

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information and the related notes thereto included in the Accountants’ Report set out in Appendix I to this document. You should read the entire Accountants’ Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with the IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance, which involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in “Risk Factors” and elsewhere in this document. For further details, see “Forward-looking Statements”.

OVERVIEW

We are an established PVC flooring export manufacturer with a leading position in the SPC flooring in China. As a comprehensive floor export manufacturer with almost 20 years of industry experience, we are dedicated to providing high-quality PVC flooring products for global customers, focusing on innovative products, intelligent manufacture, and global business development. According to Frost & Sullivan, we ranked eighth among China-based PVC flooring export manufacturers in terms of global PVC flooring sales area in 2024, with a market share of 0.61%, and ranked first among China-based PVC flooring export manufacturers in terms of global SPC flooring sales area in 2024, with a market share of 1.02%.

We primarily generate revenue from sales of PVC flooring. In addition, we generate revenue from sales of laminate flooring and wall panel and other products. In 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our revenue was RMB1.42 billion, RMB972.5 million, RMB673.0 million, and RMB959.7 million, respectively. Our net profit was RMB125.2 million, RMB52.7 million, RMB13.0 million, and RMB74.1 million in 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which are outside of our control, including those discussed below.

FINANCIAL INFORMATION

Global Economic Conditions

Global economic conditions have a direct impact on our sales because we have established our presence in multiple geographic markets and our growth has been primarily driven by overseas sales. Our revenue from overseas markets was RMB1.37 billion, RMB952.1 million, RMB656.9 million, and RMB953.6 million in 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively, accounting for 96.0%, 97.9%, 97.6%, and 99.4% of our total revenue in the same periods, respectively. Therefore, our financial performance is highly sensitive to global economic conditions, including the overall global economic growth and level of per capita disposable income, growth of end-markets, international trade policies, and tariffs. Fluctuation in global economic conditions could affect demand for our products and materially affect our results of operations.

Consumer Demand

Our results of operations have been, and are expected to continue to be, influenced by consumer demand. In 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, sales of PVC flooring accounted for 92.8%, 91.2%, 90.4%, and 97.3% of our total revenue, respectively. According to Frost & Sullivan, the market size of global PVC flooring in terms of manufacturing revenue increased from RMB125.3 billion in 2020 to RMB173.7 billion in 2024, representing a CAGR of 8.5%, and is expected to reach RMB250.2 billion in 2029, representing a CAGR of 7.6% from 2024 to 2029. In particular, the market size of global SPC flooring in terms of manufacturing revenue has recorded the fastest-growing among major product categories, and increased from RMB61.1 billion in 2020 to RMB91.8 billion in 2024, representing a CAGR of 10.7%, and is expected to reach RMB142.2 billion in 2029, representing a CAGR of 9.1% from 2024 to 2029. Continued consumer demand in PVC flooring, particularly the SPC flooring, is essential to ensure strong sales momentum to support our revenue growth and continued investment in research and development for this market.

Cost of Raw Materials

A significant portion of our cost of sales consists of raw materials costs, and fluctuations in raw material prices therefore have a material impact on our cost control efforts and gross profit. Our major raw materials include PVC resin and calcium carbonate. We recorded costs for raw materials of RMB797.1 million, RMB519.2 million, RMB381.3 million, and RMB505.3 million in 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively, representing 75.7%, 68.7%, 69.8%, and 66.9% of our total cost of sales in the same periods, respectively.

Raw material prices are subject to various factors beyond our control, including market supply and demand dynamics, changes in international trade policies and tariffs, transportation and energy costs, and foreign exchange rate movements. As a result, increases in raw material prices may raise our production costs and place downward pressure on our gross profit margins, which in turn may adversely affect our overall financial performance.

FINANCIAL INFORMATION

During the Track Record Period, we closely monitored raw material price trends and adjusted our procurement volumes based on production needs to manage cost volatility. We also optimized our raw materials purchasing strategies by leveraging supplier competition and selecting cost-effective and quality-reliable suppliers to mitigate cost pressure. We prioritize the maintenance of long-term relationships with our suppliers to ensure stable material costs and a reliable supply chain. Looking ahead, we plan to further reduce material consumption and enhance cost efficiency through improvements in equipment upgrades and process optimization. However, to the extent that we are unable to pass on increases in raw material costs to our customers through price adjustments or improved operating efficiencies, our business operations and profitability may be adversely affected.

Operating Efficiency

Our ability to manage and control our operating expenses is critical to the profitability of our business. Our selling and marketing expenses are a significant component of our operating expenses, and they primarily consist of royalty fees, employee benefit expenses, travel and hospitality expenses, and advertising and promotion expenses. In 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, we incurred selling and marketing expenses of RMB136.0 million, RMB98.7 million, RMB61.7 million, and RMB78.1 million, respectively, representing 9.6%, 10.1%, 9.2%, and 8.1% of revenue in the same periods. To support our business growth, we may strategically enhance our selling and marketing efforts from time to time. As of September 30, 2025, our sales team comprised of 30 employees. We plan to further establish our sales force in the United States and Europe and we expect to increase our sales-related employee benefit expenses. In addition, in order to promote our products, enhance brand visibility, and acquire new customers, we regularly participate in overseas industry exhibitions, carry out online promotional campaigns, and arrange for our sales personnel to visit overseas customers. These activities are expected to result in higher travel and hospitality expenses and marketing promotion expenses.

Going forward, while we may continue to increase our selling and marketing efforts in line with our business growth, we will continue to closely monitor the return on these investments and optimize our cost structure to enhance overall operating efficiency.

Foreign Exchange Rates

We develop, manufacture, and sell flooring products for customers internationally under our ODM model and we mainly procure raw materials from suppliers in China and Vietnam. As Renminbi is our reporting currency, foreign currencies, such as the U.S. dollars, are converted into Renminbi at the exchange rates effective on the transaction dates. Additionally, monetary assets and liabilities denominated in foreign currencies are translated into Renminbi amounts at the exchange rates effective at the end of each year and period during the Track Record Period. Differences arising on settlement or translation of monetary items may affect our statements of profit or loss. Consequently, we are exposed to risks arising from fluctuations in the exchange rates of Renminbi against foreign currencies and may record gains or losses from these currency conversion transactions and translations. During the Track Record Period, we had net gains from foreign exchange differences of RMB7.3 million, RMB9.7 million, RMB5.2 million, and RMB0.3 million in 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. Net gains from foreign exchange differences are part of other income and gains and, as a result, fluctuations in the exchange rates between Renminbi and foreign currencies could significantly affect our results of operations.

FINANCIAL INFORMATION

Seasonality

Our sales are influenced by seasonal patterns, with order volume increasing in the lead-up to the fourth quarter and festival seasons, such as Christmas. In the first quarter, the sales tend to be relatively slow due to numerous holidays. Our business is typically busy in the second quarter and moderate in the third quarter. Due to our limited operating history, the seasonal trends that we have experienced in the past may not fully apply to, or be indicative of, our results of our future operations.

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with IFRS Accounting Standards. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been consistently adopted by us in the preparation of the historical financial information throughout the Track Record Period.

