strengthen consumer recognition of our brands, and reinforce the high-quality brand image as a guardian of green and healthy living environments.
- Enhance brand’s reputation and penetration in different consumer groups through scenario-based marketing, precise market positioning, and collaboration with leading home decoration and renovation companies.

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- Establish a strong brand image by maintaining a green and low-carbon strategic focus. We will continue to strengthen our leadership in the field of green home products and accelerate the rapid growth of green customized home furnishings by participating in the formulation of national standards and releasing industry white papers.

### Expand Sales and Distribution Network

We will further optimize our sales and marketing initiatives to enhance the breadth and depth of market coverage. We plan to:

- Optimize market penetration in higher-tier markets. We aim to consolidate our market share in the higher-tier markets by enhancing flagship stores and improving customer experiences by improving offline presence in key urban areas and local wholesale markets.
- Expand into lower-tier markets to seize the opportunities brought by new urbanization. Through an extensive distribution network and tailored product portfolios, we plan to accelerate our deep penetration into lower-tier markets to tap into potential business growth opportunities.
- Enter emerging overseas markets, firmly executing our international expansion strategy centered on brand globalization. We established an overseas office in 2025. We will focus on expanding into emerging markets in the Middle East and Southeast Asia, enhancing our global marketing network through the participation of major overseas construction projects, and elevating the “*Moganshan* (莫干山)” brand position in the global value chain of the green home products.

### OUR OFFERINGS

During the Track Record Period, we primarily generated revenue from:

- (i) **Product offerings:** we offer a wide range of wood-based panels and customized home furnishings through an extensive sales and distribution network, primarily comprising distributors and, to a lesser extent, direct sales customers.
- (ii) **IP licensing:** we license qualified OEM Partners the rights to use our product designs and related intellectual property, trademarks, and production process know-how to manufacture certain products bearing our trademarks, which they then sell to distributors with whom we have distribution agreements.

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The following table sets forth the key details about our product offerings and IP licensing:

	<u>Product Offerings</u>	<u>IP Licensing</u>
<i>Scope of offerings</i> . . . . .	Wood-based panels and customized home furnishings	Product designs and related intellectual properties, trademarks, and production process know-hows
<i>Our customers</i> . . .	Primarily distributors and, to a lesser extent, direct sales customers	OEM Partners
<i>End consumers</i> . . .	To the best of our knowledge, primarily medium-to-large enterprises, such as nationwide real estate companies	To the best of our knowledge, primarily small-to-medium enterprises, such as decoration and renovation companies
<i>Products delivered to end consumers</i> . . . . .	Wood-based panels and customized home furnishings	Certain wood-based panels and floorings
<i>Production</i> . . . . .	Customized home furnishings (excluding floorings) and, to a lesser extent, certain types of wood-based panels are produced at our own production bases	OEM Partners are responsible for the production process
	The majority of wood-based panels and floorings are produced by OEM Suppliers (as defined in “— Production” below)	
<i>Pricing and settlement</i> . . . . .	Customers pay us directly according to pricing strategies detailed in “— Sales and Distribution Network — Pricing”	OEM Partners pay licensing fees to us based on the number of trademarks used, and they settle directly with their customers for products sold

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	Product Offerings	IP Licensing
<i>Logistics and delivery</i> . . . . .	Customers arrange deliveries either from our production bases or from OEM Suppliers	OEM Partners arrange deliveries to their customers
<i>Quality control</i> . . . . .	We are generally responsible for the quality of our products, although we may seek reimbursement or other remedies from our suppliers or other responsible third parties	We exercise strict quality control over the production process and conduct sampling check  OEM Partners are generally responsible for the quality of products sold
<i>Product liability</i> . . . . .	We are generally liable for damages arising from product defects, although we may seek reimbursement or other remedies from our suppliers or other responsible third parties	OEM Partners are generally liable for damages arising from product defects

The following table sets forth a breakdown of our revenue by business segment, in absolute amounts and as percentages of the revenue, for the periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Product offering</b>								
– Wood-based panels . . .	2,340,389	69.0	2,325,671	67.3	1,776,477	69.7	1,501,273	59.6
– Customized home furnishings . . . . .	642,936	18.9	703,030	20.3	474,769	18.6	644,201	25.6
<b>Subtotal</b> . . . . .	<b>2,983,325</b>	<b>87.9</b>	<b>3,028,701</b>	<b>87.6</b>	<b>2,251,246</b>	<b>88.3</b>	<b>2,145,474</b>	<b>85.2</b>
<b>IP licensing</b> . . . . .	347,370	10.2	356,427	10.3	247,495	9.7	306,371	12.2
<b>Others<sup>(1)</sup></b> . . . . .	63,522	1.9	70,489	2.1	49,833	2.0	66,971	2.6
<b>Total</b> . . . . .	<b>3,394,217</b>	<b>100.0</b>	<b>3,455,617</b>	<b>100.0</b>	<b>2,548,574</b>	<b>100.0</b>	<b>2,518,816</b>	<b>100.0</b>

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*Note:*

- (1) Primarily include (i) service fees from our OEM Partners for providing planning and design support, technical support during production, quality control or upgrading of production lines, (ii) service fees from our distributors for marketing and promotional initiatives, and (iii) rental income generated from the leasing of our properties and equipment.

### Product Offerings

#### *Wood-Based Panels*

Wood-based panels are manufactured from wood materials, including solid wood and processed wood derivatives, that are bonded together using adhesives. For many years, formaldehyde emissions from furniture products incorporating wood-based panels have posed risks to consumer health and well-being. We address these industry-wide concerns through the development of green wood-based panels with low formaldehyde emissions. We are exploring technologies aimed at reducing formaldehyde emissions in our wood-based panels toward levels closer to the natural level of wood itself. Leveraging sustained R&D efforts and technological innovation, we have progressively upgraded our products from E<sub>1</sub>-grade and E<sub>0</sub>-grade panels to E<sub>NF</sub>-grade panels and, more recently, to HE<sub>NF</sub>-grade panels. Currently, our wood-based panels are able to achieve formaldehyde emission levels of less than 0.025 mg/m<sup>3</sup> under conditions of 30°C.

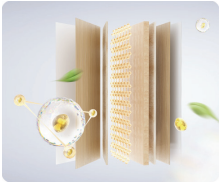


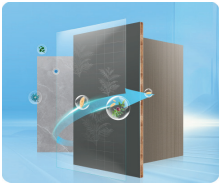
Our wood-based panels are suitable for substantially all types of furniture manufacturing and interior applications and integrate multiple functional features. In particular, we have developed wood-based panels with antibacterial and antiviral functions by incorporating active ingredients derived from plants. To address growing demand for quality and differentiated products, we have also introduced fragrance-release wood-based panels that release jasmine, lavender and tea aromas, thereby enhancing the sensory appeal of our products. In addition, we offer wood-based panels with enhanced flame-retardant properties to improve safety performance in residential and commercial settings. For high-end customization, we provide high-quality surface materials like EB lacquer panels, which offer features such as 5H hardness, thermal repairability, fingerprint resistance, and low yellowing, as well as eco-friendly PET panels.

Alongside our commitment to environmental protection and functional performance, we continuously enhance the aesthetic value of our products by applying decorative surfaces to wood-based panels. For example, we launched our “*Beyond Seen* (未見)” series which features 16 distinct designs and “*Mountain Colors* (中國山色)” series which features 36 distinct designs. These series include a wide range of solid colors that allow for flexible combinations, as well as refined textures and patterns developed using proprietary pressing techniques, enabling consumers to accommodate a broad range of interior design styles, from traditional Chinese aesthetics to modern and Western styles.

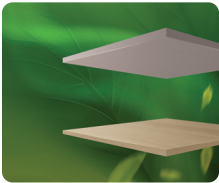

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In addition, we have developed engineered wood veneers that are reconstituted through bionic design and computer simulated reconstruction techniques. These products replicate the color, texture and grain patterns of scarce or protected natural hardwoods while using ordinary wood as the base material, and can be offered in diversified patterns and finishes customized to meet varying customer preferences. This approach enables us to satisfy consumers’ aesthetic preferences while reducing reliance on scarce or protected natural hardwood resources.

Set out below illustrates our representative wood-based panels.

Product	Picture	Key features
Soy-based panels . . . . .		<ul style="list-style-type: none"> <li>• Utilize selected solid wood cores and soy-based adhesive to enhance bonding and water resistance</li> <li>• Employ a proprietary structural design and a three-stage high-temperature pressing process to ensure solidity and stability</li> </ul>
Zero-carbon multilayer solid wood panels . .		<ul style="list-style-type: none"> <li>• Featuring cassava-based formaldehyde-free adhesive</li> <li>• Zero added formaldehyde, benzene, or VOCs</li> <li>• High bonding strength and dimensional stability</li> </ul>
Flower panels . . .		<ul style="list-style-type: none"> <li>• Made from selected natural flower petals and leaves</li> <li>• Processed through extraction and pressing to preserve natural texture, color and visual appeal of flowers</li> <li>• Use freshness-preservation technology to prevent oxidation, color fading and fragrance loss</li> </ul>
Antibacterial and antiviral panels . . . . .		<ul style="list-style-type: none"> <li>• Utilize antibacterial and antiviral components extracted from plants</li> <li>• Enhance indoor hygiene and health-related performance to meet consumer expectations</li> </ul>

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Product	Picture	Key features
Tea fragrance-release panels .		<ul style="list-style-type: none"> <li>Utilize fragrance-release functional agents extracted from natural green tea, providing a layered and harmonious aroma</li> <li>Applicable across various household environments, including living rooms, bedrooms, kitchens, and studies</li> </ul>
Flame-retardant panels . . . . .		<ul style="list-style-type: none"> <li>Utilize flame-retardant components in adhesive</li> <li>Meet B1 fire-resistance standards under national standards GB 8624-2012</li> <li>Widely used in national projects with stringent fire-safety requirements</li> </ul>

### *Customized Home Furnishings*

We have leveraged our wood-based panels to provide customized home furnishings since 2014. We offer one-stop, whole-home customization solutions that cover the entire decoration process, from initial planning and design, through material selection and furnishing manufacturing, to final delivery and installation. Under these solutions, we provide substantially all major furnishings required for green homes, including, among others, flooring, wall panels, doors, wardrobes and kitchen cabinets. In addition, we offer selected furnishings on a standalone basis to address specific customer needs.

Our customized home furnishings are designed and manufactured based on individual customer preferences, allowing customers to create living spaces that reflect their personal tastes, achieve greater design consistency across the home, make more efficient use of space, and maintain enhanced control over the entire home renovation process. In developing our customized home furnishings, we primarily use high-quality solid wood core substrates, which we select for their durability, structural stability, and natural aesthetic appeal.

We work closely with leading national decoration and renovation companies to serve a broad range of consumer needs. Leveraging the scale, brand recognition, and project volume of these leading decoration and renovation companies, we are able to showcase the quality and performance of our customized home furnishings, deepen our cooperation with existing partners, expand collaboration with additional decoration and renovation companies, and unlock further market opportunities.

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Set out below are examples of our representative customized home furnishings.



