You should read the following discussion and analysis in conjunction with our consolidated financial statements, included in the Accountants' Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with the IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. 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 we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Our Business," and elsewhere in this Document. For further details, see "Forward-Looking Statements."

OVERVIEW

We are an industry-leading provider of new polymer stone plastic decoration composite materials, specializing in research and development, manufacturing and sales of green and sustainable multi-use decoration panel products. Our products mainly include new polymer stone plastic decoration composite flooring and wall panels, which are widely used in residential, commercial and public spaces. Meanwhile, we have been continuously exploring applications of new polymer stone plastic decoration composite materials in other fields. According to Frost & Sullivan, Chinese Mainland is the world's leading exporter in the PVC decoration materials market, accounting for approximately 45% of global export value in 2025. We ranked first among all suppliers in terms of total export value from Chinese Mainland in the PVC decoration materials market in 2025, and ranked first among all Chinese suppliers in terms of total export value to Europe in the PVC decoration materials market in 2025.

We are committed to upgrading traditional decoration materials by prioritizing aesthetic appeal, product safety, environmental sustainability, and reliable performance. Driven by technological innovation, we have integrated automation and digitalization across our entire business processes. We strive for a global business presence and our products have reached more than 60 countries and regions worldwide, enabling us to serve a broad international customer base.

BASIS OF PREPARATION

Our historical financial information for the years ended December 31, 2023, 2024, and 2025 has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, except for derivative financial instruments at fair value through profit or loss and equity investments at fair value through other comprehensive income that are measured at fair value, as explained in the respective accounting policies in the Accountants' Report in Appendix I to this document. Our historical financial information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated. The preparation of the historical financial information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires our management to exercise its judgment in the process of applying our accounting policies.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our results of operations have been, and are expected to continue to be, materially affected by a number of key factors, including the following:

Our Ability to Diversify Product Offerings and Expand our Product Mix

Our growth is driven by our proven ability to successfully commercialize and scale new products, including new designs and patterns. Our financial performance is affected by our product mix, as our products have different selling prices and margin profiles. Our revenue increased from RMB1,597.8 million for the year ended December 31, 2023 to RMB2,219.4 million for the year ended December 31, 2024, and further increased to RMB2,306.7 million for the year ended December 31, 2025, respectively. This success depends on our coordinated effort across R&D, manufacturing, and sales to manage the entire product lifecycle, from initial concept and development to market entry, customer feedback, and scaled production. Our ability to continuously introduce new products and scale up their sales is critical to maintaining our competitiveness and profitability. As of December 31, 2025, we offered over 3,100 models of flooring products and 600 models of wall panel products. During the Track Record Period, we have introduced an average of over 300 new self-developed models of flooring products and over 100 new self-developed models of wall panel products each year, all of which are exclusively customized by our in-house design team.

Our Sales, Marketing and Customer Base Expansion

As we operate in a competitive market, we focus on identifying new business opportunities and converting them into sales orders in a timely manner, particularly by expanding our customer base and increasing customer penetration in targeted markets. Our financial performance and future growth are closely linked to our ability to effectively serve our customer groups, primarily overseas retailers and brand owners. Our revenue growth depends significantly on our ability to continuously expand our customer base across these customer segments and strengthen our relationships with existing customers.

During the Track Record Period, our total sales volume of SPC, LVT and EPC products amounted to 26.8 million m^2 for the year ended December 31, 2023, 37.4 million m^2 for the year ended December 31, 2024 and 38.5 million m^2 for the year ended December 31, 2025, respectively, demonstrating our ability to grow our business scale alongside the expansion of our customer base and the strengthening of our relationships with existing customers. To support our business growth, we have continuously strengthened our sales capabilities through participation in trade fairs and exhibitions, and provision of sampling products to customers for promotional purposes and enhancing our customer coverage across different regions and customer segments, thereby improving our customer acquisition and retention capabilities and expanding our geographic reach.

Industry Growth and Market Demand

The growth of the global and domestic PVC decoration materials is a key factor affecting our results of operations. The global market size of PVC decoration materials increased from USD28.0 billion in 2020 to USD34.6 billion in 2024, and is expected to reach USD44.7 billion in 2029, with a CAGR of 5.2% from 2024 to 2029. By region, North America and Europe account for a relatively large share in the global PVC decoration materials market, followed by the Asia-Pacific region. In 2024, the market sizes of PVC decoration materials in North America, Europe, and the Asia-Pacific region were USD18.5 billion, USD8.3 billion, and USD6.1 billion, respectively, with corresponding market share of 53.5%, 23.9%, and 17.6%, respectively. We believe the continued expansion of the PVC decoration materials market is expected to provide favorable growth opportunities for our business going forward.