The historical financial information has been prepared under the historical cost.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that we believe are the most significant to the preparation of our consolidated financial information. Our material accounting policies and significant accounting judgements and estimates, which are important for understanding our results of operations and financial condition, are set forth in Notes 2.3 and 3 to the Accountants’ Report in Appendix I to this document. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgment relating to accounting items. In each case, the determination of these items requires management judgment based on information and financial data that may change in future periods. When reviewing our financial information, you should consider (1) our selection of material accounting policies, (2) the judgment and other uncertainties affecting the application of such policies, and (3) the sensitivity of reported results to changes in conditions and assumptions.

FINANCIAL INFORMATION

Property, Plant, Equipment, and Depreciation

Property, plant, and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant, and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant, and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant, and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant, and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Machinery	10%~14%
Office equipment and electronic devices	19%~50%
Leasehold improvements	20%~80%
Vehicles	13%~24%

Where parts of an item of property, plant, and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives, and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant, and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant, and equipment when completed and ready for use.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

FINANCIAL INFORMATION

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue from the Sale of Flooring Products

We sell flooring products. Revenue from the sale of products is recognized when control of the goods has been transferred to the customers, and there is no unfilled obligation that could affect the customers acceptance of the goods.

Revenue from Freight Service

Revenue from the provision of freight services is recognised at the point in time upon delivering goods to the designated destination as specified in the contract when the freight service has been completed.

Other Income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms.

Foreign Currencies

Our historical financial information are presented in Renminbi, which is our Company’s functional currency. Each entity in us determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in us are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each year or period during the Track Record Period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

FINANCIAL INFORMATION

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item, namely, the translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which we initially recognize the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, we determine the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies rather than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of each year and period of the Track Record Period and its statement of profit or loss is translated into Renminbi at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognized in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the Track Record Period are translated into Renminbi the weighted at average exchange rate for the year.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss in absolute amount and as a percentage of our revenue for the years or periods indicated. This information should be read together with our consolidated financial information and related notes included in Appendix I to this document. The results of operations in any period do not necessarily indicate our future trends.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Revenue	1,421,717	100.0	972,459	100.0	673,019	100.0	959,742	100.0
Cost of sales	(1,052,529)	(74.0)	(756,079)	(77.7)	(546,700)	(81.2)	(755,581)	(78.7)
Gross profit	369,188	26.0	216,380	22.3	126,319	18.8	204,161	21.3
Other income and gains	17,383	1.2	19,426	2.0	11,538	1.7	5,699	0.6
Selling and marketing expenses	(135,956)	(9.6)	(98,695)	(10.1)	(61,724)	(9.2)	(78,089)	(8.1)
Administrative expenses	(39,159)	(2.8)	(39,107)	(4.0)	(27,362)	(4.1)	(33,302)	(3.5)
Research and development expenses	(44,776)	(3.1)	(31,063)	(3.2)	(24,167)	(3.6)	(17,791)	(1.9)
(Impairment losses)/reversal of impairment losses on financial assets, net	(707)	(0.0)	(466)	(0.0)	(417)	(0.1)	9	(0.0)
Other expenses	(2,090)	(0.1)	(1,197)	(0.1)	(1,120)	(0.2)	(549)	(0.1)
Finance costs	(10,336)	(0.7)	(10,182)	(1.0)	(8,198)	(1.2)	(3,004)	(0.3)
Profit before tax	153,547	10.8	55,096	5.7	14,869	2.2	77,134	8.0
Income tax expenses	(28,344)	(2.0)	(2,379)	(0.2)	(1,834)	(0.3)	(3,080)	(0.3)
Profit for the year/period	125,203	8.8	52,717	5.4	13,035	1.9	74,054	7.7

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated our revenue primarily from sales of PVC flooring. We also sell laminate flooring and wall panel and other products. Our revenue from sales of PVC flooring contributed 92.8%, 91.2%, 90.4%, and 97.3% of our total revenue in 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively.

The following table sets forth a breakdown of our revenue by product type both in absolute amount and as a percentage of our total revenue for the years or periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
PVC Flooring	1,319,467	92.8	886,606	91.2	608,547	90.4	933,488	97.3
Laminate Flooring and Wall Panel	68,042	4.8	78,550	8.1	59,505	8.8	21,336	2.2
Others	34,208	2.4	7,303	0.7	4,967	0.8	4,918	0.5
Total	1,421,717	100.0	972,459	100.0	673,019	100.0	959,742	100.0

The following table sets forth a breakdown of our revenue by geographical location both in absolute amount and as a percentage of our total revenue for the years or periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
North America	1,241,503	87.3	816,760	84.0	551,132	81.9	861,433	89.8
Europe	59,200	4.2	86,386	8.9	69,665	10.4	73,409	7.6
China	56,327	4.0	20,339	2.1	16,164	2.4	6,145	0.6
Others	64,687	4.5	48,974	5.0	36,058	5.3	18,755	2.0
Total	1,421,717	100.0	972,459	100.0	673,019	100.0	959,742	100.0

During the Track Record Period, we generated revenue from North America, Europe, China, and other geographical locations. Among them, we generated most of our revenue from North America, with revenue generated from this area accounting for 87.3%, 84.0%, 81.9%, and 89.8% of our total revenue in 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively.

FINANCIAL INFORMATION

Revenue from North America decreased from RMB1.24 billion in 2023 to RMB816.8 million in 2024, primarily due to a decrease in orders from the U.S. market as a result of the impact of trade war-related tariffs in 2024. Revenue from North America increased from RMB551.1 million for the nine months ended September 30, 2024 to RMB861.4 million for the same period in 2025, primarily because the ramp-up of our production capacity in Vietnam, which effectively mitigated trade friction-related risks and we continued to meet the demand in the U.S. market.

Cost of Sales

Our cost of sales primarily consists of (i) raw material, (ii) transportation costs and customs duties, (iii) manufacturing costs, (iv) staff costs, and (v) write-down of inventories.

The following table sets forth a breakdown of our cost of sales both in absolute amount and as a percentage of total cost of sales for the years or periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Raw material	797,133	75.7	519,157	68.7	381,327	69.8	505,289	66.9
Transportation costs and customs duties	64,587	6.1	40,567	5.3	18,217	3.3	104,698	13.9
Manufacturing costs	112,310	10.7	123,160	16.3	98,092	17.9	100,211	13.3
Staff costs	71,103	6.8	63,904	8.5	45,830	8.4	39,785	5.2
Write-down of inventories	7,396	0.7	9,291	1.2	3,234	0.6	5,598	0.7
Total	1,052,529	100.0	756,079	100.0	546,700	100.0	755,581	100.0

Our raw material costs decreased from RMB797.1 million in 2023 to RMB519.2 million in 2024, and increased from RMB381.3 million for the nine months ended September 30, 2024 to RMB505.3 million for the same period in 2025 in line with order volumes for the same period.

Our transportation costs and customs duties decreased from RMB64.6 million in 2023 to RMB40.6 million in 2024, primarily due to a decrease in order volume, and increased from RMB18.2 million for the nine months ended September 30, 2024 to RMB104.7 million for the nine months ended September 30, 2025, primarily due to the increase of sales volume from the U.S. market and our adoption of one-stop customs clearance and transportation services leading to the bearing shipping costs and customs clearance costs.

