

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

The history of our Group traces back to August 2008 when the predecessor of our Company, Jiangsu Zhongxin Success Wood Products Co., Ltd. (江蘇中鑫成功木業有限公司), was established as a limited liability company in the PRC. In July 2019, our Company was converted into a joint stock company with limited liability. Over the years, we have become an established PVC flooring export manufacturer with a leading position in the SPC flooring in China.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

Year	Milestone
2008	Our Company was established as a limited liability company in the PRC and commenced our laminate flooring business.
2017	We commenced our PVC flooring business.
2019	Our Company was converted into a joint stock limited company.
2023	Our first production base in Vietnam commenced operation. We were recognized as Green Factory (綠色工廠) by the Changzhou Municipal Bureau of Industry and Information Technology (常州市工業和信息化局).
2024	We were recognized as Top 10 Import and Export Enterprises (進出口十強企業) by the Working Committee and Management Committee of Changzhou Economic Development Zone (常州經濟開發區工作委員會及管理委員會)
2025	Our second production base in Vietnam commenced construction.

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MAJOR SUBSIDIARIES

The following sets out details of our Company’s subsidiaries that are material to our Group’s operations.

Subsidiaries	Date of incorporation	Place of incorporation	Registered capital/Issued share capital	Equity interest attributable to our Group	Principal business activities
Pridon Pte. Ltd. (“Pridon SG”)	May 25, 2023	Singapore	USD2,000,000	100%	Sales of flooring products
Vietnam Hengxin New Material Technology Company Limited (“Vietnam Hengxin”)	January 30, 2023	Vietnam	VND70,470,000,000	100%	Production and sales of flooring products

ESTABLISHMENT AND DEVELOPMENT OF OUR GROUP

Our Company

(1) Establishment of Our Company

On August 14, 2008, our Company was established under the laws of the PRC with an initial registered share capital of USD18,000,000. Upon establishment, the shareholding of our Company was as follows:

Shareholder	Registered capital USD	Equity interest percentage %
Changzhou Zhongxin Plywood & Lumber Exports Sdn. Bhd. (“Plywood”)	9,180,000	51.0
	8,820,000	49.0
Total	18,000,000	100.00

As of the Latest Practicable Date, Changzhou Zhongxin is a limited liability company established in the PRC and is one of our Controlling Shareholders. For details of the shareholding of Changzhou Zhongxin, see “Relationship with our Controlling Shareholders” in this document.

Plywood was a limited liability company incorporated in Malaysia which was then owned by two individuals who were Independent Third Parties.

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(2) Capital Reduction in October 2011

On July 15, 2011, the then shareholders of our Company resolved to reduce the registered capital of our Company from USD18,000,000 to USD12,218,888. The amount of capital reduction was determined based on the amount of registered capital not fully paid-up by each of Changzhou Zhongxin and Plywood immediately prior to the capital reduction.

Upon the completion of such capital reduction on October 28, 2011, the shareholding of our Company was as follows:

Shareholder	Registered capital USD	Equity interest percentage %
Changzhou Zhongxin	6,229,902	51.0
Plywood	5,988,986	49.0
Total	12,218,888	100.0

(3) Equity Transfer and conversion of registered capital in July 2016

On June 14, 2016, Plywood entered into an equity transfer agreement with Changzhou Zhongxin, pursuant to which, Plywood transferred its entire shareholding in our Company to Changzhou Zhongxin at the consideration of RMB5 million. The consideration of such transfer was determined based on negotiation among the parties with reference to the then market conditions.

On July 5, 2016, the then shareholders of our Company resolved to convert the entire registered capital of our Company of USD12,218,888 into RMB80,694,935.

Upon the completion of such equity transfer and conversion of the registered capital on July 8, 2016, the shareholding of our Company was as follows:

Shareholder	Registered capital RMB	Equity interest percentage %
Changzhou Zhongxin	80,694,935	100.0
Total	80,694,935	100.0

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(4) Capital Increase in April 2019

On April 11, 2019, the then shareholders of our Company resolved to increase the registered capital of our Company from RMB80,694,935 to RMB80,980,000. The increased share capital of RMB285,065 was subscribed by Mr. Yao Zhongxing (姚中興), our executive Director and one of our Controlling Shareholders, at the total consideration of approximately RMB285,065. The consideration was determined with reference to the then registered share capital of the Company.