Our Ability to Optimize our Cost Structure

Our financial performance, particularly our gross profit margins and net profit levels, is directly correlated with our ability to effectively control our cost of sales and manage our overall cost structure amidst fluctuating market conditions. Our cost of sales primarily comprises material costs, manufacturing costs, labor costs, transportation costs and customs, and write-down of inventories to net realisable values, net. Any significant increase in these costs, if not offset by corresponding adjustments in our pricing or improvements in operational efficiency, could materially erode our profitability.

To this end, we are actively implementing comprehensive cost optimization plans designed to enhance our cost competitiveness. These initiatives include optimizing our supply chain to secure more favorable procurement terms, and enhancing production efficiency through technological upgrades. We believe these measures are essential to maintaining a stable cost base.

Our Ability to Continually Enhance Our Production Capabilities

Our ability to continually enhance our production capabilities is critical for us to meet the ever-growing customer demand and ensure timely delivery of our products. Our China production bases enable us to support large-scale mass production while maintaining high quality and reliability. The production capacity of our China production bases have steadily increased during the Track Record Period from 37.1 million m^2 for the year ended December 31, 2023 to 49.8 million m^2 for the year ended December 31, 2024, and further to 51.0 million m^2 for the year ended December 31, 2025, with the utilization rate reaching 80.9%, 91.3% and 86.0% in the same respective years. In addition, our Thailand production base enhances our overall production capacity and provides additional flexibility to support our business expansion. If we are unable to continually enhance our production capabilities, manufacturing limitations may result in delayed delivery, which in turn would lead to reduced or canceled orders, or even the loss of customers. Conversely, in the event that market demand drops significantly, we may also face the risks of surplus production capacity if we fail to adjust our output in a timely manner.

Fluctuations in Exchange Rates and International Trade Policies

Our business operations and financial performance are significantly influenced by our international market exposure, primarily through fluctuations in exchange rates and changes in trade policies. As a majority portion of our orders are denominated and settled in U.S. dollars and Euros, and certain of our operating costs are denominated in Thai Bahts, while our financial statements are reported in RMB, our profitability is sensitive to currency volatility. Specifically, a depreciation of the RMB against these foreign currencies generally results in an increase in our revenue upon conversion. See Note 37 to the Accountants' Report in Appendix I to this document for the sensitivity at each of 2023, 2024 and 2025 to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of our profit before tax (arising from US$, EUR and THB denominated financial instruments).

In addition to currency exposure, our reliance on sales to overseas markets, particularly Europe and the United States, renders our business highly sensitive to changes in international trade policies and tariff regulations. In the event that European or American authorities impose new import tariffs or increase existing tariffs on our products, it would effectively increase our operational costs and the landed cost of our products for our customers. Such trade barriers would reduce our price competitiveness compared to competitors located in jurisdictions not subject to such tariffs. Consequently, any significant increase in trade friction, the imposition of punitive tariffs, or adverse exchange rate movements could materially and adversely affect our sales volume, profit margins, and overall financial performance.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policy information, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in Note 2.4 and Note 3 to the Accountants' Report in Appendix I to this document.

Revenue recognition

Revenue from contracts with customers

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

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 or services 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 recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Revenue from the sales of products

Revenue from the sale of products is recognised at the point in time when control of the products has been transferred to the customers, generally on delivery of the products.

Some contracts for the sale of products provide customers with rights of volume rebates, giving rise to variable consideration.

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Revenue from freight service

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

Inventories

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Revenue	1,597,797	2,219,394	2,306,738
Cost of sales	(1,023,902)	(1,398,480)	(1,457,367)
Gross profit	**573,895**	**820,914**	**849,371**
Other income and gains	25,578	20,059	73,198
Selling and distribution expenses	(168,648)	(241,989)	(259,947)
Administrative expenses	(72,130)	(103,808)	(141,380)
Research and development expenses	(74,426)	(85,267)	(83,615)
Reversal of impairment losses/(impairment losses) on financial assets, net	1,901	3,197	(2,896)
Other expenses	(9,979)	(14,878)	(5,497)
Finance costs	(6,957)	(7,887)	(7,047)
Share of profits of an associate	1,261	2,050	5,735
Profit before tax	**270,495**	**392,391**	**427,922**
Income tax expense	(40,666)	(55,734)	(67,394)
Profit for the year	**229,829**	**336,657**	**360,528**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of an associate	582	(416)	(638)
Exchange differences on translation of foreign operations	968	3,141	8,726
Other comprehensive income for the year, net of tax	1,550	2,725	8,088
Total comprehensive income for the year	**231,379**	**339,382**	**368,616**