Our manufacturing costs increased from RMB112.3 million in 2023 to RMB123.2 million in 2024 and from RMB98.1 million for the nine months ended September 30, 2024 to RMB100.2 million for the same period in 2025, primarily due to the depreciation of our production facilities in Vietnam and the increase of other production costs.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

Gross profit represents the difference between revenue and cost of sales. Gross profit margin represents gross profit as a percentage of total revenue. In 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our gross profit was RMB369.2 million, RMB216.4 million, RMB126.3 million, and RMB204.2 million, respectively, with gross profit margin of 26.0%, 22.3%, 18.8%, and 21.3% in the same periods.

The following table sets forth a breakdown of our gross profit and gross profit margins by product types for the years or periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
PVC Flooring	368,357	27.9	203,837	23.0	119,719	19.7	200,863	21.5
Laminate Flooring and Wall Panel	5,035	7.4	9,884	12.6	4,667	7.9	910	4.3
Others	(4,204)	(12.3)	2,659	36.4	1,933	40.1	2,388	48.6
Total	369,188	26.0	216,380	22.3	126,319	18.8	204,161	21.3

Our gross profit margin for PVC flooring decreased from 27.9% in 2023 to 23.0% in 2024, primarily due to a decrease in order volume in the U.S. market leading to a reduction in economies of scale while we continued to incur fixed costs including depreciation, staff costs, and electricity costs. Similarly, our gross profit margin for PVC flooring increased from 19.7% for the nine months ended September 30, 2024 to 21.5% for the nine months ended September 30, 2025, primarily due to an increase in order volume leading to the increase of economies of scale and a larger output of our production facilities in Vietnam.

FINANCIAL INFORMATION

Our gross profit margin for laminate flooring and wall panel fluctuated during the Track Record Period as the products accounted for a smaller portion of our gross profit and can be greatly affected by orders from several key customers.

We recorded a gross loss of RMB4.2 million for other products in 2023, primarily due to our research and development and test selling of our MGO flooring products.

The following table sets forth a breakdown of our gross profit and gross profit margins by geographical location for the years or periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
North America	331,071	26.8	187,035	23.4	108,917	19.9	187,090	22.8
Europe	25,595	26.7	22,194	20.5	14,964	17.3	11,504	13.1
Chinese Mainland	2,177	6.9	2,956	7.7	(413)	(2.0)	119	1.9
Others	10,345	17.8	4,195	15.8	2,851	15.0	5,448	12.5
Total	369,188	26.0	216,380	22.3	126,319	18.8	204,161	21.3

Our gross profit margin for products sold to North America decreased from 26.8% in 2023 to 23.4% in 2024 and increased from 19.9% for the nine months ended September 30, 2024 to 22.8% for the nine months ended September 30, 2025, generally in line with the gross profit margin for PVC flooring.

Other Income and Gains

Our other income and gains primarily consist of bank interest income, investment income and fair value gains on financial assets at fair value through profit or loss, rental income, and government grants. Our other income and gains were RMB17.4 million, RMB19.4 million, RMB11.5 million, and RMB5.7 million in 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our other income and gains both in absolute amount and as a percentage of our total other income and gains for the years or periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Other income:								
Bank interest income	5,485	31.6	4,592	23.6	3,720	32.2	2,888	50.7
Rental income	—	0.0	—	0.0	—	0.0	389	6.8
Government grants	3,701	21.3	2,924	15.1	377	3.3	300	5.3
Others	530	3.0	630	3.2	597	5.2	531	9.3
	<u>9,716</u>	<u>55.9</u>	<u>8,146</u>	<u>41.9</u>	<u>4,694</u>	<u>40.7</u>	<u>4,108</u>	<u>72.1</u>
Gains:								
Investment income and fair value gains on financial assets at fair value through profit or loss ⁽¹⁾	291	1.7	1,571	8.1	1,693	14.7	1,245	21.8
Foreign exchange differences, net	7,344	42.2	9,709	50.0	5,151	44.6	346	6.1
Gain on disposal of property, plant, and equipment and intangible asset	32	0.2	—	0.0	—	0.0	—	0.0
	<u>7,667</u>	<u>44.1</u>	<u>11,280</u>	<u>58.1</u>	<u>6,844</u>	<u>59.3</u>	<u>1,591</u>	<u>27.9</u>
Total	<u>17,383</u>	<u>100.0</u>	<u>19,426</u>	<u>100.0</u>	<u>11,538</u>	<u>100.0</u>	<u>5,699</u>	<u>100.0</u>

Note:

- (1) Investment income and fair value gains on financial assets at fair value through profit or loss mostly consists of structured deposits and wealth management products.

FINANCIAL INFORMATION

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) royalty fees, (ii) employee benefit expenses, (iii) advertising and promotion expenses, and (iv) travel and hospitality expenses.

The following table sets forth a breakdown of our selling and marketing expenses both in absolute amount and as a percentage of our total selling and marketing expenses for the years or periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Royalty fees ⁽¹⁾	123,814	91.1	86,520	87.7	53,251	86.3	67,619	86.6
Employee benefit expenses	5,312	3.9	5,494	5.6	3,002	4.9	5,220	6.7
Advertising and promotion expenses	2,127	1.6	3,197	3.2	2,795	4.5	2,249	2.9
Travel and hospitality expenses	1,483	1.1	1,217	1.2	914	1.5	1,169	1.5
Others	3,220	2.3	2,267	2.3	1,762	2.8	1,832	2.3
Total	135,956	100.0	98,695	100.0	61,724	100.0	78,089	100.0

Note:

- (1) Royalty fees are patent fees for the flooring locking mechanism paid to independent third parties due to the activation of patent rights in certain markets.

Our royalty fees decreased from RMB123.8 million in 2023 to RMB86.5 million in 2024 and increased from RMB53.3 million for the nine months ended September 30, 2024 to RMB67.6 million for the nine months ended September 30, 2025, generally in line with the sales volume of our flooring products.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses, (ii) travel and hospitality expenses, (iii) depreciation and amortization, (iv) export credit insurance fees, (v) professional service fees, (vi) taxes and surcharges, and (vii) office expenses.

The following table sets forth a breakdown of our administrative expenses both in absolute amount and as a percentage of our total general and administrative expenses for the years or periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Employee benefit expenses	13,988	35.7	16,275	41.6	11,895	43.5	12,831	38.5
Travel and hospitality expenses	6,560	16.8	6,140	15.7	4,497	16.4	5,243	15.7
Depreciation and amortization	4,132	10.6	2,556	6.5	2,021	7.4	4,349	13.1
Export credit insurance fees ⁽¹⁾	4,684	12.0	4,161	10.6	2,488	9.1	3,049	9.2
Professional service fees	2,352	6.0	2,979	7.6	1,801	6.6	2,002	6.0
Taxes and surcharges	2,439	6.2	2,390	6.1	1,725	6.3	1,772	5.3
Office expenses	1,180	3.0	921	2.4	631	2.3	683	2.1
Others	3,824	9.7	3,685	9.5	2,304	8.4	3,373	10.1
Total	39,159	100.0	39,107	100.0	27,362	100.0	33,302	100.0

Note:

- (1) Export credit insurance is purchased from commercial insurance companies to indemnify credit loss for trade receivables.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses primarily consist of (i) raw material and consumable fees, (ii) electricity fees, (iii) employee benefit expenses, and (iv) depreciation and amortization.