### IP Licensing

We generate revenue from IP licensing by licensing to our OEM Partners the rights to use our product designs and related intellectual properties, our trademarks, and production process know-hows. Our OEM Partners manufacture products bearing our trademarks and sell them to distributors. In 2023, 2024 and the nine months ended September 30, 2025, we engaged 98, 142 and 137 OEM Partners, respectively. Our Directors confirmed that all of such OEM Partners were Independent Third Parties as of the Latest Practicable Date. According to CIC, this IP licensing arrangement is common in our industry, as it enables companies with strong brand names to efficiently expand market coverage and reach a broader customer base without significant capital investment in manufacturing capacity. In the nine months ended September 30, 2025, 26.8 million pieces of wood-based panels bearing our trademarks were sold by us or our OEM Partners with an aggregate brand-based sales value of RMB3.1 billion.

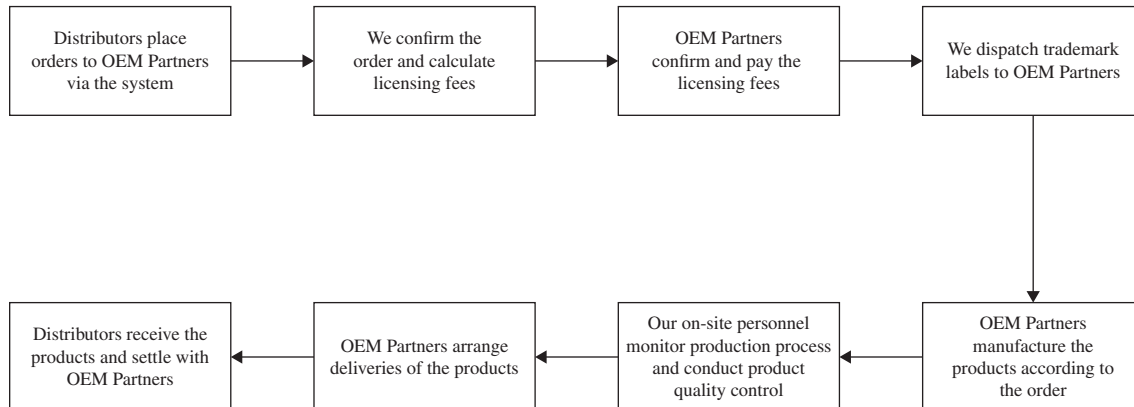
This IP licensing arrangement only occurs when distributors, who have entered into distribution agreements with us, place orders through our system with OEM Partners, who then approach us for an IP licensing arrangement. Once we approve and grant the license, the OEM Partners proceed with manufacturing the products. After production, these products, bearing our trademarks, are sold to distributors under terms and prices independently negotiated between the distributors and the OEM Partners. We only receive licensing fees from OEM Partners and do not derive any revenue from the transactions between distributors and OEM Partners.

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The following flowchart illustrates the typical steps for this IP licensing arrangements.



Our distributors may, at their own discretion, choose to purchase products either directly from us or from our OEM Partners. Distributors make the choice primarily based on the requirements of its end consumers. To the best of our knowledge, when medium-to-large enterprises are the end consumers, they typically require distributors to purchase products directly from us because this allows for a broader range of product offerings and places responsibility for quality control and product liability directly with us, as disclosed in “— Our Offerings” in details. In contrast, when small-to-medium enterprises are the end consumers, they generally exhibit greater commercial flexibility. In such cases, distributors may elect to purchase products from our OEM Partners, which may allow distributors to negotiate more flexible commercial terms with such OEM Partners, including more favorable payment and settlement arrangements even under consistent pricing policy.

Unlike the conventional model where OEM Suppliers are engaged primarily for manufacturing capacity, our IP licensing takes a more integrated approach. While OEM Partners handle the manufacturing process, we ensure that products are manufactured to the same standards as those produced in our own production bases through the following key licensing arrangements as summarized in the followings table.

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<i>Design and intellectual property</i> .....	We are generally responsible for the design and development of the products and will retain all intellectual property rights related to the design.
<i>Production, personnel, and facilities</i> .....	Our OEM Partners will be responsible for manufacturing products in strict compliance with our established procedures and protocols. They will provide the necessary labor and manage the workforce at their facilities. They will also manage their own facilities, ensuring compliance with local laws and regulations.
<i>Supervision and quality control</i> .....	We supervise the manufacturing process by assigning dedicated project managers and quality control personnel to work on-site at the OEM Partners’ production facilities to ensure product quality and compliance with our technical and quality standards. In addition, we conduct random sampling inspections of products and engage independent third-party inspection agencies to carry out periodic unannounced inspections on a quarterly basis, further strengthening our quality assurance and oversight mechanisms.
<i>Procurement of raw materials</i> .	We may provide certain core materials required for production, including melamine paper, ensuring consistency and quality, or we would make specific requests on the type and specifications of materials to be procured and managed by the OEM Partners.

## PRODUCTION

We primarily produce customized home furnishings (excluding floorings) and, to a lesser extent, certain types of wood-based panels at our own production bases, and we engage OEM Suppliers to produce the majority of our wood-based panels and floorings.

### Our Production Bases

As of the Latest Practicable Date, we operated the following production bases:

- Deqing Production Base I, located in Zhejiang Province, with a gross floor area of approximately 75,000 sq.m, primarily produces (i) certain types of wood-based panels, including plywood and engineered wood veneers and (ii) a limited portion of customized home furnishings.

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- Deqing Production Base II, located in Zhejiang Province, with a gross floor area of approximately 90,000 sq.m, primarily produces customized home furnishings (excluding floorings). This production base primarily serves consumers in nearby regions in southern China, with products and raw materials tailored to the climatic conditions and consumer preferences of southern China.
- Linyi Production Base, located in Shandong Province, with a gross floor area of approximately 86,000 sq.m, primarily produces customized home furnishings (excluding floorings). This production base primarily serves consumers in nearby regions in northern China, with products and raw materials tailored to the climatic conditions and consumer preferences of northern China.

The following table sets forth the details of the production capacity, production volume and utilization rate of our production bases for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,
	2023	2024	2025
<b>Deqing Production Base I</b>			
<i>Wood-based panels</i>			
Designed production capacity <sup>(1)</sup>			
('000 cu. m.) . . . . .	107	107	80
Actual production volume <sup>(2)</sup>			
('000 cu. m.) . . . . .	91	102	59
Utilization rate <sup>(3)</sup> (%) . . . . .	85.0	95.3	73.8
<i>Customized home furnishings</i>			
Designed production capacity <sup>(1)</sup>			
('000 sq.m) . . . . .	84	84	63
Actual production volume <sup>(2)</sup>			
('000 sq.m) . . . . .	72	83	61
Utilization rate <sup>(3)</sup> (%) . . . . .	85.4	98.2	96.0
<b>Deqing Production Base II</b>			
<i>Customized home furnishings</i>			
Designed production capacity <sup>(1)</sup>			
('000 sq.m) . . . . .	1,200	1,680	1,260
Actual production volume <sup>(2)</sup>			
('000 sq.m) . . . . .	1,021	1,378	1,232
Utilization rate <sup>(3)</sup> (%) . . . . .	85.2	80.8	97.8

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	Year Ended December 31,		Nine Months Ended September 30,
	2023	2024	2025
<b>Linyi Production Base</b>			
<i>Customized home furnishings</i>			
Designed production capacity <sup>(1)</sup>			
('000 sq.m) . . . . .	480	480	360
Actual production volume <sup>(2)</sup>			
('000 sq.m) . . . . .	304	336	246
Utilization rate <sup>(3)</sup> (%) . . . . .	63.2	69.9	68.4

*Notes:*

- (1) The designed production capacity for the year/period is calculated based on the following assumptions: (i) all production bases are functioning at full capacity, and (ii) our production bases operate eight hours per day, 25 days per month, and 12 months for 2023 and 2024 or nine months for the nine months ended September 30, 2025.
- (2) The actual production volume during the year/period is the total volume of the products produced during that year/period.
- (3) The utilization rate during the year/period equals the actual production volume divided by the designed production capacity during the same year/period.

**Our Production Process**

***Wood-Based Panels***

*Plywood*

The following illustrates the key steps of a typical production process of our plywood:

- ***First adhesive application and layup.*** An environmentally friendly adhesive developed in-house is applied to veneer surfaces. The veneers are then cross laminated in alternating grain directions and stacked to form a wood slab.
- ***First hot pressing.*** The slabs undergo hot pressing under controlled temperature and pressure to cure the adhesive, ensuring structural strength and uniform moisture distribution.
- ***Second adhesive application and facing.*** After the base panel is formed, adhesive is applied to both sides, and face veneers are laminated onto the panel surfaces.
- ***Second hot pressing.*** A second hot-pressing process is conducted to fully bond the face veneers to the base panel and achieve the required mechanical performance.

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### *Engineered Wood Veneers*

The following illustrates the key steps of a typical production process of our engineered wood veneers:

- ***Veneer grading.*** We grade raw veneers into different categories based on product specifications. The veneers are stored and selected for dyeing based on order requirements.
- ***Dyeing and/or bleaching.*** The veneers are dyed to achieve the desired finish. For lighter products, bleaching is done first, followed by dyeing at 96°C for around eight hours to ensure full color penetration.
- ***Glueing and pressing.*** After dyeing, veneers are inspected and repaired to remove natural defects such as knots and stains. These are patched with matching veneers to maintain a consistent appearance. Adhesive is applied to each veneer, and the layers are pressed together using a cold press. The panels are left to cure for seven days to ensure strong bonding.
- ***Panel Finishing.*** The panels are planed to the required thickness and surface smoothness. After drying, they undergo grading and quality inspection before being packaged for sale.

### *Customized Home Furnishings*

The following illustrates the key steps of a typical production process of our customized home furnishings (excluding floorings):

- ***Cutting.*** Large raw panels are cut into the required components according to customer orders.
- ***Edge banding.*** After cutting, the panels undergo edge banding using PVC, ABS, or other edge banding materials, which are applied and pressed onto the edges of the panels.
- ***Hole drilling and sorting.*** The edge-banded panels are processed according to specific requirements, including hole drilling, milling (for irregular shapes), and grooving. Once completed, the panels are categorized and stacked by customer and order to ensure proper organization.
- ***Finished product inspection.*** The completed panels undergo a thorough inspection process, which includes checking dimensions, hole positions, and appearance to ensure they meet quality standards.

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### Our Production Expansion Plan

We plan to progressively enhance our overall production capacity by upgrading existing production bases and building a new production base. The upgrades to our existing production bases will primarily focus on enhancing automation and intelligent manufacturing capabilities to improve production efficiency and operational stability. The new production base is intended to address capacity constraints for the production of customized home furnishings as our Deqing Production Base I and Deqing Production Base II have been operating at a high utilization rate, and to better meet growing demand for customized home furnishings in southern China.

We expect to commence the construction of a new production base in Deqing, Zhejiang Province in 2026, with a designed annual production capacity of approximately 2,500,000 sq.m for customized home furnishings, which remain subject to adjustment based on our evolving business needs. We expect to fund the construction of the new production base by net [REDACTED] from the [REDACTED]. See “Future Plans and Use of [REDACTED] — Use of [REDACTED]” for details regarding our production expansion plan.

### Our OEM Suppliers

To better meet market demand, we engage OEM Suppliers to produce the majority of our wood-based panels and floorings during the Track Record Period. In 2023, 2024 and the nine months ended September 30, 2025, we engaged 222, 257 and 349 OEM Suppliers. In 2023, 2024 and the nine months ended September 30, 2025, the procurement amounts from our OEM Suppliers accounted for 76.0%, 75.6% and 72.3% of the cost of sales for the periods indicated, respectively.