NON-IFRS MEASURE

To supplement our historical financial statements which are presented in accordance with IFRS Accounting Standards, we also use adjusted net profit (non-IFRS measure) as additional financial measures. These non-IFRS measures are not required by or presented in accordance with IFRS Accounting Standards. We believe that these non-IFRS measures facilitate comparisons of our operating performance by eliminating potential impacts of certain items listed below. We also believe that such non-IFRS measures present useful information in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of such non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

We define adjusted net profit (non-IFRS measure) as profit for the year adding back equity-settled share-based payments, and [**REDACTED**]. Equity-settled share-based payments are non-cash expenses arising from granting restricted share units and do not result in cash outflows. [**REDACTED**] represent the expenses related to the [**REDACTED**]. The following table reconciles adjusted net profit (non-IFRS measures) to our profit for the year, presented in accordance with IFRS Accounting Standards, for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
		(RMB in thousands)	
Profit for the year	229,829	336,657	360,528
Add:			
– Equity-settled share-based payments	–	–	1,622
– [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Adjusted net profit (non-IFRS measure)	229,829	336,657	372,121

Our adjusted net profit (non-IFRS measure) amounted to RMB229.8 million for the year ended December 31, 2023, RMB336.7 million for the year ended December 31, 2024, and RMB372.1 million for the year ended December 31, 2025.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our total revenue was RMB1,597.8 million for the year ended December 31, 2023, RMB2,219.4 million for the year ended December 31, 2024, and RMB2,306.7 million for the year ended December 31, 2025.

Revenue by Product Line

We generated our revenue primarily from sales of (i) SPC flooring and wall panels, (ii) LVT flooring panels, (iii) EPC flooring and wall panels, and (iv) other products during the Track Record Period. The following table sets forth a breakdown of our total revenue by product line, in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
SPC	1,155,276	72.3	1,588,908	71.6	1,604,815	69.5
LVT	352,390	22.1	481,419	21.7	488,498	21.2
EPC	56,255	3.5	110,710	5.0	177,643	7.7
Others[(1)]	33,876	2.1	38,357	1.7	35,782	1.6
Total	**1,597,797**	**100.0**	**2,219,394**	**100.0**	**2,306,738**	**100.0**

Note:

(1) Mainly include PETG flooring panels as well as accessories.

The following table sets forth the sales volume and average selling prices of our major products for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	(thousand m^2)	*(RMB per m^2)*	*(thousand m^2)*	*(RMB per m^2)*	*(thousand m^2)*	*(RMB per m^2)*
SPC	18,096	63.8	25,276	62.9	25,472	63.0
LVT	8,207	42.9	11,150	43.2	11,410	42.8
EPC	514	109.5	926	119.5	1,572	113.0

Revenue by Geographic Location

In terms of geographic coverage, we generated our revenue primarily from (i) Europe, (ii) North America, (iii) Chinese Mainland, and (iv) other countries and regions during the Track Record Period. The following table sets forth a breakdown of our total revenue by geographical location, in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Europe[(1)]	1,409,722	88.2	1,879,272	84.6	1,969,032	85.3
North America	70,403	4.4	186,636	8.4	239,269	10.4
Chinese Mainland	22,245	1.4	23,358	1.1	19,655	0.9
Others[(2)]	95,427	6.0	130,128	5.9	78,782	3.4
Total	**1,597,797**	**100.0**	**2,219,394**	**100.0**	**2,306,738**	**100.0**

Notes:

(1) Mainly include Germany, France, the Netherlands, and the United Kingdom.

(2) Mainly include South Africa, Australia, Chile and Brazil.

Our revenue from Europe increased by 33.3% from RMB1,409.7 million for the year ended December 31, 2023 to RMB1,879.3 million for the year ended December 31, 2024, primarily due to the growth of sales from our existing customers as a result of the launch of over 500 new product designs and patterns that were introduced in Europe for the first time in 2024, and the implementation of targeted promotional activities such as participation in Domotex Hannover, Domotex Shanghai, TISE Las Vegas, and Canton Fair in 2024, and the expansion of our customer base in Europe for the year ended December 31, 2024. Our revenue from Europe increased by 4.8% from RMB1,879.3 million for the year ended December 31, 2024 to RMB1,969.0 million for the year ended December 31, 2025, primarily driven by our promotional activities, and the extension of our products collections, supported by our warehouses in Germany, which enhanced our delivery efficiency and enabled us to better meet customers' demand.