The following table sets forth a breakdown of our research and development expenses both in absolute amount and as a percentage of our total research and development expenses for the years or periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Raw material and consumable fees	29,605	66.1	16,779	54.0	13,225	54.7	10,014	56.3
Electricity fees	6,315	14.1	6,375	20.5	5,039	20.9	3,538	19.9
Employee benefit expenses	7,414	16.6	6,461	20.8	4,760	19.7	3,397	19.1
Depreciation and amortization	1,389	3.1	1,306	4.2	1,060	4.4	612	3.4
Others	53	0.1	142	0.5	83	0.3	230	1.3
Total	44,776	100.0	31,063	100.0	24,167	100.0	17,791	100.0

Our research and development expenses decreased from RMB44.8 million in 2023 to RMB31.1 million in 2024 and further decreased from RMB24.2 million for the nine months ended September 30, 2024 to RMB17.8 million for the same period in 2025, primarily due to the decreases in raw material and consumable fees attributable to the progress of research and development projects.

FINANCIAL INFORMATION

Finance Costs

Our finance costs comprise (i) interest on interest-bearing bank borrowings, and (ii) interest on lease liabilities. In 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our finance costs were RMB10.3 million, RMB10.2 million, RMB8.2 million, and RMB3.0 million, respectively.

The following table sets forth a breakdown of our finance costs for the years or periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Interest on interest-bearing bank borrowings	9,629	93.2	9,088	89.3	7,326	89.4	2,365	78.7
Interest on lease liabilities	962	9.3	1,094	10.7	872	10.6	639	21.3
Less: interest capitalised	(255)	(2.5)	—	—	—	—	—	—
Total	10,336	100.0	10,182	100.0	8,198	100.0	3,004	100.0

Income Taxation

Chinese Mainland

The provision for corporate income tax in Chinese Mainland is based on a statutory rate of 25% on the taxable income determined in accordance with the PRC Enterprise Income Tax Law, except that our Company and some of our subsidiaries are subject to preferential tax rates.

Our Company obtained the qualification of High and New Technology Enterprise in 2023 and was entitled to a preferential tax rate of 15% during the Track Record Period. This qualification is subject to review by PRC tax authorities every three years.

During the Track Report Period, Changzhou Ouyingrui Technology Co., Ltd., Shanghai Ouyingrui Technology Co., Ltd., and Changzhou Hengdixin New Material Technology Co., Ltd. were qualified under the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy. Pursuant to the policy, from 2022 to 2027, the portion of annual taxable income of a small-scaled minimal profit corporate would be eligible for a 75% reduction, and tax would be levied at a reduced tax rate of 20%. In particular, Changzhou Hengdixin New Material Technology Co., Ltd. was entitled to the lower tax rate in 2023, and was subject to the statutory tax rate of 25% in 2024 and for the nine months ended September 30, 2025.

FINANCIAL INFORMATION

Vietnam

We have established Vietnam Hengxin New Material Technology Co. Limited and Vietnam Deheng New Material Technology Co. Limited as fully export-oriented enterprises established in an economically underdeveloped area of Vietnam. They are exempt from taxes for two years from the year they generate taxable income and are eligible for a 50% reduction in profits tax for the following four years.

Singapore

Pursuant to the tax laws of Singapore, our subsidiaries, Pridon. Pte. Ltd. and Pridon Investment Pte. Ltd., operating in Singapore, are subject to corporate income tax at a rate of 17%.

United States of America

Our subsidiary, Pridon Global Supery Inc., is located in California, the United States of America, and is subject to a federal tax rate of 21% and a California tax rate of 8.84%.

During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes or unresolved tax issues with tax authorities that may have a material adverse impact on our business, financial condition, and results of operations.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2025

Revenue

Our revenue increased by 42.6% from RMB673.0 million for the nine months ended September 30, 2024 to RMB959.7 million for the same period in 2025.

Our revenue from sales of PVC flooring increased by 53.4% from RMB608.5 million for the nine months ended September 30, 2024 to RMB933.5 million for the same period in 2025, primarily due to the fulfillment of increasing orders from North America out of our production facility in Vietnam, which effectively mitigated trade friction-related risks, and we continued to meet the demand in the U.S. flooring market.

Our revenue from sales of laminate flooring and wall panel decreased by 64.1% from RMB59.5 million for the nine months ended September 30, 2024 to RMB21.3 million for the same period in 2025, primarily due to a decrease in demands from several key customers.

Cost of Sales

Our cost of sales increased by 38.2% from RMB546.7 million for the nine months ended September 30, 2024 to RMB755.6 million for the same period in 2025, in line with our revenue growth. Our cost of sales as a percentage of our total revenue remained stable at 81.2% for the nine months ended September 30, 2024 and 78.7% for the same period in 2025.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 61.6% from RMB126.3 million for the nine months ended September 30, 2024 to RMB204.2 million for the same period in 2025. Our gross profit margin was 18.8% for the nine months ended September 30, 2024 and 21.3% for the same period in 2025, primarily due to an increase in order volume leading to an increase of economies of scale and a larger output of our production facilities in Vietnam while we continued to incur stable fixed costs, including depreciation, staff costs, and electricity costs.

Other Income and Gains

Our other income and gains decreased by 50.6% from RMB11.5 million for the nine months ended September 30, 2024 to RMB5.7 million for the same period in 2025, primarily due to a decrease of RMB4.8 million in foreign exchange differences (on a net basis), which was mainly attributable to adverse movements in the U.S. dollar exchange rates during the period.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 26.5% from RMB61.7 million for the nine months ended September 30, 2024 to RMB78.1 million for the same period in 2025, primarily due to an increase in royalty fees resulting from an increase in sales volume of our flooring products.

Administrative Expenses

Our administrative expenses increased by 21.7% from RMB27.4 million for the nine months ended September 30, 2024 to RMB33.3 million for the same period in 2025, primarily due to an increase in depreciation as a result of our expanding business scale in Vietnam.

Research and Development Expenses

Our research and development expenses decreased by 26.4% from RMB24.2 million for the nine months ended September 30, 2024 to RMB17.8 million for the same period in 2025, primarily due to initiation of certain major research and development projects relating to WPC flooring products in 2024.

Impairment Losses on Financial Assets, net

We had impairment losses on financial assets of RMB0.4 million for the nine months ended September 30, 2024 while we had reversal of impairment losses on financial assets of RMB9,000 for the same period in 2025, primarily due to improved settlement of trade and bills receivables.

Other Expenses

Our other expenses decreased by 51.0% from RMB1.1 million for the nine months ended September 30, 2024 to RMB0.5 million for the same period in 2025, primarily due to the absence of losses on equipment disposals in 2025.

FINANCIAL INFORMATION

Finance Costs

Our finance costs decreased by 63.4% from RMB8.2 million for the nine months ended September 30, 2024 to RMB3.0 million for the same period in 2025, primarily due to a decrease in interest on interest-bearing bank borrowings of RMB5.0 million as a result of the maturity of bank borrowings in 2025 reducing our bank borrowing balance and interest expenses.

Income Tax Expenses

Our income tax expenses increased by 67.9% from RMB1.8 million for the nine months ended September 30, 2024 to RMB3.1 million for the same period in 2025, primarily due to better performance of our operations.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 468.1% from RMB13.0 million for the nine months ended September 30, 2024 to RMB74.1 million for the same period in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue decreased by 31.6% from RMB1.42 billion in 2023 to RMB972.5 million in 2024.