We maintain rigorous standards for selecting our OEM Suppliers, considering various factors, including their qualifications, supply capabilities, management systems, production facilities and operational standards. Before we qualify an OEM manufacturer as our supplier, we undertake a comprehensive evaluation of their business licenses, permits, production licenses, external product inspection reports, management system certifications, product certifications and other relevant documentation. We require our OEM Suppliers to adhere to our guidelines and policies, as well as relevant industry and regulatory standards, throughout the procurement of raw materials and all critical production processes involved in the manufacturing of our products. These standards and requirements are applicable to our OEM Partners engaged under IP licensing arrangements.

We generally enter into framework agreements with our OEM Suppliers. Key contractual terms of our purchase agreements with OEM Suppliers include the following:

- ***Duration.*** The term of the purchase agreements is typically one year.
- ***Procurement of raw materials.*** Our OEM Suppliers are generally responsible for the procurement of raw materials in accordance with our specific requests on the type and specifications of materials, by themselves. In certain cases, however, we may provide certain core materials required for production.

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- **Production.** We specify the product type, unit price, quantity, delivery timeline and other detailed items in each purchase order we send to our OEM Suppliers from time to time. The OEM Suppliers are obligated to produce the products we demand.
- **Intellectual property.** We require our OEM Suppliers not to make any unauthorized use or licensing of materials, proprietary equipment, technology or assets supplied by us, and to warrant that they either possess independent, lawful and sufficient intellectual property rights in the products supplied to us or have obtained the necessary authorizations.
- **Payment.** Payment terms vary by supplier or product, or situation, and are generally made by bank transfer within seven days.
- **Deposit.** Certain OEM Suppliers are required to make an upfront deposit prior to the commencement of the business relationship to secure proper performance of their contractual obligations during the term of the agreement. The deposit will be fully refunded upon termination of the business relationship, provided that there has been no breach or default under the agreement.
- **Termination.** We have the right to terminate the purchase agreements unilaterally if OEM Suppliers breach the agreements.

### Quality Control

We have established a robust quality control system to safeguard the quality of our products, both those produced by us and by our OEM Suppliers.

### *Products Produced by Our Own Production Bases*

Our quality control and management system for our own production bases complies with relevant industry standards and covers the entire supply and production chain, from raw material selection, production, storage, logistics to sales. We implement stringent policies to manage our suppliers of raw materials, assessing the quality of products supplied by them and verifying their qualifications. We implement product safety and quality control standards strictly to ensure that all of our products meet the relevant national standards. We have also set up a dedicated product quality assurance team and established an information traceability system to extend quality control to storage, logistics and sales.

During the Track Record Period, we (i) did not experience any material fines, product recalls or penalties from the relevant competent authorities regarding product quality issues, (ii) did not receive any material product returns from our customers and (iii) did not receive any material complaints from our consumers.

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### *Products Produced by Our OEM Suppliers*

For products produced by our OEM Suppliers, we have stringent requirements and standards for every step of their production processes. Specifically, we have established standards and guidelines for our OEM Suppliers in the following areas, including factory environment and building structure, facilities and equipment, quality management system, personnel management, supply chain and raw material management, production process control, cleaning and disinfection, product inspection, storage and transportation. Our OEM Suppliers are required to follow these standards, and we conduct on-site visits and inspections to ensure that our OEM Suppliers’ production complies with both the industry standards and our requirements. In addition, our OEM Suppliers are required to produce products based on our requirements and to only procure and use raw materials that meet our quality standards to ensure the consistency and quality of our products.

We have a robust quality check process to assess whether the products delivered by our OEM Suppliers pass our quality requirements. Other than inspecting products delivered by our OEM Suppliers, we also require our OEM Suppliers to periodically provide samples for us to test to assess their quality control standards.

To further enhance our quality control over the procurement of raw materials, we established a supply chain management company in 2025 to encourage our OEM Suppliers as well as OEM Partners to procure raw materials directly through us on a centralized basis. We plan to further expand this centralized procurement across major categories of raw materials to improve cost control and strengthen control of the quality of products produced by our OEM Suppliers and OEM Partners.

### SALES AND DISTRIBUTION NETWORK

We have developed a variety of sales channels, allowing us to expand consumer outreach. We primarily promote and sell our products through a nationwide network of distributors. Additionally, we sell our products through various online and offline direct sales channels.

The following table sets forth a breakdown of our revenue from product offerings by sales channels, in absolute amounts and as percentages of our revenue from product offerings, for the periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>							
Distributors . . . . .	2,692,733	90.3	2,592,684	85.6	1,971,093	87.6	1,630,326	76.0
Direct sales . . . . .	290,592	9.7	436,017	14.4	280,153	12.4	515,148	24.0
<b>Total revenue from product offerings . . .</b>	<b><u>2,983,325</u></b>	<b><u>100.0</u></b>	<b><u>3,028,701</u></b>	<b><u>100.0</u></b>	<b><u>2,251,246</u></b>	<b><u>100.0</u></b>	<b><u>2,145,474</u></b>	<b><u>100.0</u></b>

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### Distributors

Consistent with industry practice, we primarily sold our products through an extensive network of distributors during the Track Record Period. We maintain seller and buyer relationships with distributors whereby they purchase our products and subsequently resell them to downstream customers and end consumers. Leveraging this broad and stable distributor network, we are able to rapidly expand our presence across regions in China, enhancing market reach and brand visibility in a cost-effective manner.

The following table sets forth the movement in the number of our distributors for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,
	2023	2024	2025
As of the beginning of the period . . . . .	1,032	1,040	959
Additions of distributors . . . . .	209	116	115
Termination of distributors . . . . .	<u>(201)</u>	<u>(197)</u>	<u>(199)</u>
Net increase/(decrease) of distributors . . . . .	<u>8</u>	<u>(81)</u>	<u>(84)</u>
As of the end of the period . . . . .	<u><u>1,040</u></u>	<u><u>959</u></u>	<u><u>875</u></u>

We terminated cooperation with certain distributors, primarily because (i) we had arranged some distributors whose purchase amount was relatively small to purchase our products from our other distributors instead of purchasing directly from us, so as to focus our resources on managing distributors who purchased larger amount of products; (ii) we terminated collaboration with distributors who failed to meet our evaluation standards, including sales performance, reputation, and general working relationship with us, or violation of our contractual arrangements; and (iii) some of our distributors had ceased operation or changed their business. During the Track Record Period and up to the Latest Practicable Date, we did not have any material unresolved disputes or lawsuits with our distributors.

### *Principal contractual terms*

We typically enter into a standard distribution agreement with distributors. Key contractual terms of our distribution agreements include the following:

- ***Duration.*** The term of the distribution agreements is typically one year.
- ***Payment.*** We generally require the distributor to make full payment through bank transfer before the shipment of products.

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- ***Sales target and minimum purchase requirement.*** Certain distributors are required to meet certain sales targets. We may grant rewards to distributors that achieve or exceed such targets. We may set annual minimum purchase requirements for certain distributors. If the distributors fail to meet the prescribed targets, we may confiscate their deposits or terminate the agreement.
- ***Designated sales territory.*** We normally designate geographic distribution regions for each distributor for their sales activities.
- ***Pricing policy.*** Distributors are required to sell products according to our pricing policies.
- ***Deposit.*** Certain distributors are required to make an upfront deposit prior to the commencement of the business relationship to secure proper performance of their contractual obligations during the term of the agreement. The deposit will be fully refunded upon termination of the business relationship, provided that there has been no breach or default under the agreement.
- ***Product return or exchange policy.*** We typically do not allow distributors to return or exchange products unless there are product quality issues caused by us or incorrect shipments, which is in line with industry norm, according to CIC.
- ***Delivery.*** Distributors are responsible for picking up products at their own cost and risk from our designated warehouse.

### ***Selection and Management***

#### ***Selection***

We adopt a rigorous process in selecting distributor candidates, focusing on those with proven experience in our industry and strong local market presence. In assessing potential distributors, we consider both regional market conditions and the distributor’s own qualifications and capabilities. Key evaluation criteria include business credentials, reputation, creditworthiness, financial condition, as well as resources and strengths in staffing, warehousing and logistics, operations and sales.

#### ***Performance Management***

Given the geographical diversity of our distribution network across China, we have established a performance management mechanism under which the network is divided into distinct regions, each overseen by a designated regional manager. These regional managers are responsible for developing, supervising and supporting the distributors within their respective regions.

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To ensure effective management, we may set explicit sales targets in distribution agreements and require regional managers to monitor distributor performance on a regular basis. Regional managers also maintain ongoing communication with distributors to assess sales progress, review operations, and ensure compliance with our policies and distribution agreements.

Based on performance assessments, we provide targeted support to distributors. We provide promotional materials to support our distributors’ marketing efforts and offer sales recommendations tailored to their respective sales regions. We also provide training to help distributors understand and operate our products, and installation and adjustment services where needed. In addition, our online customer service team offers real-time support to address distributor and end-user inquiries. For underperforming distributors, we analyze the underlying causes and develop tailored improvement advice and plans. Where distributors consistently fail to meet expectations despite remedial measures, we may adjust their sales territories or take other appropriate actions.

### *Channel Stuffing Risk Management*

We have taken the following measures to minimize the risk of channel stuffing:

- (i) ***Payment terms.*** We generally require full payment before delivering products to distributors. We believe this reduces the likelihood of over-ordering, as distributors are incentivized to align their purchases with actual sales performance and market demand.
- (ii) ***Return policies.*** We maintain a stringent return policy under which distributors are not permitted to return products except in the case of product quality issues caused by us or incorrect shipments.
- (iii) ***Sales support.*** For underperforming distributors, we provide tailored improvement advice and action plans to enhance their operations, thereby mitigating the risk of excessive stockpiling.
- (iv) ***Inventory control and management.*** We suggest that the distributors should maintain appropriate stock levels sufficient to meet market demand, which generally should not fall below one to two months. Distributors are also required to adopt a first-in, first-out method to avoid product obsolescence. In addition, our regional managers communicate with them regularly and conduct on-site inspections to review and monitor their inventory levels. For products procured by the distributors from our OEM Partners, orders are placed through our systems and recorded accordingly, enabling us to track order volumes and maintain visibility over order placement across distribution channels.

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### *Cannibalization Risk Management*

We have taken the following measures to minimize the risk of cannibalization among distributors:

- (i) ***Designated distribution areas.*** We designate specific sales channels and territory for each distributor under the distribution agreement.
- (ii) ***Product traceability.*** We have implemented a "one panel one code" policy that assigns a unique code to each panel, enhancing traceability throughout the product lifecycle. This enables us to identify potential unauthorized distribution and cannibalization across channels and take timely remedial measures.
- (iii) ***Pricing policy.*** We implement a consistent pricing policy for all products sold to distributors, including those products sold to distributors by our OEM Partners, and provide distributors with recommended retail prices. We also closely monitor product prices across different channels to ensure compliance with our pricing policy.
- (iv) ***Reporting mechanism.*** We encourage distributors to report suspected cases of unauthorized distribution and cannibalization. Such reports are reviewed and investigated in a timely manner, and appropriate remedial actions are taken where necessary.