Upon the completion of such capital increase on April 12, 2019, the shareholding of our Company was as follows:

Shareholder	Registered capital RMB	Equity interest percentage %
Changzhou Zhongxin	80,694,935	99.6
Mr. Yao Zhongxing (姚中興)	285,065	0.4
Total	80,980,000	100.0

(5) Conversion to a Joint Stock Limited Company in July 2019

On July 18, 2019, our Company was converted into a joint stock limited liability company. Upon completion of the conversion, the registered capital of our Company became RMB80,980,000 divided into 80,980,000 Shares with a nominal value of RMB1.00 each.

Upon conversion into a joint stock limited liability company, the shareholding of our Company was as follows:

Shareholder	Number of Shares	Equity interest percentage %
Changzhou Zhongxin	80,694,935	99.6
Mr. Yao Zhongxing (姚中興)	285,065	0.4
Total	80,980,000	100.0

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(6) Capital Increase in and Share Transfer in September 2020

On September 5, 2020, Mr. Yao Zhongxing entered into an equity transfer agreement with Ms. Yao Yun (姚鋆), pursuant to which, Mr. Yao Zhongxing transferred 285,065 Shares, representing approximately 0.4% equity interest of our Company, to Ms. Yao Yun at the consideration of RMB285,065. Ms. Yao Yun is the sister of Mr. Yao. The consideration of such transfer was determined with reference to the then registered share capital of the Company.

On September 9, 2020, the then shareholders of our Company resolved to increase the number of Shares in our Company from 80,980,000 Shares to 90,416,004 Shares with registered capital of our Company increasing from RMB80,980,000 to RMB90,416,004. The increased 9,436,004 Shares were subscribed by Mr. Yao, Ms. Yao Yun and Mr. Hang Cheng (杭承) (our executive Director) as to 4,684,854 Shares, 1,471,754 Shares and 3,279,396 Shares, respectively, at the consideration of RMB1.0 per Share, which was determined with reference to the then registered share capital of the Company.

Upon the completion of such capital increase and share transfer on September 16, 2019, the shareholding of our Company was as follows:

Shareholder	Number of Shares	Equity interest percentage %
Changzhou Zhongxin	80,694,935	89.3
Mr. Yao	4,684,854	5.2
Ms. Yao Yun (姚鋆)	1,756,819	1.9
Mr. Hang Cheng (杭承)	3,279,396	3.6
Total	90,416,004	100.0

Pridon SG

Pridon SG is our subsidiary engaging in sales of flooring products. Pridon SG was incorporated in Singapore as a limited company on May 25, 2023 by our Company with an issued share capital of USD2,000,000. Since its establishment, there are no changes in the shareholding of Pridon SG.

Vietnam Hengxin

Vietnam Hengxin is our subsidiary engaging in production and sales of flooring products. Vietnam Hengxin was incorporated in Vietnam as a limited company on January 30, 2023 by our Company with an issued share capital of VND70,470,000,000. Since its establishment, there are no changes in the shareholding of Vietnam Hengxin.

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PRC LEGAL ADVISOR’S CONFIRMATION

Our PRC Legal Advisor has confirmed that we have legally completed, settled, and obtained the requisite legal approvals from the PRC competent authorities or made all necessary registration or filings with the relevant local branch of the SAMR with respect to all the aforesaid capital reduction, capital increases and equity transfers in all material respects.

[REDACTED] FLOAT

The [REDACTED] [REDACTED] Shares held by Changzhou Zhongxin, Mr. Yao, Mr. Hang Cheng and Ms. Yao Yun, representing 100% of our total issued Shares as of the Latest Practicable Date, or approximately [REDACTED] of our total issued Shares upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), or approximately [REDACTED] of our total issued Shares upon exercise of the [REDACTED] in full, will be converted into H Shares and [REDACTED] upon completion of the [REDACTED]. The H Shares held by each of Changzhou Zhongxin, Mr. Yao and Mr. Hang Cheng who is a core connected person of our Company will not be counted towards the [REDACTED] float for the purpose of Rule 8.08 of the Listing Rules after the [REDACTED].

Immediately upon [REDACTED], assuming that (i) [REDACTED] H Shares are allotted and issued in the [REDACTED]; (ii) the [REDACTED] is not exercised; (iii) [REDACTED] Shares will be converted to H Shares, and (iv) [REDACTED] Shares are issued and outstanding in the share capital of our Company upon completion of the [REDACTED], [REDACTED] Shares, representing approximately [REDACTED] of the total number of issued Shares of our Company will be counted towards the [REDACTED] float, which is higher than the prescribed percentage of H Shares required to be held in public hands of 25% with the expected market value of approximately HK\$[REDACTED] [REDACTED] under Rule 8.08(1) (based on the low-end of the [REDACTED] of HK\$[REDACTED] per H Share). Therefore, our Company will be able to meet the minimum [REDACTED] float requirements under Rules 8.08 (as amended and replaced by Rule 19A.13A) of the Listing Rules.