Our revenue from sales of PVC flooring decreased by 32.8% from RMB1.32 billion in 2023 to RMB886.6 million in 2024, primarily due to a decrease in orders from the U.S. market, our largest market, as a result of the impact of trade war-related tariffs in 2024.

Our revenue from sales of laminate flooring and wall panel increased by 15.4% from RMB68.0 million in 2023 to RMB78.6 million in 2024, primarily due to the increasing market demand from the United States and other regions.

Cost of Sales

Our cost of sales decreased by 28.2% from RMB1.05 billion in 2023 to RMB756.1 million in 2024, primarily due to reduced cost in raw materials, caused by fewer orders and the fact that our Vietnam production facility was still in its capacity ramp-up stage, which led to lower revenue and a corresponding reduction in costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 41.4% from RMB369.2 million in 2023 to RMB216.4 million in 2024. Our gross profit margin decreased from 26.0% in 2023 to 22.3% in 2024 primarily due to a decrease in order volume in the U.S. market, leading to a reduction in economies of scale while we continued to incur fixed costs, including depreciation, staff costs, and electricity costs.

FINANCIAL INFORMATION

Other Income and Gains

Our other income and gains increased by 11.8% from RMB17.4 million in 2023 to RMB19.4 million in 2024, primarily due to an increase of RMB2.4 million in foreign exchange differences (on a net basis), which was mainly attributable to the appreciation of the U.S. dollars.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 27.4% from RMB136.0 million in 2023 to RMB98.7 million in 2024, primarily due to a decrease in royalty fees resulting from a decline in sales volume.

Administrative Expenses

Our administrative expenses remained stable at RMB39.2 million in 2023 and RMB39.1 million in 2024.

Research and Development Expenses

Our research and development expenses decreased by 30.6% from RMB44.8 million in 2023 to RMB31.1 million in 2024, primarily due to initiation of certain major research and development projects relating to SPC flooring products in 2023.

Impairment Losses on Financial Assets, net

Our impairment losses on financial assets (on a net basis) decreased by 34.1% from RMB0.7 million in 2023 to RMB0.5 million in 2024, primarily due to a decrease of the balance of trade and bills receivables.

Other Expenses

Our other expenses decreased by 42.7% from RMB2.1 million in 2023 to RMB1.2 million in 2024, primarily due to decrease in losses from derivative products such as foreign exchange forwards.

Finance Costs

Our finance costs remained stable at RMB10.3 million in 2023 and at RMB10.2 million in 2024.

Income Tax Expenses

Our income tax expenses decreased by 91.6% from RMB28.3 million in 2023 to RMB2.4 million in 2024, primarily due to the decrease of our profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 57.9% from RMB125.2 million in 2023 to RMB52.7 million in 2024.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30, 2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Total current assets	863,724	772,446	658,451
Total non-current assets	317,844	309,658	304,008
Total assets	1,181,568	1,082,104	962,459
Total current liabilities	930,066	802,718	615,209
Total non-current liabilities	56,259	32,003	25,847
Total liabilities	986,325	834,721	641,056
Net current (liabilities)/assets	(66,342)	(30,272)	43,242
Net assets	195,243	247,383	321,403
Share capital	90,416	90,416	90,416
Reserves	104,827	156,967	230,987
Total equity	195,243	247,383	321,403

FINANCIAL INFORMATION

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,		As of	As of
	2023	2024	September 30, 2025	November 30, 2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current assets:				
Inventories	167,127	310,475	194,407	213,288
Trade and bills receivables	306,242	161,716	169,072	133,403
Prepayments, other receivables and other assets	35,035	25,358	19,752	12,382
Financial assets at fair value through profit or loss	115,146	40,272	24,993	10,000
Time deposits	97,566	17,563	15,427	15,571
Restricted cash	46,970	102,618	53,233	47,787
Cash and cash equivalents	95,638	112,332	178,629	214,074
Prepaid income tax	—	2,112	2,938	2,938
Total current assets	863,724	772,446	658,451	649,443
Current liabilities:				
Trade and bills payables	610,892	508,325	370,467	341,157
Other payables and accruals	119,191	132,828	88,977	83,802
Contract liabilities	15,203	4,137	11,946	11,946
Interest-bearing bank borrowings	167,300	139,625	119,658	139,002
Lease liabilities	14,625	13,895	15,058	13,788
Income tax payable	2,366	3,908	8,926	8,943
Financial liabilities at fair value through profit or loss	459	—	177	177
Total current liabilities	930,066	802,718	615,209	598,815
Net current (liabilities)/assets	(66,342)	(30,272)	43,242	50,628

FINANCIAL INFORMATION

We had net current liabilities of RMB66.3 million, RMB30.3 million as of December 31, 2023 and 2024 and net current assets of RMB43.2 million as of September 30, 2025. Our net current assets or liabilities positions as of each of these dates were primarily attributable to trade and bills payables and interest-bearing bank borrowings, offset by our trade and bills receivables and inventories. Cash and cash equivalents account for a substantial portion of our current assets. See “— Liquidity and Capital Resources” for further details on change of the balance of our cash and cash equivalents.

We had net current assets of RMB43.2 million as of September 30, 2025, while we had net current liabilities of RMB30.3 million as of December 31, 2024. The change was mainly due to (i) a decrease in trade and bills payables of RMB137.9 million, (ii) an increase in cash and cash equivalents of RMB66.3 million, and (iii) a decrease in other payables and accruals of RMB43.9 million, partially offset by (a) a decrease in inventories of RMB116.1 million and (b) a decrease in restricted cash of RMB49.4 million.

Our net current liabilities decreased from RMB66.3 million as of December 31, 2023 to RMB30.3 million as of December 31, 2024. The decrease was mainly due to (i) an increase in inventories of RMB143.3 million and (ii) an increase in restricted cash of RMB55.6 million, partially offset by a decrease in trade and bills receivables of RMB144.5 million.

Inventories

Our inventories consist of raw materials, work in progress, and finished goods.

The following table sets forth a breakdown of our inventories as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30, 2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Raw materials	59,514	111,789	94,908
Work in progress	22,628	41,205	20,325
Finished goods	95,189	172,433	93,054
Less: Provision for inventories	(10,204)	(14,952)	(13,790)
Total	167,127	310,475	194,407

FINANCIAL INFORMATION

Our inventories increased by 85.8% from RMB167.1 million as of December 31, 2023 to RMB310.5 million as of December 31, 2024, primarily due to an increase in finished goods of RMB77.2 million because products were still in the process of handover by the end of 2024 after adopting the one-stop customs clearance and transportation services model and an increase in raw materials of RMB52.3 million as a result of improved production at our Vietnam production facility. Our inventories decreased from RMB310.5 million as of December 31, 2024 to RMB194.4 million as of September 30, 2025, primarily due to a decrease in finished goods of RMB79.4 million as a result of seasonal patterns, with increasing order volume in the lead-up to the fourth quarter and festive seasons, such as Christmas. See “— Major Factors Affecting Our Results of Operations — Seasonality”.

The following table sets forth our inventory turnover days for the years or periods indicated.