### *Compliance Management*

We require all distributors to operate in strict compliance with applicable laws and regulations, as explicitly stipulated in our distribution agreements. These agreements also provide that we shall not be held liable for any losses resulting from distributors' non-compliance. To monitor and enforce compliance, we maintain regular communication with distributors, conduct on-site inspections, and operate a reporting mechanism that encourages the timely identification and rectification of potential irregularities.

Some distributors may sell our products to retailers that in turn resell the products, which is a common industry practice, according to CIC. To the best of our knowledge, our distributors typically enter into sub-distribution agreements with such third-party retailers. We generally do not enter into agreements with, or otherwise maintain direct relationships with, such retailers. As a result, we do not exercise control over them.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties. During the Track Record Period, there was no employment, financing or family relationship between our distributors and us, save that a *de minimis* number of our distributors or their respective legal representatives, principals in charge or beneficial owners (as the case may be) are our former

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employees, and the revenue generated therefrom contributed to less than 0.1% of our revenue during each period of the Track Record Period. When any former employee of ours becomes an employee of our distributor or has equity in our distributors, we require our distributor to notify us.

We did not actively seek to establish business relationship with our former employees during the Track Record Period. In addition, our internal control policy ensures equal treatment of our distributors. We implement the same management policies across all our distributors, and the pricing of our transactions with such distributors is based on the same set of factors applicable to our transactions with other distributors.

### **Direct Sales**

Supplementing our distribution channels, we have established a direct sales network that spans both offline and online channels, enabling us to directly interact with customers and promote our brands. Direct sales also allow us to collect valuable first-hand customer feedback, which supports the continuous refinement of our product design, marketing strategies and sales channel operations.

Our direct sales customers primarily include real estate companies, decoration and renovation companies or overseas trading companies. Our direct sales are usually conducted under sales and purchase arrangements. We dedicate our direct sales team to serving our direct sales customers. As of September 30, 2025, our direct sales team consisted of 40 sales personnel with deep knowledge about our products, as well as extensive sales experience. Leveraging our local connections and consumer relationships, our direct sales team mainly promote and sell our products to our direct sales customers.

We have also been ramping up our online presence, catering to our consumers’ evolving consumption patterns. Through leading third-party e-commerce platforms, such as Tmall, our products are easily accessible by our consumers via a few clicks.

### **Major Customers**

Our customers primarily consisted of our distributors and, to a lesser extent, direct sales consumers during the Track Record Period. In 2023, 2024 and the nine months ended September 30, 2025, revenue generated from our five largest customers amounted to RMB408.7 million, RMB443.4 million and RMB497.4 million, respectively, accounting for 12.0%, 12.8% and 19.7% of our revenue in the same periods, respectively. Revenue from our largest customer in each period of the Track Record Period accounted for 2.8%, 3.4% and 5.9% of our revenue, respectively.

During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or, to the knowledge of our Directors, had owned more than 5% of our issued share capital) had any interest in any of our five largest customers. All of our five largest customers during each period of the Track Record Period were Independent Third Parties.

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### Pricing

We price our products considering a variety of factors, primarily including market demands, product market positioning, raw material costs, other operating expenses, and prevailing market prices for similar products.

We satisfy customers’ diversified needs with a broad product portfolio covering a wide price spectrum. During the Track Record Period, the suggested retail prices of our wood-panel products mainly ranged from RMB50 to RMB500 per piece. The prices of our customized home furnishings are determined in accordance with agreements entered with relevant customers.

Distributors have a certain level of discretion in adjusting the actual retail price based on our suggested retail prices. In addition, our OEM Partners have a certain level of discretion in negotiating prices with their customers based on our suggested retail prices. However, to avoid unhealthy competition, our distributors and OEM Partners are not allowed to take any actions that may materially disrupt the retail prices of our products.

### Customer Services

We value customer feedback as an important driver of continuous improvement. We have established a dedicated customer service team to provide timely and comprehensive support to our distributors, end-users, and other stakeholders. Our customer service team handles both post-sales support and general consumer inquiries. Post-sales services are typically provided through direct, one-on-one assistance to resolve product-related issues effectively. For general inquiries, including product information, usage suggestions, and feedback on marketing, we engage users through various channels, such as our customer hotline and official social media platforms, ensuring a seamless and responsive communication experience.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any customer complaints that materially and adversely affected our business.

### Marketing

As of September 30, 2025, our sales and marketing team consisted of 323 employees. Our sales and marketing team is responsible for identifying market opportunities, analyzing industry trends, and managing client relationships. Leveraging their industry expertise, our sales and marketing team effectively communicates the value proposition of our products, with a strategic focus on strengthening long-term partnerships with existing customers while actively expanding outreach to potential clients.

Our marketing efforts are strategically structured to enhance brand visibility and drive customer engagement through both online and offline channels. Offline marketing initiatives primarily include participation in major industry exhibitions and conferences, such as China (Beijing) International Building Decoration and Materials Exhibition, China (Guangzhou)

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International Building Decoration Exhibition, DOMOTEX Hannover (Germany), and the Saudi Carpet and Flooring Expo, where we showcase our products and connect with potential clients. Online marketing efforts are centered around targeted promotions through our official website, social media accounts, and collaborations with third-party media platforms, aimed at expanding our brand reach and increasing market awareness.

### RAW MATERIALS AND SUPPLY CHAIN MANAGEMENT

#### Raw Materials

We procure a variety of raw materials for our production from domestic suppliers, including timber, impregnated paper and consumables, such as edge banding, adhesives, and hardware fittings used in our operations.

We primarily adopt a centralized approach to raw material procurement through our procurement department. The procurement department is responsible for formulating procurement plans, purchasing raw materials, selecting and evaluating qualified suppliers, and working closely with the quality control department to ensure that all materials meet our standards. Centralized procurement helps minimize duplicate purchasing and inventory redundancies, while also supporting the development of stable, long-term supplier relationships.

We formulate our procurement plans dynamically, considering historical demand, sales forecasts, inventory levels, R&D needs, and market expansion strategies. To mitigate supply chain risks and price volatility, we closely monitor raw material costs through market trend analysis, supplier negotiations, and periodic price assessments. We strategically adjust inventory levels based on anticipated price fluctuations, ensuring an optimal balance between cost control and supply stability. See “— Logistics, Warehousing and Inventory Management.”

During the Track Record Period and up to the Latest Practicable Date, we did not experience quality issues or shortages with our procurement that materially affected our operations. During the Track Record Period and up to the Latest Practicable Date, we had not adopted any hedging policies for fluctuations in the prices of raw materials.

#### Suppliers

Our suppliers primarily consisted of raw material suppliers and OEM Suppliers. We have established and maintain stable and long-term relationships with our major suppliers to ensure the stability of supplies.

#### *Supplier Selection and Management*

We typically engage reputable suppliers with proven track records to ensure the quality of our products.

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We have established a comprehensive supplier management system to ensure supply chain stability, cost efficiency, and quality compliance. Our supplier lifecycle management covers the entire engagement process, including selection, evaluation, performance tracking, and potential disengagement. We consider a comprehensive set of factors when selecting suppliers, which mainly include cost competitiveness, delivery reliability, quality assurance, and technical capabilities. New suppliers must undergo rigorous qualification processes, including registration, capability assessment, material certification, on-site inspections, and contractual agreements before being included in our approved supplier list. Existing suppliers are subject to quarterly and annual performance reviews, which classify them into different categories based on performance. Suppliers that fail to meet performance expectations or our quality standards and guidelines may be subject to monetary penalties, corrective action plans, reduced procurement volumes, or contract termination. In addition, we conduct regular supplier training programs to enhance their understanding of product quality, corporate social responsibility, and compliance requirements.

### *Key Arrangements with Raw Material Suppliers*

We generally enter into annual framework agreements with our raw material suppliers setting forth general terms that will be used in each purchase order. Depending on the actual production plan, our raw material purchases are made on a purchase order basis, and we specify the product type, unit price, quantity, and other items in each purchase order we send to our suppliers. Payment terms granted by our raw material suppliers vary depending on several factors, including the size of the transactions and the types of raw materials purchased. We generally settle payments with our suppliers on a monthly basis. Our suppliers are required to provide raw materials adhering to the quality requirement under the supply agreements and are responsible for any liabilities caused by product defects. Our suppliers are also required to undertake to comply with our anti-bribery requirements.

See “— Production — Our OEM Suppliers” for details regarding our key arrangements with OEM Suppliers.

### *Major Suppliers*

In 2023, 2024 and the nine months ended September 30, 2025, purchases from our five largest suppliers amounted to RMB530.8 million, RMB477.3 million, and RMB402.5 million, respectively, representing 21.2%, 18.8%, and 23.5% of our total purchases in the same periods, respectively. In addition, purchases from our largest supplier in each period of the Track Record Period accounted for 4.9%, 4.7%, and 7.7% of our total purchases.

During the Track Record Period, none of our Directors, their respective associates, nor any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of the Company’s issued share capital) had any interest in any of our five largest suppliers. All of our five largest suppliers during each period of the Track Record Period were Independent Third Parties.

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### Overlapping Customers and Suppliers

During the Track Record Period, certain of our top five customers were also among our suppliers. This overlap occurred primarily because different subsidiaries within the same group assumed different roles as our raw material suppliers and as our direct sales customers. During the Track Record Period, one of our top five customers was also our supplier. In 2023, 2024 and the nine months ended September 30, 2025, this top five customer contributed 0.3%, 2.5% and 5.7% of our revenue, respectively, and a negligible portion of our total purchases during the same periods, respectively.

During the Track Record Period, certain of our top five suppliers were also among our customers. This overlap occurred primarily because (i) since January 1, 2025, certain OEM Suppliers served as our suppliers for outsourced manufacturing and, at the same time, acted as our OEM Partners of IP licensing services. In the nine months ended September 30, 2025, 76 OEM Suppliers also acted as our OEM Partners and (ii) certain OEM Suppliers served as our suppliers for outsourced manufacturing and, at the same time, acted as our customers of our supply chain management company for procurement of raw materials. According to CIC, it is common in our industry for OEM manufacturers to also act customers of brand owners when such OEM manufacturers (i) get licensed from brand owners to support their manufacturing activities and (ii) purchase raw materials from brand owners to meet brand-specific quality control requirements. During the Track Record Period, eight of our top five suppliers were also our customers. In 2023, 2024 and the nine months ended September 30, 2025, these top five suppliers contributed 24.0%, 23.8% and 28.6% of our total purchases, respectively, and 1.3%, 1.3% and 3.5% of our revenue, respectively.

All sales to and purchases from these customers and suppliers were negotiated through separate processes, conducted in the ordinary course of business, and carried out on commercial terms that were negotiated at arm’s length.

## RESEARCH AND DEVELOPMENT

### Our R&D Force

We have built a dedicated and experienced R&D team. As of September 30, 2025, our R&D team consisted of 175 employees. We have established a five-in-one R&D system and host a National Postdoctoral Research Station, a Provincial Key Enterprise Research Institute, a Provincial Enterprise Technology Center, a CNAS-Accredited Laboratory and an Academician and Expert Workstation.

### Product Development Process

The following are our key product development procedures:

- **R&D analysis.** We assess market trends, technology, risks, and resources to select the most viable R&D directions, ensuring we focus on high-potential projects.