[REDACTED] FLOAT

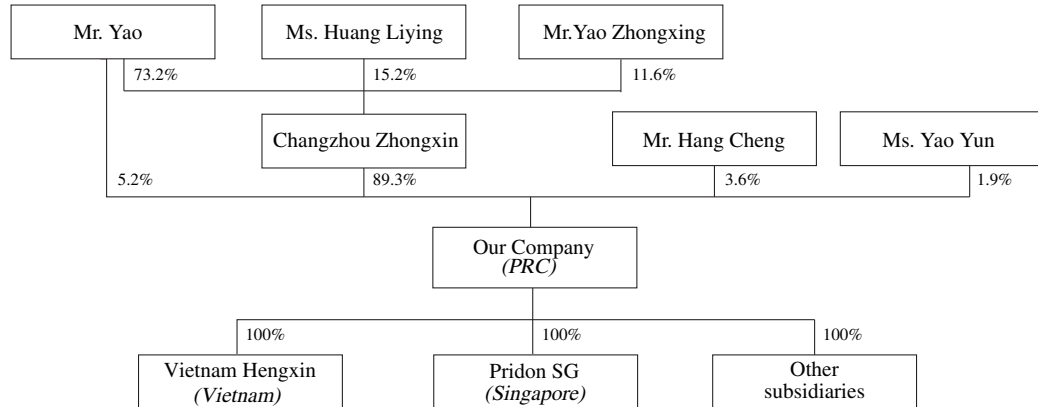
Rule 19A.13C of the Listing Rules provides that, where a new applicant is a PRC issuer with no other [REDACTED] shares at the time of [REDACTED], this will normally mean that the portion of H shares for which [REDACTED] is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of [REDACTED], must: (a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of [REDACTED] (excluding treasury shares), with an expected market value at the time of [REDACTED] of not less than HK\$50,000,000; or (b) have an expected market value at the time of [REDACTED] of not less than HK\$600,000,000.

Pursuant to the applicable PRC law, within the 12 months following the [REDACTED], all existing Shareholders cannot dispose of any of the Shares held by them. Based on the low-end [REDACTED] of HK\$[REDACTED] per H Share, the Company will satisfy the [REDACTED] float requirement under Rule 19A.13C of the Listing Rules.

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CORPORATE STRUCTURE IMMEDIATELY BEFORE COMPLETION OF THE [REDACTED]

The chart below sets out the shareholding structure of our Company immediately before completion of the [REDACTED]:

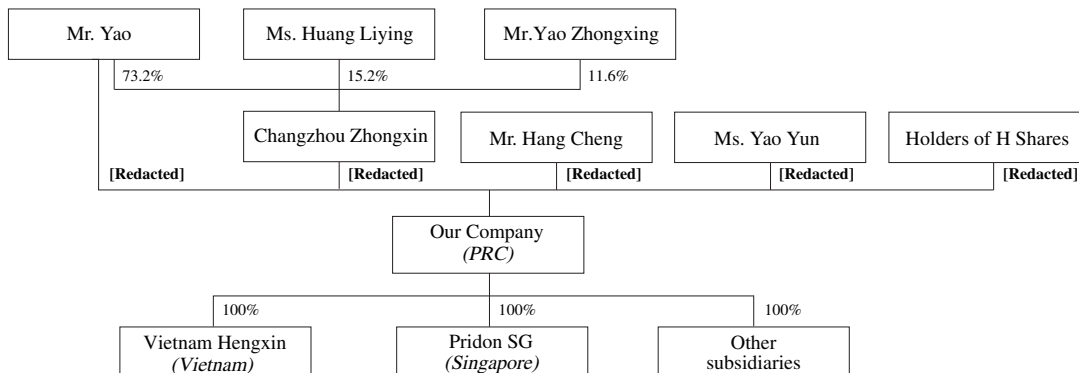


Note:

As of the Latest Practicable Date, there were eight other subsidiaries of our Company.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE [REDACTED]

The chart below sets out the shareholding structure of our Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised):



Note:

As of the Latest Practicable Date, there were eight other subsidiaries of our Company.