	As of December 31,		As of
	2023	2024	September 30,
	2023	2024	2025
Inventory turnover days ⁽¹⁾	57.7	115.3	90.2

Note:

- (1) Inventory turnover days are calculated as the average of the beginning and ending balances of inventories for the year or period divided by the cost of sales for that year or period and multiplied by 365 days (for a year) or 270 days (for the nine-month period).

Our inventory turnover days increased from 57.7 days in 2023 to 115.3 days in 2024, primarily due to the decrease in sales volume and our adoption of one-stop customs clearance and transportation services, which takes a longer time to hand over the products. Our inventory turnover days decreased to 90.2 days for the nine months ended September 30, 2025, due to seasonal patterns. See “— Major Factors Affecting Our Results of Operations — Seasonality”.

The following table sets forth an aging analysis of our inventories.

	As of December 31,		As of
	2023	2024	September 30,
	2023	2024	2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Within one year	161,517	302,980	188,288
One year and within two years	3,878	6,686	5,319
Two years and within three years	1,680	680	655
Three years and above	52	129	145
Total	167,127	310,475	194,407

As of November 30, 2025, RMB106.8 million, or 54.9% of our inventories as of September 30, 2025, had been subsequently sold.

FINANCIAL INFORMATION

Trade and Bills Receivables

Our trade and bills receivables consisted of trade receivables and commercial acceptance bills receivables, net of impairment losses. Our trade and bills receivables decreased by 47.2% from RMB306.2 million as of December 31, 2023 to RMB161.7 million as of December 31, 2024, primarily due to the decrease in our revenue. Our trade and bills receivables remained stable from RMB161.7 million as of December 31, 2024 to RMB169.1 million as of September 30, 2025.

The following table sets forth the details of our trade and bills receivables as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30, 2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Trade receivables	314,308	174,340	178,223
Commercial acceptance bills receivables	—	42	—
Less: Impairment losses	(8,066)	(12,666)	(9,151)
Total	306,242	161,716	169,072

The following table sets forth our trade and bills receivables turnover days for the years or periods indicated.

	As of December 31,		As of
	2023	2024	September 30, 2025
Trade and bills receivables turnover days ⁽¹⁾	56.5	87.8	46.5

Note:

- (1) Trade and bills receivables turnover days are calculated based on the average of opening and closing trade and bills receivable balances (net of impairment losses for the same period), divided by the revenue for the same period, and multiplied by the number of days in the period.

FINANCIAL INFORMATION

Our trade and bills receivables turnover days increased from 56.5 days in 2023 to 87.8 days in 2024, due to our higher balance of trade and bills receivables by the end of 2023 and lower revenue in 2024. Our trade and bills receivables turnover days further decreased to 46.5 days for the nine months ended September 30, 2025, primarily due to our enhanced payment collection measures. In the event that customers fail to make payment on time, we will suspend the delivery of products.

We seek to maintain strict control over turnover days of our trade and bills receivables through establishing clear credit policies, including setting credit limits and conducting customer assessments, regular monitoring of aging reports to identify overdue accounts, and suspend the delivery of products when customers significantly exceed the payment deadlines.

The following table sets forth an aging analysis of our trade and bills receivables.

	As of December 31,		As of
	2023	2024	September 30, 2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Within one year	305,667	161,461	168,759
One year and within two years	355	29	237
Two years and within three years	220	226	76
Total	306,242	161,716	169,072

As of November 30, 2025, RMB137.5 million, or 81.3% of our trade and bills receivables as of September 30, 2025, had been subsequently settled.

Financial Assets at fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss primarily consist of wealth management products and structured deposits. Our financial assets at fair value through profit or loss decreased by 65.0% from RMB115.1 million as of December 31, 2023 to RMB40.3 million as of December 31, 2024, primarily due to a decrease in wealth management products in 2024. Our financial assets at fair value through profit or loss decreased from RMB40.3 million as of December 31, 2024 to RMB25.0 million as of September 30, 2025, primarily due to a decrease in structured deposits and wealth management products partially offset by an increase in treasury bonds at fair value in 2025.

FINANCIAL INFORMATION

The following table sets forth the details of our financial assets at fair value through profit or loss as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Treasury bonds	—	—	14,933
Wealth management products	85,000	20,000	—
Structured deposits	30,000	20,000	10,000
Derivative financial assets	146	272	—
Total	115,146	40,272	24,993

Trade and Bills Payables

Our trade and bills payables primarily consisted of amounts payable for the procurement of raw materials, including decorative films, soundproof mats, paper boxes, and base materials. We had trade and bills payables of RMB610.9 million, RMB508.3 million, and RMB370.5 million as of December 31, 2023 and 2024 and as of September 30, 2025, respectively. Our trade and bills payables decreased from December 31, 2023 to December 31, 2024 primarily because of a decline in orders, resulting in reduced procurement volumes. Our trade and bills payables decreased from December 31, 2024 to September 30, 2025 primarily due to seasonal patterns. See “— Major Factors Affecting Our Results of Operations — Seasonality”

Our suppliers generally grant us a credit period of up to six months. We sometimes choose to settle trade payables using notes.

The following table sets forth our trade and bills payables turnover days for the years or periods indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
Trade and bills payables turnover days ⁽¹⁾	184.8	270.2	157.0

Note:

- (1) Trade and bills payables turnover days are calculated based on the average of opening and closing trade and bills payables balances for the relevant period, divided by the cost of sales for the same period, and multiplied by the number of days in that period.

FINANCIAL INFORMATION

Our trade and bills payable turnover days increased from 184.8 days in 2023 to 270.2 days in 2024, due to our higher procurement amount resulting from higher order volume by the end of 2023 and lower cost of sales in 2024. Our trade and bills payable turnover days decreased to 157.0 days for the nine months ended September 30, 2025, primarily due to a shorter payment cycle to incentivize suppliers.

The following table sets forth an aging analysis of our trade and bills payables based on invoice date as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30, 2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Within one year	604,856	507,707	367,945
One year and above	6,036	618	2,522
Total	610,892	508,325	370,467

As of November 30, 2025, RMB119.6 million, or 32.3% of our trade and bills payables as of September 30, 2025 had been settled.

Other Payables and Accruals

Our other payables and accruals consisted of equipment payable, royalties payable, transportation payable, and payroll and welfare payable.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30, 2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Current:			
Equipment payable	39,105	38,945	29,729
Royalties payable	20,572	41,105	20,655
Transportation payable	27,820	25,373	19,798
Payroll and welfare payable	21,613	18,040	14,155
Other payables	8,220	8,409	4,061
Other tax payables	1,861	956	579
Non-current:			
Equipment payable	6,626	1,882	–
Total	125,817	134,710	88,977

FINANCIAL INFORMATION

Our other payables and accruals increased by 7.1% from RMB125.8 million as of December 31, 2023 to RMB134.7 million as of December 31, 2024 primarily due to an increase in royalties payables of RMB20.5 million, primarily due to our negotiation with Supplier A to extend payment terms. Our other payables decreased from December 31, 2024 to September 30, 2025, primarily due to the settlement of equipment payables and royalties payables.

As of November 30, 2025, RMB16.6 million, or 18.7% of our other payables and accruals as of September 30, 2025 had been settled.