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- **Resource allocation.** Based on product needs, we form dedicated teams, allocate resources, and establish timelines, turning plans into controlled actions.
- **Product testing.** We conduct performance testing and track defect resolution to ensure products meet quality standards before mass production.
- **Market launch and upgrades.** We implement release strategies, monitor market performance, and collect feedback for ongoing product improvements and updates.

### Our R&D Achievements and Technological Innovations

The following table sets forth our R&D achievements as well as technological innovations:

Name	Description
Formaldehyde-free adhesive bio-based technologies . . . . .	These technologies utilize natural plant-based raw materials such as soy and cassava starch to develop formaldehyde-free adhesives through multi-stage activation and cross-linking enhancement for soy-based adhesives, or electrochemical oxidation and nano-modification for starch-based adhesives. The adhesives address common industry challenges such as low initial tack, limited water resistance and susceptibility to mold, while eliminating harmful gas emissions during production and supporting the development of environmentally responsible products.
Plant-derived antibacterial and antiviral technologies . . . . .	These technologies utilize antibacterial and antiviral functional agents extracted from natural plants. To address the inherent limitations of plant-derived active ingredients, such as poor heat resistance and limited durability, we apply mesoporous silica loading technologies to enhance their thermal stability and long-term effectiveness. Based on these technologies, we have developed functional decorative panels with antibacterial and antiviral properties, supporting the enhancement of indoor hygiene and health-related performance of our products.

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Name	Description
Plant-derived fragrance-release technologies . . . . .	These technologies are based on fragrance-release functional agents extracted from natural plants. By applying micro-encapsulation technologies, we achieve controlled and sustained fragrance release while mitigating issues such as high volatility and short effective duration commonly associated with plant-derived fragrances. Such technologies enable the development of fragrance-release decorative panels that improve indoor sensory comfort and contribute to a more pleasant living environment.
Dry-process flame-retardant technologies . . . . .	By introducing flame-retardant components during adhesive formulation, these technologies improve flame-retardant performance without compromising other physical properties. They also mitigate issues associated with traditional soaking processes, such as wastewater generation and moisture-related damage.
Advanced color-fastness technologies . . . . .	Through optimization of combined bleaching and softening pre-treatment, water-based dye systems, microwave expansion and dyeing processes, these technologies enhance the light fastness of veneers while maintaining efficient and scalable production.
Integrated customized furniture technologies . . . . .	In response to evolving consumer demand for customized furniture, these technologies provide an integrated solution for cabinets, wardrobes, floors, and doors through digital modular design, lock-joint assembly and digitalized manufacturing and management.

## SEASONALITY

We typically experience higher sales in the second, third and fourth quarters of each year, primarily driven by factors such as renovation demand, traditional consumer patterns and seasonal weather conditions. In contrast, we typically experience lower sales in the first quarter of each year, primarily due to the impact of the Chinese New Year holiday, which in turn adversely affects our profitability for the period.

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### LOGISTICS, WAREHOUSING AND INVENTORY MANAGEMENT

#### Logistics

During the Track Record Period, we outsourced our logistics to third-party logistics service providers.

We select logistics service providers through a centralized procurement based on the corporate strength, scale of operation, operational capabilities, prices and service qualities. Our arrangements with third-party logistics service providers allow us to provide fast and efficient delivery services for our products, reduce our capital investment and reduce our risk of incurring liability for traffic accidents, delivery delays or loss.

To meet the sales and shipping needs of our products, we tailor our transportation routes based on customers’ requirements. We employ regular bidding and phased negotiations to ensure our transportation expenses remain competitive with market standards.

#### Warehousing

We operate six warehouses in Deqing, Zhejiang Province and Linyi, Shandong Province as well as additional storage facilities at our production bases. Raw materials are stored under controlled conditions, including temperature, humidity and ventilation, to minimize the risk of deterioration. Finished products are placed in designated storage areas and labeled according to product line and production date.

We have adopted comprehensive warehouse management standards to safeguard product quality and safety. Our warehouses are equipped with high-capacity ventilation systems and environmental sensors that continuously monitor temperature and humidity, with automated alerts in the event of any deviation from prescribed parameters. We have also installed surveillance systems to enable real-time monitoring of warehouse operations. In addition, on-site warehouse managers conduct regular patrol inspections to ensure compliance with our storage requirements.

#### Inventory Management

Our inventory management is coordinated across multiple departments, including procurement, logistics, marketing, sales and finance, to ensure that inventory levels remain at an optimal level. We formulate dynamic production plans by taking into account both market demand and existing inventory levels, and we launch targeted marketing initiatives from time to time to help achieve desired inventory positions.

We also require warehouse managers to conduct on-site inspections to review and analyze inventory levels and to submit regular reports. In addition, we closely monitor inventory turnover days and track the level of raw materials on hand to ensure sufficient supply for production and to make timely procurement plans when necessary.

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### QUALITY CONTROL

Our commitment to high quality and reliability helps strengthen the recognition of our brands. Our comprehensive quality management system ensures full lifecycle quality control. Our quality policy, guided by the principles of customer-centricity, continuous improvement, and zero-defect execution, serves as the foundation for all quality-related activities.

#### Our Quality Accreditations

To ensure compliance with environmental and hazardous substance regulations, we strictly adhere to a range of internationally and domestically recognized standards and certifications, such as ISO 14001 Environmental Management System Certification, China Environmental Labeling Certification, FSC Certification, JAS Certification, and CARB Certification, ensuring that all our products meet the latest environmental and safety requirements.

#### Quality Control over Supply Chain

A robust supply chain quality control process is essential to maintaining consistent and high-performing components. We enforce strict supplier audits, evaluating potential partners based on manufacturing capabilities, quality track record, and regulatory compliance. Only materials that pass our rigorous qualification and certification process are approved for use. Throughout the procurement and production cycle, we maintain full-process quality management, ensuring that all raw materials meet our design specifications and environmental compliance standards. We implement multi-layered quality checks to maintain stringent incoming material inspections, from appearance checks to physical and chemical testing, preventing substandard components from entering production. This proactive approach enables us to minimize quality risks, strengthen supplier accountability, and ensure stable supply chain performance.

#### Quality Control over Logistics and Warehousing

We cooperate with reputable logistics service providers with proven capabilities to ensure that raw materials are delivered on time and in accordance with our standards. Upon delivery, we conduct quantity and quality inspections, and any raw materials that do not meet our requirements are returned at the suppliers' expense. To strengthen logistics management, we require drivers to sign delivery receipts at the time of loading, and such receipts are used as supporting documents for internal reconciliation and settlement purposes.

We also impose strict standards on the storage of raw materials, works in progress and finished products. Our dedicated in-house quality control team conducts regular inspections and monitors the storage and usage status of each warehouse. For raw materials sensitive to temperature and humidity, we equip warehouses with thermometers and hygrometers to closely monitor conditions and make timely adjustments to ventilation and humidity to ensure an optimal storage environment.

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During the Track Record Period and up to the Latest Practicable Date, we did not experience any product recalls, product returns, or product liability claims that materially and adversely affected our business.

### INTELLECTUAL PROPERTY

We regard our patents, copyrights, trademarks, domain names, know-how, proprietary technologies, trade secrets and other intellectual property rights as critical to our business operations. As of September 30, 2025, we had 208 registered patents, 10 copyrights, 184 registered trademarks, and 17 domain names in China that are material to our operations. See “Appendix V — Statutory and General Information — B. Further Information About Our Business — 2. Our Intellectual Property Rights” for more details of the material intellectual property rights.

In addition to relying on intellectual property laws and regulations, we also protect our intellectual property through a series of measures, including signing confidentiality agreements and contractual arrangements with employees, suppliers, customers, and other parties. When encountering infringement, we conduct relevant investigations, obtain proper evidence, take appropriate action such as warnings and legal proceedings, to safeguard our legal rights and interests.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal proceedings in relation to infringement of any intellectual property rights which would have any material adverse impacts on our business, financial condition, and results of operations. See “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to protect our intellectual properties against infringement and unauthorized use in counterfeit products” and “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to claims by third parties for intellectual property infringement.”

### INFORMATION TECHNOLOGY SYSTEM

Our information technology system plays a key role in our operations, enhancing operational efficiency and contributing to our sustainable growth. Our digital infrastructure encompasses an integrated suite of management systems that support key aspects of our business, including distributor management, R&D, supply chain management, and corporate administration.

#### Distributor Management Digitalization

We manage our distributors through our proprietary integrated sales and supply chain system, together with a CRM primarily supporting our customized home furnishings business. These systems facilitate the management of distributors, including onboarding, contract execution, order placement and processing, sales performance analysis, and collaborative

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business activities. In particular, through the CRM, distributors input end-customer orders for customized home furnishings, enabling us to obtain direct visibility into order details, project progress and downstream demand.

Such integration enhances operational transparency, improves coordination between distributors and us, and supports more efficient order fulfillment and production planning.

### **R&D Digitalization**

We employ a digitalized R&D workflow management framework to support the orderly and efficient execution of our R&D activities. At present, our R&D projects are primarily managed through an OA system, which facilitates project approval workflows, task coordination and document management, ensuring standardized and traceable R&D processes.

### **Supply Chain Digitalization**

We utilize multiple digital systems to manage and optimize our supply chain across key aspects such as procurement, production, logistics, and inventory management.

- ***Procurement.*** Our procurement process is managed through an SRM system, integrated into our sales and supply chain system. This system supports supplier sourcing, qualification management, procurement collaboration and supplier performance evaluation through digitalized processes.
- ***Production.*** Our production operations are managed via an MES, a PMC system and a CAM/CAD system. The MES ensures accurate execution of production plans, real-time collection of production data and traceability of product quality throughout the manufacturing process. The PMC system supports inventory control, material planning and order analysis, enabling coordinated management of production scheduling and material flows. The CAM/CAD system supports 3D design and the digital integration of furniture and interior fitting designs with downstream production processes, thereby facilitating the efficient conversion of design data into manufacturing instructions.
- ***Logistics.*** We integrate a logistics tracking module within our sales and supply chain system, enabling real-time monitoring of shipment status and precise management of delivery through digital tools.
- ***Inventory Management.*** Leveraging our WMS, we dynamically analyze sales and manage our procurement and production accordingly to optimize the inventory level in our supply chain.

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### Corporate Administration Digitalization

At the corporate level, we have established a range of digital management systems to optimize internal operations, including financial management, collaborative work, data analytics and employee training systems.

We utilize the ERP system to support standardized and process-oriented financial management across the Group. The ERP system currently covers key functional modules such as finance, accounting, general ledger, accounts receivable, accounts payable and asset management. It also integrates business modules related to materials management and sales and distribution. In addition, our ERP system is connected with other internal systems, ensuring accurate and efficient data transmission across internal departments and subsidiaries.

### COMPETITION

We operate in highly competitive and rapidly evolving markets, where we face competition from a growing number of providers of wood-based panels and customized home furnishings. Our ability to maintain and expand market share depends on our capacity to compete effectively with these industry players.

The competitive landscape is shaped by a variety of factors, including brand equity, product and service quality, technological capabilities, consumer trends, pricing strategies, consumer perception, distribution networks, and overall economic conditions. While there are certain barriers to entry, new market entrants may emerge with innovative or attractive products, intensifying competition. If we fail to stay ahead of industry developments or differentiate our products through quality, innovation, or cost efficiency, our market share may be negatively impacted.

We believe that our diversified product portfolio, extensive sales and distribution network, and R&D efforts as well as technological innovations provide us with a competitive edge, enabling us to serve a broad customer base, distinguish ourselves from competitors, and secure long-term growth.

See “Industry Overview” for more details.

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### EMPLOYEES

As of September 30, 2025, all of our employees were located in China. The following table sets forth a breakdown of our employees by function as of the same date:

<u>Function</u>	<u>Number</u>	<u>Percentage of Total Number</u>
		(%)
Production . . . . .	924	50.9
R&D . . . . .	175	9.6
Sales and marketing . . . . .	323	17.8
Procurement . . . . .	93	5.1
Administrative . . . . .	302	16.6
<b>Total</b> . . . . .	<b><u>1,817</u></b>	<b><u>100.0</u></b>

We recruit employees primarily through referrals, headhunters, online job portals and campus job fairs. We offer new employee orientation training and regular on-the-job training to our employees. We and employees enter into individual employment contracts covering matters including salary, bonuses, employee benefits, confidentiality obligations, non-compete clauses, work product and intellectual property transfer clauses and reasons for contract termination. The remuneration packages of our employees include salary and bonuses, which are usually determined based on their seniority, performance appraisal and term of service. We also provide promotion opportunities to motivate our employees.

Sharing success with employees and empowering them to grow is one of the core elements of our corporate culture. We always strive to provide employees with comprehensive social benefits, a safe working environment and diverse career development opportunities. Meanwhile, we strictly abide by the laws, regulations and standards on workplace safety in relevant countries and regions. We are committed to creating a safe and healthy working environment for employees and ensuring their safety and physical and mental health by implementing a highly efficient management system.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any labor disputes or strikes that could have a material and adverse effect on our business, financial condition or results of operations.

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### **Social Insurance and Housing Provident Funds**

#### ***Background and Reasons***

During the Track Record Period, we had made social insurance and housing provident fund contributions for all of our employees, but we had not made social insurance and housing provident fund contributions for some of our employees in full, in accordance with the relevant PRC laws and regulations, primarily because certain employees had chosen for us not to pay the social insurance and housing provident fund contributions in full, as that also requires additional contributions from the employee. We estimate that the aggregate shortfall of social insurance and housing provident fund contributions amounted to approximately RMB29.6 million, RMB31.6 million and RMB25.8 million in 2023, 2024 and the nine months ended September 30, 2025, respectively.

#### ***Potential Legal Consequences***

Pursuant to relevant PRC laws and regulations, our PRC Legal Advisor has advised us of the following potential legal consequences:

- For the shortfall of social insurance, we may be required to (i) make up the shortfall within a prescribed period and may be subject to late payment surcharges, and (ii) pay a fine of one to three times the overdue amount if such payment is not made within the stipulated period.
- For the shortfall of housing provident fund contributions, we may be required to (i) make up the shortfall within a prescribed period, and (ii) be subject to compulsory enforcement by the courts if such payment is not made within such time limit.

#### ***Latest Status and Remedial Measures***

During the Track Record Period and up to the Latest Practicable Date, (i) we had obtained written confirmations for all of our major subsidiaries from competent local social insurance and housing provident fund governmental authorities, as confirmed by our PRC Legal Advisor, each stating that the relevant subsidiary had not subject to any administrative penalty, (ii) no material administrative action or penalty had been imposed by the relevant governmental authorities with respect to our social insurance and housing provident fund contributions, (iii) we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident fund contributions, and (iv) we were not aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and housing provident fund contributions.

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Based on the foregoing, our PRC Legal Advisor is of the view that the likelihood that we are (i) subject to material administrative penalties due to our failure to make full contribution of social insurance and housing provident fund contributions and (ii) required by relevant authorities actively to pay the shortfall for social insurance and housing provident fund contributions collectively during the Track Record Period is remote. As a result, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date.

We have taken the following internal control enhancement measures relating to social insurance and housing provident funds contributions:

- We have designated our human resource department to monitor the reporting and contributions of social insurance and housing provident fund contributions;
- We will consult PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments; and
- We will actively communicate with relevant social insurance and housing fund local authorities to ensure we have the most updated information about the relevant laws and regulations concerning social insurance and housing fund.

See “Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject us to fines and other legal or administrative sanctions.”

## INSURANCE

We maintain insurance policies based on our assessment of the needs of our operations and industry practices. For example, we take out social insurances for our employees working in China, including employer’s liability insurance, pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance.

In line with general market practice, we do not maintain any business interruption insurance, key man life insurance, or insurance policies covering damages to our network infrastructures or information technology systems, which are not mandatory under PRC laws. See “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be inadequate to protect us from the liabilities we may incur or cover all of our potential costs.”

## PROPERTIES

Headquartered in Huzhou, Zhejiang Province, we own and lease certain properties in China in connection with our business operation.

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### **Owned Properties**

#### *Land*

As of September 30, 2025, we had right to use eight parcels of land in China, with an aggregate gross site area of over 440,000 square meters, which are primarily used as our warehouses, production bases and office space. As of our Latest Practicable Date, our rights to use such lands were lawful and valid, and there were no disputes or potential disputes over the ownership over such lands.

#### *Buildings*

As of September 30, 2025, we owned seven properties in China, with an aggregate gross floor area of approximately 323,000 square meters, which are primarily used as our office space, staff dormitory and production bases. As of our Latest Practicable Date, we had obtained the building ownership certificates for them all.

### **Lease Properties**

As of September 30, 2025, we leased five properties across China, with an aggregate gross floor area of approximately 4,300 square meters, which are primarily used as our office space and warehouse. As of the Latest Practicable Date, the lessors had obtained the relevant title certificates and/or consent, authorization, or approval which entitled the lessors to lease out such properties.

As of the Latest Practicable Date, we had not completed lease registration or lease registration modification for four of the leased properties in China, primarily due to the difficulty of procuring the relevant landlords’ cooperation to register their leases. As of the Latest Practicable Date, in relation to the leased properties that had not completed lease registration or lease registration modification, we have not been required by the relevant local housing administrative authorities to complete the registrations, nor been penalized or fined by the relevant authorities. As advised by our PRC Legal Advisor, the absence of registrations will not affect the validity of the lease agreements, nor materially and adversely affect our operations.

See “Risk Factors — Risks Relating to Our Business and Industry — Our leased property interests may be defective and our right to lease or use the properties may be challenged, which could cause additional expenses or significant disruption to our operation” for risks relating to our properties.

### **Property Valuation**

Pursuant to Rules 5.01A(1) and 5.01B(1) of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) that forms part of property activities (as defined in Rule 5.01(2) of the

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Listing Rules) is or is above 1% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the document must include the full text of a valuation report for such property interest. As of September 30, 2025, being the date of which the most recent audited consolidated statements of the financial position of our Group, the carrying amount of our property interest that formed part of our property activities was or was above 1% of our total assets. Thus, a property valuation report in respect of our Group's such property interest is included in this document. For further details, please refer to the property valuation report issued by Colliers, the text of which is set out in Appendix III to this document. As of September 30, 2025, no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of total assets.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We attach great importance on environmental and social matters and integrate ESG-related issues into our corporate management practices. By benchmarking with the ESG issues set out in the Environmental, Social and Governance Reporting Code of the Hong Kong Stock Exchange, the industry standards on International Sustainability Disclosure Standard, and the ESG information disclosures of peer listed companies, we have identified those ESG topics of high significance, including climate change, employee health and safety, product liability. Targeting at the above issues, we have formulated relevant policies, management procedures or operation manuals, and monitored our implementation in daily operations to promote sustainable development of the enterprise.

### ESG Governance

We have established an ESG governance structure consisting of the Board, ESG sustainable development management group and respective functional departments, details are as follows:

- (i) The Board is the leading and decision-making body for ESG work. It is primarily responsible for reviewing and approving our ESG objectives and strategic plans, ESG governance structure, material systems, ESG reports and related public disclosures.
- (ii) The ESG sustainable development management group acts as the daily work and coordination body for ESG work, which is being led by our executive Director and vice general manager. For qualifications and experience of the personnel, please see "Directors and Senior Management."

The ESG sustainable development management group is primarily responsible for formulating and updating sustainability strategies, monitoring the developments of ESG-related policies and regulations, conducting ESG risk evaluation on a regular basis, and continuously overseeing the implementation of ESG policies to ensure effective implementation of all measures.

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- (iii) Functional departments and subsidiaries serve as our ESG working groups, executing various ESG initiatives. This primarily involves departments of information technology, financial management, human resources, general management, and equipment engineering, which are responsible for implementing ESG tasks aligned with our master plan and providing regular progress reports.

We have implemented the ESG strategic guidelines from the top down across all departments and the entire group and leveraged on the ESG working group for execution. The working group promptly controls and mitigates potential risks and prepares in advance for future opportunities.

### **Environment**

#### ***Energy Management***

We are committed to energy efficiency and conservation, embedding energy management into our routine administrative practices. Our energy management initiatives include:

- to gradually phase out high-energy-consumption motors and facilities when selecting equipment, and encourage the use of environmental friendly, economical, and practical low-power equipment, adopting, wherever possible, advanced products that can reduce energy consumption.
- to vigorously promote paperless office, encourage employees to use electronic documents and emails for communication and collaboration, reduce paper usage, and improve operation and circulation efficiency.
- to promote energy and water-saving habits among staff, efficient use of lighting, air conditioning, and office appliances to effectively promote green office.
- to construct photovoltaic power generation projects to utilize clean energy.
- to execute hot press steam-and-water recycling initiatives to maximize thermal efficiency and reduce energy waste.
- to implement heat energy conversion and recovery from dyeing wastewater for energy recycling.
- to replace the steam system to a natural gas-fired thermal oil system to reduce carbon emissions.
- to standardize the installation of three-level energy metering devices to achieve precise energy consumption management.
- to incorporate new insulation and natural lighting materials into buildings to reduce building energy consumption.
- to replace all internal combustion engine forklifts with new energy electric forklifts to reduce exhaust emissions.

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The table below sets forth our energy consumption during the Track Record Period:

Indicator	Unit	As of December 31,		As of
		2023	2024	September 30, 2025
Purchased electricity . . . . .	<i>MWh</i>	15,976	16,437	11,786
Among them, green electricity . . . . .	<i>MWh</i>	909	1,641	760
Purchased steam . . . . .	<i>MkJ</i>	112,538	128,752	93,922
Natural gas . . . . .	<i>M<sup>3</sup></i>	557,715	567,839	299,162
Gasoline . . . . .	<i>Liter</i>	69,682	73,210	53,557
Diesel . . . . .	<i>Liter</i>	78,285	49,437	26,856 <sup>(2)</sup>
Total comprehensive energy consumption . . . . .	<i>MWh</i>	54,662	59,470	41,840
Comprehensive energy consumption intensity . .	<i>MWh/million RMB revenue</i>	16	17	17

*Notes:*

- (1) In 2024, due to the increase in the Group’s production volume and the improvement in automation, the energy consumption of various types of equipment has increased accordingly.
- (2) Diesel is used for forklifts in the factory. In 2024 and 2025, we have successively replaced the diesel-powered forklifts with electric forklifts, resulting in a substantial reduction in diesel consumption in 2025.
- (3) The comprehensive energy consumption is calculated using the conversion factors set out in the People’s Republic of China’s national standard *General Rules for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2020)* (《綜合能耗計算通則(GB/T2589-2020)》).