Property, Plant, and Equipment

Our property, plant, and equipment consist of machinery, buildings, construction in progress, leasehold improvements, office equipment and electronic devices, and vehicles. Our property, plant, and equipment remained stable at RMB245.9 million as of December 31, 2023 and RMB244.1 million as of December 31, 2024. Our property, plant, and equipment decreased from RMB244.1 million as of December 31, 2024 to RMB226.8 million as of September 30, 2025, primarily due to depreciation, partially offset by an increase in construction in progress of RMB13.3 million as a result of the construction of new production facilities in Vietnam.

The following table sets forth the details of our property, plant, and equipment as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30, 2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Machinery	120,957	127,407	114,512
Buildings	102,007	95,822	81,424
Construction in progress	10,079	450	13,776
Leasehold improvements	2,153	10,632	8,775
Office equipment and electronic devices	7,679	7,351	6,360
Vehicles	3,032	2,430	1,945
Total	245,907	244,092	226,792

Capital Commitments

Our capital commitments during the Track Record Period were related to property, plant, and equipment.

FINANCIAL INFORMATION

The following table below sets forth the breakdown of our capital commitments as of the dates indicated.

	As of December 31,				As of September 30,	
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(RMB in thousands)</i>				<i>(Unaudited)</i>	
Contracted but not provided for property, plant, and equipment	67,481	100.0	36,290	100.0	43,298	100.0

INDEBTEDNESS

Our indebtedness during the Track Record Period consisted of interest-bearing bank borrowings and lease liabilities. November 30, 2025 is the latest practicable date for the purpose of this statement of indebtedness in this document.

The following table sets forth a breakdown of our indebtedness as of the date indicated.

	As of December 31,		As of September 30,	As of November 30,
	2023		2025	2025
	2024		2025	
	<i>(RMB in thousands)</i>			
	<i>(Unaudited)</i>			
Current:				
Interest-bearing bank borrowings	167,330	139,625	119,658	139,002
Lease liabilities	14,625	13,895	15,058	13,788
Non-current:				
Interest-bearing bank borrowings	29,680	23,080	16,480	16,480
Lease liabilities	19,882	5,807	8,220	6,857
Total	231,517	182,407	159,416	176,127

FINANCIAL INFORMATION

Interest-Bearing Bank Borrowings

Our total interest-bearing bank borrowings were RMB197.0 million, RMB162.7 million, RMB136.1 million, and RMB155.5 million as of December 31, 2023 and 2024 and as of September 30 and November 30, 2025, respectively. As of November 30, 2025, we had unutilized credit facilities of RMB249.2 million.

The following table sets forth a breakdown of our interest-bearing bank borrowings as of the dates indicated.

	As of December 31,		As of September 30,	As of November 30,
	2023	2024	2025	2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current:				
Bank borrowings —				
secured	151,694	132,997	113,038	132,247
Current portion of long-term bank borrowings —				
secured	15,636	6,628	6,620	6,755
Non-current:				
Bank borrowings —				
secured	29,680	23,080	16,480	16,480
Total	197,010	162,705	136,138	155,482

Our bank borrowings contain standard terms, conditions, and covenants that are customary for commercial bank borrowings in China. Our bank borrowings were guaranteed or secured by certain directors of our Company and Changzhou Zhong Xin. We expect all the guarantee by our Controlling Shareholders will be released prior to the [REDACTED]. See Note 26 of the Accountants' Report set out in Appendix I to this document. Our Directors confirmed that we did not experience any difficulty in obtaining bank borrowings or other borrowings, default in payment of bank borrowings or other borrowings, or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Our interest-bearing bank borrowings as of December 31, 2023 and 2024 and as of September 30 and November 30, 2025 were denominated in U.S. dollars, Renminbi, and Vietnamese dong, with effective interest rates ranging from 3.05% to 6.55%, 2.80% to 6.80%, 2.18% to 6.80%, and 2.5% to 5.3% per annum, respectively.

FINANCIAL INFORMATION

Lease Liabilities

We had lease liabilities of RMB34.5 million, RMB19.7 million, RMB23.3 million and RMB20.6 million as of December 31, 2023 and 2024 and as of September 30 and November 30, 2025, respectively. Our lease liabilities decreased from 2023 to 2024, primarily due to the settlement of these liabilities, and increased for the nine months ended September 30, 2025, primarily due to our newly leased production facility in Vietnam.

The following table sets forth the repayable schedule of our lease liabilities as of the date indicated.

	As of December 31,		As of September 30,	As of November 30,
	2023	2024	2025	2025
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>	
Within one year	14,625	13,895	15,058	13,788
One year and above	19,882	5,807	8,220	6,857
Total	34,507	19,702	23,278	20,645

Statement of Indebtedness

Save as disclosed above, as of November 30, 2025, we had no bank borrowings, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees, or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since November 30, 2025 and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

Our primary uses of cash are to fund our working capital requirements and other recurring expenses. During the Track Record Period, we financed our capital expenditures and working capital requirements primarily through cash generated from our operating activities and bank borrowings.

Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash generated from our operating activities, bank borrowings, the estimated [REDACTED] from the [REDACTED] and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital and diligently review future cash flow requirements and adjust our operations and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

FINANCIAL INFORMATION

Taking into consideration of financial resources presently available to us, our Directors are of the view that our available cash and cash equivalents, anticipated cash flow from operations, bank borrowings, and the estimated [REDACTED] from the [REDACTED] will be sufficient to meet our present and anticipated cash requirements for the next 12 months from the date of this document.

Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the years or periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2023	2024	2024	2025
	<i>(RMB in thousands)</i>			
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash from/(used in) operating activities	210,244	(41,522)	(38,244)	119,175
Net cash (used in)/from investing activities	(169,970)	116,119	135,508	(11,408)
Net cash used in financing activities	(1,659)	(60,246)	(53,726)	(40,019)
Net increase in cash and cash equivalents	38,615	14,351	43,538	67,748
Cash and cash equivalents at the beginning of the year/period	56,212	95,638	95,638	112,332
Effect of foreign exchange rate changes	811	2,343	76	(1,451)
Cash and cash equivalents at the end of the year/period	95,638	112,332	139,252	178,629

Net cash used in or generated from operating activities

For the nine months ended September 30, 2025, we had net cash generated from operating activities of RMB119.2 million, primarily due to profit before tax of RMB77.1 million, as adjusted by certain non-cash and non-operating items, mainly including depreciation of property, plant, and equipment of RMB25.9 million, and depreciation of right-of-use assets of RMB12.7 million, and changes in working capital that positively affected our cash flows, mainly including a decrease in inventories of RMB110.5 million and a decrease in restricted cash of RMB49.4 million, partially offset changes in working capital that negatively affected our cash flows, mainly including a decrease in trade and bills payable of RMB137.9 million.

FINANCIAL INFORMATION

In 2024, we had net cash used in operating activities of RMB41.5 million, primarily due to profit before tax of RMB55.1 million, as adjusted by certain non-cash and non-operating items, mainly including depreciation of property, plant, and equipment of RMB31.3 million, and depreciation of right-of-use assets of RMB13.8 million, and changes in working capital that negatively affected our cash flows, mainly including an increase in inventories of RMB152.6 million and a decrease in trade and bills payables of RMB102.6 million, partially offset changes in working capital that positively affected our cash flows, mainly including decrease in trade and bills receivable of RMB144.5 million.