We have established 2024 as our base year, with the goal of reducing energy consumption intensity by 5% by 2030 and zero growth in electricity consumption per million of revenue.

### ***Water Resource Management***

Our main water resource is municipal water supply. The equipment engineering department, production department, statistics department, as well as monitoring and management department are responsible for participating in water-use target management. We have adopted the following water conservation measures:

- to retrofit and adopt water-saving technologies and facilities, and standardize the installation of three-tier water metering devices.
- to adopt advanced water-saving technologies and facilities to reduce water wastage.
- to conduct daily inspections and meter readings to promptly perform leak detection and repairs if any issues are identified.

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- to implement improvements to production processes and technical equipment.
- to install water-saving faucets and strengthen the management of water facilities.
- to conduct daily water conservation awareness campaigns and post visual aids for water-saving.
- to provide water conservation training and education for employees to foster a culture of water-saving awareness.

The table below sets forth our water resource consumption during the Track Record Period:

Indicator	Unit	As of December 31,		As of
		2023	2024	September 30,
				2025
Total water consumption . . .	Tons	153,228	203,484	139,899
Water consumption intensity . . . . .	ton/person	93	116	103

*Note:*

- (1) Due to the increase in the Group’s production volume, the water consumption and wastewater discharge have continued to grow.

We have established 2024 as our base year, with the goal of reducing water consumption per unit of output value by 7% by 2030.

***Climate Change***

Informed by the framework and recommendations of the Task Force on Climate-related Financial Disclosures, we identify climate-related risks and opportunities that may affect our operations, assess their potential impact on our business, and implement effective response measures to promote corporate sustainability.

Climate change risks include both physical and transition risks. As regards physical risks, Zhejiang Province, where our headquarters is located, is in an area susceptible to typhoons and floods. Frequent extreme weather events could increase non-operating expenses. To this end, we have equipped our office area with emergency equipment and supplies, established emergency plan and disaster recovery plan, and conducted regular emergency drills to raise employee awareness of climate change and enhance disaster prevention and relief capabilities.

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We have established the Shenghua Yunfeng Contingency Plan (《升華雲峰應急預案》), which includes various management measures and contingency plans, including specialized contingency plans for typhoons and floods, contingency plans for sudden water and power outages, and specialized contingency plans for natural disasters, to prevent critical incidents, ensuring the safety of our employees’ lives and property.

We are aware of the importance of addressing climate change, protecting the natural environment upon which we depend, and providing society with environmentally friendly and habitat-friendly products. We focus on breakthroughs in core green and low-carbon technologies, design and develop innovative green and low-carbon products, and advance process optimization and innovation as well as pollution and carbon reduction initiatives.

### *Greenhouse Gas Emission*

The following table sets forth our Scope 1 and Scope 2 greenhouse gas emissions (GHG emission) during the Track Record Period:

Indicator	Unit	As of December 31,		As of
		2023	2024	September 30, 2025
Direct (Scope 1) GHG emissions <sup>(1)</sup> . . . . .	<i>tCO<sub>2</sub>e</i>	1,589	1,540	846
Indirect (Scope 2) GHG emissions <sup>(2)</sup> . . . . .	<i>tCO<sub>2</sub>e</i>	20,374	22,014	16,182
Total GHG emissions . . . . .	<i>tCO<sub>2</sub>e</i>	21,963	23,553	17,028
GHG emission intensity . . . . .	<i>tCO<sub>2</sub>e/million RMB revenue</i>	6.5	6.8	6.8

*Notes:*

- (1) Direct (Scope 1) GHG emissions refer to petrol and diesel consumption multiplied by the corresponding emission factors, with reference to *China Energy Statistical Yearbook* and *IPCC2006*.
- (2) Indirect (Scope 2) GHG emissions refer to the volume of externally procured electricity (excluding green electricity) is multiplied by the corresponding emission factor, with reference to the Ministry of Ecology and Environment’s Announcement on the Release of the Carbon Dioxide Emission Factors of Electric Power in 2023 (《關於發布2023年電力二氧化碳排放因子的公告》).

We aim to achieve peaking carbon emissions by 2028 and carbon neutrality by 2050 in our core operations.

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### Social

#### *Employment Management*

We prohibit the use of child labor and any form of forced labor. We rigorously verify the age of applicants to prevent the inadvertent employment of child labor, ensuring all staff are voluntarily employed and enjoy their lawful rights and interests. We are committed to providing a fair and safe working environment for our employees and fulfilling our corporate social responsibilities.

We have established the Employee Handbook and recruit talent through online recruitment, internal referrals, campus recruitment and headhunting. We implement a non-discriminatory recruitment policy, ensuring no differential treatment based on ethnicity, race, age, gender, marital status or religious beliefs. We are committed to maintaining a mutually respectful working environment and have established *the Corporate Culture Management System*, which strictly prohibits any form of discrimination, harassment or harmful behavior towards others, while clearly defining the disciplinary measures for violations in the *Administrative Measures for the Employee Conduct Rewards and Penalties*.

#### *Employee Care*

We are committed to providing our employees with comprehensive support and care, fostering a warm and harmonious working environment. We have established the *Supervision Management System and the Performance Management Measures*, and through mechanisms such as establishing a trade union, setting up a mailbox, organizing employee forums and performance appeal, we have established employee communication and rights protection mechanisms.

In addition, we provide the following benefits to our employees:

- *Birthday care.* We provide birthday gifts to employees on their birthdays.
- *Festive gifts.* We distribute festival-related gifts to all active employees during major festivals each year.
- *Health check-ups and supplemental accidental insurance and medical insurance.* We offer health check-ups, supplemental accidental and medical insurance, as well as other forms of supplementary insurance.
- *Company-wide team building.* We organize various team-building activities on a regular or ad hoc basis in line with employees' needs.

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### *Training and Development*

To standardize our training management and enhance employees’ overall competence and professional skills, we have established the *Training Management Policy* and the *Internal Trainer Management Policy* to regulate training activities. These policies provide employees with appropriate training, both online and offline, to ensure they receive the necessary learning and development opportunities.

### *Employee Health and Safety*

We prioritize employee health and safety and have established the *Occupational Health Management System*, the *Safety Production Management System*, and the *EHS Management Manual*, among others. We actively conduct occupational health protection training, enhance employee health records and organize regular health check-ups to monitor employees’ physical and mental well-being. We have obtained the certificate for ISO 45001 Occupational Health and Safety Management System certification.

The primary occupational health risks we face are noise and wood dust, with certain positions also exposed to hazards such as high temperatures. To address these risks, we implement the following measures:

- Strictly implement pre-employment medical examinations to ensure a proper entry screening.
- Strictly carry out annual workplace inspections, conduct current conditions inspections every three years and organize annual medical examinations for positions exposed to occupational disease risks based on the inspection results. Implement effective preventive measures, and conduct post-examination follow-ups in 2025.
- Provide personal protective equipment to positions exposed to occupational disease risks on a regular basis, and reinforce proper usage requirements during routine inspections.
- Further optimize the production environment by improving equipment performance and automatic levels, continuously striving for source-level improvements to enhance workplace conditions.

### *Product Liability*

We consistently uphold the highest standards in product quality and safety, placing customer needs at the core, and are committed to providing safe, reliable and high-quality products and services. We have established a comprehensive quality management system that

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covers the entire product lifecycle — from product design and production and manufacturing to after-sales service — strictly adhering to national quality standards and safety specifications to ensure that our products achieve industry-leading performance, reliability and safety.

In September 2025, leveraging our leading 5G+ smart manufacturing practices, we were included in the *2025 5G Factory Directory* officially published by the General Office of the Ministry of Industry and Information Technology. By utilizing 5G technology, we enable interconnection of production equipment, real-time data transmission and intelligent quality inspection, significantly improving production efficiency and ensuring stable product quality through precise control.

We actively adopt advanced technologies such as artificial intelligence and machine learning to optimize production planning and scheduling, enhancing both production efficiency and product completeness rate. By implementing Industry 4.0 standards to build an end-to-end intelligent manufacturing ecosystem, we have been recognized as a *Smart Manufacturing Demonstration Enterprise* by the MIIT.

### ***Supply Chain Management***

To optimize and develop supplier resources, we have established a supplier market access and performance evaluation system to ensure reliable material supply for our production and construction. We have implemented a comprehensive supplier management framework, including the *Bidding Management Policy*, the *OEM Supplier Management Policy*, and the *Sheet Material OEM Supplier Management Measures*.

See “— Suppliers — Supplier Selection and Management” for more details.

### ***Integrity and Anti-corruption***

We are committed to ethical business practices and have established a comprehensive anti-fraud mechanism. We strive to foster a clean and efficient work environment and strengthen the style building. To promote integrity culture, continuously enhance self-discipline awareness and establish a healthy and positive corporate culture image, we have formulated the *Anti-Money Laundering and Anti-Corruption Management System*, ensuring that anti-corruption measures are effectively implemented and governed in accordance with established rules.

Our finance management department serves as the lead department for anti-money laundering and anti-corruption efforts, responsible for policy formulation, organization and coordination, cross-departmental collaboration and the advancement of overall initiatives. In addition, the inspection, audit and legal department conducts regular audits of the effectiveness of the implementation of the anti-money laundering system, with audit results reported directly to senior management, clearly identifying deficiencies in execution and providing recommendations for improvement.

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To ensure that all employees fully understand the harm caused by money laundering and corruption and are clear about their own anti-money laundering compliance obligations, we have established a corresponding training system. We organize company-wide participation through online courses and in-person thematic training sessions. In addition, we strengthen employees’ risk awareness through internal case briefings, policy interpretations and compliance alerts.

### *Corporate Social Responsibility*

In fulfilling our social responsibilities, we take an active role. During the Track Record Period, we donated more than RMB0.7 million and organized employees to collect over 600 kilograms of unused clothing to support remote areas and disadvantaged groups. We also organize annual voluntary blood donation activities for employees to help ensure an adequate supply of blood for clinical use.

From 2021 to 2025, we have continuously carried out the “Yi Qi Liu Yi” themed public welfare initiative for five consecutive years. In collaboration with distributor representatives and charitable organizations, we donated schoolbags, stationery, books, sports equipment and other supplies to children in need. We also donated the industry’s first E<sub>NF</sub>-grade environmentally friendly public welfare library, providing children with abundant reading resources and supporting the revitalization of rural education.

We actively participate in social emergency relief efforts. In the face of natural disasters and emergencies, we extend assistance and promptly donated supplies to support disaster relief and post-disaster reconstruction, fulfilling our social responsibilities.

### AWARDS AND RECOGNITIONS

The following table sets forth major awards and recognitions we received:

Award/Recognition	Award Year	Awarding Institution/Authority
First Prize of the 25th Zhejiang Forestry Science and Technology Award (浙江省第二十五屆科技興林獎一等獎) . . . . .	2025	Zhejiang Provincial Forestry Administration (浙江省林業局) and Zhejiang Society of Forestry (浙江省林學會)
First Prize of the Liang Xi Forestry Science and Technology Invention Award (梁希林業科學技術發明獎一等獎) . . . . .	2024	National Forestry and Grassland Administration (國家林業和草原局) and Chinese Society of Forestry (中國林學會)
First Prize of the Heilongjiang Provincial Science and Technology Invention Award (黑龍江省科學技術發明獎一等獎) . . . . .	2024	People’s Government of Heilongjiang Province (黑龍江省人民政府)

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<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Institution/Authority</u>
Special Prize of the Science and Technology Progress Award (科學技術進步獎特等獎) . . . . .	2023	China Timber & Wood Products Distribution Association (中國木材與木製品流通協會)

### LICENSES, APPROVALS AND PERMITS

As of the Latest Practicable Date, according to our PRC Legal Advisor, we had obtained the requisite licenses, approvals and permits from the competent government departments and regulatory authorities that are material for our business operations in the jurisdictions where we operate. We are required to renew such certificates, permits and licenses from time-to-time. We do not expect any material difficulties in such renewals.

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

We may, from time to time, become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. See “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to litigation and other legal proceedings and may not always be successful in defending ourselves against such claims or legal proceedings.”

#### Compliance

During the Track Record Period and up to the Latest Practicable Date, according to our PRC Legal Advisor, we had complied with all relevant laws and regulations applicable to us in all material respects concerning our operations. See “Regulatory Overview” for more information about the laws and regulations applicable to us.

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### INTERNAL CONTROL AND RISK MANAGEMENT

We have developed and implemented risk management policies and internal control measures in relation to our business operations, financial reporting, and general compliance. To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted and will adopt, among other things, the following risk management measures:

- We design a comprehensive set of policies to identify, analyze, manage and monitor various risks, and periodically assess and update our risk management policies.
- Our Board is responsible for overseeing the overall risk management and internal control.
- Our Audit Committee is authorized to review and evaluate our financial control, risk management and internal control system. See “Directors and Senior Management — Management and Corporate Governance — Board Committees — Audit Committee” for the composition of the Audit Committee and the members’ qualifications and experience.
- We will adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure.
- We will continue to organize training sessions for our Directors and senior management with respect to the relevant requirements of the Listing Rules and duties of directors of companies [REDACTED] in Hong Kong.

#### Internal Control on Data Privacy Policy

In the ordinary course of our business, we may from time to time collect contact information of end customers of our customized home furnishings. To ensure compliance with applicable laws and industry best practices, we have implemented rigorous data protection policies and measures governing the collection, processing, storage, and usage of personal information. These policies include:

- **Data Collection.** We conduct compliance assessments when collecting data with notification to users and log records of the collection process.
- **Data Processing.** We strictly process data in a manner that protects the legitimate rights of data subjects. We process data for a specific and reasonable purpose and limit our data processing activities to the minimum scope for achieving that purpose.

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- **Data Storage.** We require that information and data we receive in China be stored and preserved within China. After collecting information, we take appropriate measures, such as data encryption and de-identification processing, to ensure customer and consumer privacy and prevent data leakage.
- **Data Usage.** We have clear and strict authorization and authentication procedures and policies in place. Our employees only have access to data that is directly relevant and necessary for their responsibilities and for limited purposes, and they are required to verify authorization upon every access attempt.

### **Internal Control on Protection against Counterfeit Products**

We endeavor to combat counterfeit products to protect our brand integrity. Our distributors are contractually required to preserve our reputation and brand integrity, and selling counterfeit products is strictly prohibited pursuant to the distribution agreements. We encourage consumers to report unauthorized uses of our brands or counterfeit products to us. We have also been enhancing consumer education by promoting our authentic products through various publicity channels. Furthermore, we have dedicated a team to monitoring and handling counterfeiting issues. In the event we identify any counterfeit products, we may initiate legal actions and take other responsive measures based on the advice of intellectual property consultants and attorneys.

### **Internal Control of Anti-Bribery and Anti-Corruption**

In order to maintain our reputation and integrity of our corporate governance, we have implemented an anti-bribery and corruption policy which requires our employees to conduct business legally and ethically. Our anti-bribery and corruption policy prohibits our employees from offering unauthorized payments, such as bribes, kickbacks, or benefits to any third party, including government officers, customers, or suppliers, in order to secure or reward an improper benefit. They are also not allowed to accept or solicit any such unauthorized payment. Our anti-bribery and corruption policy also prohibits other misconduct, such as misappropriation, embezzlement, fraud or other illegal activities. Any violation of the policies could result in dismissal and financial fines.

Moreover, we also require our distributors, suppliers and other business partners to undertake anti-bribery commitment in writing that prohibits gifts, rebates, facilitation fees and other illegitimate conduct. Any breach of such commitment could result in termination of collaboration agreements and penalties as appropriate.

### **Internal Control of Third-Party Payment Arrangements**

#### ***Background***

During the Track Record Period, we accepted payments made on behalf of certain customers (the “**Relevant Customer(s)**”) through the accounts of third-party payors (the “**Third-Party Payment Arrangement(s)**”).

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In 2023, 2024 and the nine months ended September 30, 2025, two, six and five Relevant Customers settled transactions with us under Third-Party Payment Arrangements. The aggregate amount of revenue settled under Third-Party Payment Arrangements was RMB8.6 million, RMB16.9 million and RMB4.0 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 0.3%, 0.5% and 0.2% of our revenue for the respective periods.

To the best of our knowledge, during the Track Record Period and up to the latest Practicable Date, (i) the third-party payors designated by the Relevant Customers primarily include the Relevant Customers’ affiliated entities, and independent third-parties; and (ii) all of the third-party payors under Third-Party Payment Arrangements were Independent Third Parties.

### *Reasons for Third-Party Payment Arrangements*

To the best of our knowledge, the use of the Third-Party Payment Arrangements primarily stems from the following reasons:

- According to CIC, it is a common commercial practice in China for customers to settle payments through third-party payors for various reasons.
- Some Relevant Customers paid through third-party payors because they may experience financial difficulties, including limited cash flow or liquidity constraints, from time to time, and Relevant Customers chose to settle through Third Party Payment Arrangements.
- For some Relevant Customers, the use of accounts held by affiliated entities is consistent with their internal financial management practices and enhances operational efficiency.

### *Implication and Termination of the Third-party Payment Arrangements*

We have undertaken the following measures to manage Third-Party Payment Arrangements:

- ***Prevention of fraud or money laundering.*** To prevent fraud or money laundering activities, we have implemented several know-your-customer procedures to have a comprehensive understanding of our customers. We also maintain active communication with our customers through both online and offline channels. Based on the above, we have no basis to believe that the Relevant Customers are involved in fraudulent or money laundering activities, nor any reason to suspect that the Third-Party Payment Arrangements involve proceeds or gains from such activities.
- ***Genuine underlying transactions.*** To ensure the Third-Party Payment Arrangements are supported by genuine transactions, Relevant Customers are required to confirm the order details and payment party information with us before making payments

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through designated third-party payors. We will only record the fund flow if key elements such as the payment amount and transaction time are consistent with the corresponding order. This dual-verification process helps ensure the authenticity and traceability of each third-party payment transaction.

- ***Confirmation from Relevant Customers.*** We have communicated with Relevant Customers and have obtained confirmations from selected customers (covering majority of the transaction amounts of the Third-Party Payment Arrangements during the Track Record Period), confirming that (a) all settlements with us were supported by genuine transactions; (b) the Third-Party Payment Arrangements was a voluntary arrangement between the Relevant Customers and their designated payors, and were not initiated by us; (c) neither the Relevant Customers nor their designated payors received any financial assistance from us; (d) neither the Relevant Customers nor their designated payors have made, or will make, any claims against us, or initiate any litigation, proceedings or other disputes in respect of payments made through the Third-Party Payment Arrangements; and (e) we are not subject to any rights or obligations under the Third-Party Payment Arrangements between the Relevant Customers and their designated payors, and any risks associated therewith are to be borne solely by the Relevant Customers and/or their designated payors, but not by us.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge:

- (i) we had not proactively initiated any Third-Party Payment Arrangements or participated in any such arrangements in other forms;
- (ii) we had not provided any discount, commission, rebate or other benefit to any of the Relevant Customers to facilitate or incentivize Third-Party Payment Arrangements;
- (iii) the pricing and payment terms of the agreements we entered into with the Relevant Customers were generally consistent with those applicable to customers not involved in Third-Party Payment Arrangements under similar circumstances;
- (iv) the relevant payments were made pursuant to bona fide underlying transactions and valid contractual relationships, and all settlements with us were supported by genuine transactions;
- (v) we are not aware of any commercial bribery, money laundering, tax evasion, or any existing or potential disputes arising in connection with any Third-Party Payment Arrangements;
- (vi) no Relevant Customer has claimed any interest in respect of any transaction payment to or from us through Third-Party Payment Arrangements;

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- (vii) we have not been subject to any administrative notice, investigation or penalty in relation to Third-Party Payment Arrangements; and
- (viii) the Third-Party Payment Arrangements, where applicable, have been completely and accurately recorded in our accounting books and records in all material respects.

As advised by our PRC Legal Advisor, the applicable laws or regulations in PRC do not explicitly forbid the Third-Party Payment Arrangements, and as a result, provided that the receipt of payment was performed solely as settlement of sale of services which are genuine transactions and not related to any criminal or illegal proceeds or gains, the Third-Party Payment Arrangements are not in breach of mandatory requirements of current applicable laws and regulations in China.

In line with our commitment to strengthening internal controls, we proactively phased out Third-Party Payment Arrangements to ensure a more transparent and standardized payment process. As of January 1, 2026, we have terminated accepting payments made on behalf of customers through the accounts of third-party payors for future incoming orders. We believe that this termination has not had, and will not have, a material adverse effect on our business, given that revenue generated from the Third-Party Payment Arrangements represented an insignificant percentage of our revenue during the Track Record Period.

See “Risk Factors — Risks Relating to Our Business and Industry — We are subject to various risks relating to the Third-Party Payment Arrangements.”

### ***Enhanced Internal Control and Remedial Measures***

We have adopted internal control measures to mitigate risks relating to, and prevent future occurrences of, the Third-Party Payment Arrangement, including:

- Our employees are required not to accept any payments made on behalf of customers through the accounts of third-party payors for future incoming orders since January 1, 2026, and to understand and implement our policies and measures related to the termination of Third-Party Payment Arrangements, alongside regular training sessions on fraud prevention and anti-money laundering practices;
- When contracts are signed, our employees are required to collect the customers’ bank account information, including the account name, and ensure that all payment transactions are made using the account of the contracting party;
- Our employees are required to verify whether the payment details match the contracting party’s information. In cases of discrepancy, customers will be notified to make the payment again using the correct account; and

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For certain Relevant Customers with whom we transacted during the Track Record Period and who experienced temporary financial difficulties, including limited cash flow or liquidity constraints, such customers may continue to settle payments through the accounts of third-party payors, which is in line with our receivables management measures. For such customers, we require that they must (i) communicate relevant information to us, including, among others, the identity and bank account information of the involved third-party payors, (ii) obtain the approval of our finance department, and (iii) enter into a tri-party payment agreement together with us and the third-party payors or alternatively, provide us with an authorization letter, which sets out the identity and bank account information of the third-party payor, as well as the reasons for authorizing such third-party payor to make payments on behalf of the customer.

Based on the follow-up review on the implementation of measures, our Directors are of the view that the above measures are effective and adequate in preventing Third-Party Payment Arrangements and its associated risks, and our Directors will oversee the effectiveness of the aforementioned enhanced internal controls on the Third-Party Payment Arrangements in the future.