In 2023, we had net cash generated from operating activities of RMB210.2 million, primarily due to profit before tax of RMB153.5 million, as adjusted by certain non-cash and non-operating items, mainly including depreciation of property, plant, and equipment of RMB24.3 million.

Net cash used in or generated from investing activities

For the nine months ended September 30, 2025, our net cash used in investing activities was RMB11.4 million, primarily due to purchases of financial assets at fair value through profit or loss of RMB150.7 million, and purchases of items of property, plant, and equipment of RMB 34.0 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB167.3 million.

In 2024, our net cash generated from investing activities was RMB116.1 million, primarily due to proceeds from disposal of financial assets at fair value through profit or loss of RMB272.0 million, partially offset by purchases of financial assets at fair value through profit or loss of RMB196.0 million.

In 2023, our net cash used in investing activities was RMB170.0 million, primarily due to purchases of financial assets at fair value through profit or loss of RMB134.7 million and purchases of items of property, plant, and equipment of RMB63.3 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB60.3 million.

Net cash generated from or used in financing activities

For the nine months ended September 30, 2025, our net cash used in financing activities was RMB40.0 million, primarily due to repayment of interest-bearing bank borrowings of RMB255.0 million, partially offset by proceeds from interest-bearing bank borrowings of RMB228.8 million.

In 2024, our net cash used in financing activities was RMB60.2 million, primarily due to repayment of interest-bearing bank borrowings of RMB338.5 million, partially offset by proceeds from interest-bearing bank borrowings of RMB303.5 million.

In 2023, our net cash used in financing activities was RMB1.7 million, primarily due to repayment of interest-bearing bank borrowings of RMB417.3 million, and interest paid of RMB9.1 million, and principal portion of lease payments of RMB6.9 million partially offset by proceeds from interest-bearing bank borrowings of RMB431.6.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

We did not have any contingent liabilities during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditure primarily consisted of the purchase of property, plant, and equipment.

Our capital expenditure was RMB63.3 million, RMB41.7 million, RMB29.7 million and RMB34.0 million in 2023 and 2024 respectively for the nine months ended September, 2024 and 2025.

We intend to fund our future capital expenditure with [REDACTED] from the [REDACTED], bank borrowings, and cash generated from operating activities. See “Future Plans and [REDACTED]” for more details.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitments and arrangements.

[REDACTED] EXPENSES

We expect to incur a total of approximately RMB[REDACTED] [REDACTED] (HK\$[REDACTED] [REDACTED]) of [REDACTED] expenses in connection with the [REDACTED], representing approximately [REDACTED] of the gross [REDACTED] from the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED], and assuming that the [REDACTED] is not exercised), including (1) [REDACTED] commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all [REDACTED] of approximately RMB[REDACTED] [REDACTED] (HK\$[REDACTED] [REDACTED]), and (2) non-[REDACTED] related expenses of approximately RMB[REDACTED] [REDACTED] (HK\$[REDACTED] [REDACTED]), which consist of (a) fees and expenses of legal advisors and reporting accountants of approximately RMB[REDACTED] [REDACTED] (HK\$[REDACTED] [REDACTED]), and (b) sponsor fee and other fees and expenses of approximately RMB[REDACTED] [REDACTED] (HK\$[REDACTED] [REDACTED]). Approximately RMB[REDACTED] [REDACTED] (HK\$[REDACTED] [REDACTED]) is expected to be charged to profit or loss, and approximately RMB[REDACTED] [REDACTED] (HK\$[REDACTED] [REDACTED]) is expected to be deducted from equity. The [REDACTED] expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

FINANCIAL INFORMATION

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into various related party transactions. For more details about our related party transactions, see note 31 to the Accountants’ Report in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

	For the Year Ended December 31,		For the Nine Months Ended September 30,
	2023	2024	2025
	Gross profit margin ⁽¹⁾	26.0%	22.3%
Net profit margin ⁽²⁾	8.8%	5.4%	7.7%

	As of December 31,		As of September 30,
	2023	2024	2025
	Current ratio ⁽³⁾	0.9	1.0
Quick ratio ⁽⁴⁾	0.7	0.6	0.8

Notes:

- (1) Gross profit margin is calculated as gross profit divided by sales revenue.
- (2) Net profit margin is calculated as net profit divided by sales revenue.
- (3) Current ratio is calculated as current assets divided by current liabilities.
- (4) Quick ratio is calculated as current assets less inventories divided by current liabilities as of the end of the period.

FINANCIAL RISK DISCLOSURE

Our principal financial instruments comprise interest-bearing bank borrowings and cash and bank balances. The main purpose of these financial instruments is to finance our operations. We have various other financial assets and liabilities such as trade and bills receivables, and trade and bills payables, which arise directly from our operations.

The main risks arising from our financial instruments are interest rate risk, foreign currency risk, credit risk, and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

FINANCIAL INFORMATION

Interest Rate Risk

Our exposure to the risk of changes in market interest rates relates primarily to our long-term debt obligations with a floating interest rate. Our policy is to manage our interest cost using a mix of fixed and variable rate debts.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit’s functional currencies.

Credit Risk

We only offer credit terms to recognized and creditworthy customers. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, we do not offer credit terms without the specific verification procedures.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows.

PROPERTY INTEREST AND PROPERTY VALUATION

Cushman & Wakefield Limited, an independent property valuer, valued our properties based on certain assumptions. In valuing the investment properties, Cushman & Wakefield Limited has adopted the Market Method (capitalisation of rental income). Cushman & Wakefield Limited has valued our investment properties held by the Group in China as of December 31, 2025 and is of the opinion that the market value of the property in which we had an interest as of such date would be RMB26.0 million. The full text of the letter and summary disclosure of property valuation with regard to the Group’s investment properties in the PRC are set out in “Appendix III — Valuation Report” to this document.

The following table shows the reconciliation of the aggregate amount reflected in the historical financial information as of September 30, 2025 as disclosed in the Accountants’ Report included in Appendix I to this document, with the valuation of our investment properties in China as of December 31, 2025 disclosed in “Appendix III — Valuation Report” to this document:

(RMB in thousands)

Net book value of investment properties as of September 30, 2025	14,053.0
Depreciation adjustment	244.0
Net book value of investment properties as of December 31, 2025	13,809.0
Valuation surplus as of December 31, 2025	12,191.0
Valuation as of December 31, 2025 as set out in Appendix III to this document	26,000.0

FINANCIAL INFORMATION

DIVIDEND POLICY

We are a joint stock company established under PRC laws. According to the PRC Company Law, a PRC-established company is required to set aside at least 10% of its after-tax profits each year, after making up previous years’ accumulated losses, if any, determined under PRC GAAP, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisors, no dividend shall be declared or payable, unless we have profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, if any, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital.

We did not declare any dividend during the Track Record Period and currently do not have a formal dividend policy. See Note 11 to the Accountants’ Report included in Appendix I to this document for details.

DISTRIBUTABLE RESERVE

As of September 30, 2025, our reserves available for distribution, which represented our retained profits, amounted to RMB122.0 million.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, except as otherwise disclosed in this section, there have been no material adverse changes in our financial, operational, or trading position or prospects since September 30, 2025, being the date of the latest reporting period end of our consolidated financial information as set out in the Accountants’ Report in Appendix I to this document, and there is no event since September 30, 2025 that would materially affect the information as set out in the Accountants’ Report included in Appendix I to this document.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information”.