Our revenue from North America increased significantly from RMB70.4 million for the year ended December 31, 2023 to RMB186.6 million for the year ended December 31, 2024, primarily due to the enhancement of our product offerings through the provision of high-end EPC products. Our revenue from North America increased by 28.2% from RMB186.6 million for the year ended December 31, 2024 to RMB239.3 million for the year ended December 31, 2025, primarily driven by the commencement of commercial production at our Thailand production base in 2025. The Thailand production base primarily serves the North American market and has improved our delivery efficiency, enhanced our responsiveness to customer demand, and supported new customer acquisition.

Our revenue from other countries and regions increased by 36.4% from RMB95.4 million for the year ended December 31, 2023 to RMB130.1 million for the year ended December 31, 2024, primarily due to the expansion of our customer base in other countries and regions in 2024, and the growth of sales from our existing customers as a result of the launch of over 100 new product designs and patterns that were introduced in other countries and regions for the first time in 2024. Our revenue from other countries and regions decreased by 39.5% from RMB130.1 million for the year ended December 31, 2024 to RMB78.8 million for the year ended December 31, 2025, primarily due to the decline in revenue from South America and Australia, as the legacy product series generated relatively weak market response, while the newly launched product series was still in the early stage of market penetration in 2025.

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of (i) material costs, (ii) manufacturing costs, primarily consisted of depreciation expenses and electricity costs, (iii) labor costs, (iv) transportation costs and customs, and (v) write-down of inventories to net realisable values, net. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Material costs	736,537	71.8	1,062,051	75.9	1,019,407	70.0
Manufacturing costs	132,687	13.0	141,663	10.1	201,378	13.8
Labor costs	88,085	8.6	113,548	8.2	138,884	9.5
Transportation costs and customs	55,838	5.5	79,202	5.7	97,429	6.7
Write-down of inventories to net realisable values, net	10,755	1.1	2,016	0.1	269	–
Total	**1,023,902**	**100.0**	**1,398,480**	**100.0**	**1,457,367**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit amounted to RMB573.9 million, RMB820.9 million and RMB849.4 million for the year ended December 31, 2023, 2024 and 2025, respectively. Our gross profit margin was 35.9%, 37.0%, and 36.8% for the year ended December 31, 2023, 2024 and 2025, respectively.

Gross Profit and Gross Profit Margin by Product Line

The following table sets forth a breakdown of our gross profit and gross profit margin by product line for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB in thousands, except for percentages)					
SPC	437,574	37.9	609,356	38.4	609,418	38.0
LVT	112,349	31.9	161,685	33.6	177,956	36.4
EPC	17,986	32.0	42,431	38.3	55,686	31.3
Others[(1)]	5,986	17.7	7,442	19.4	6,311	17.6
Total	**573,895**	**35.9**	**820,914**	**37.0**	**849,371**	**36.8**

Note:

(1) Mainly include PETG flooring panels as well as accessories.

Gross Profit and Gross Profit Margin by Geographic Location

The following table sets forth a breakdown of our gross profit and gross profit margin by geographic location for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB in thousands, except for percentages)					
Europe[(1)]	516,687	36.7	736,249	39.2	795,963	40.4
North America	19,521	27.7	28,470	15.3	14,976	6.3
Chinese Mainland	3,359	15.1	9,641	41.3	5,565	28.3
Others[(2)]	34,328	36.0	46,554	35.8	32,867	41.7
Total	**573,895**	**35.9**	**820,914**	**37.0**	**849,371**	**36.8**

Notes:

(1) Mainly include Germany, France, the Netherlands, and the United Kingdom.

(2) Mainly include South Africa, Australia, Chile and Brazil.

Our gross profit from Europe increased by 42.5% from RMB516.7 million for the year ended December 31, 2023 to RMB736.2 million for the year ended December 31, 2024, with the gross profit margin increased from 36.7% for the year ended December 31, 2023 to 39.2% for the year ended December 31, 2024, primarily due to the revenue growth from Europe as a result of the growth of sales from the existing customers and the expansion of customer base, which led to a reduction in the allocation of fixed manufacturing costs, primarily fixed asset depreciation and amortization, across products, and increased by 8.1% from RMB736.2 million for the year ended December 31, 2024 to RMB796.0 million for the year ended December 31, 2025, primarily due to the revenue increase as a result of the promotional activities and the extension of our products collections, with the gross profit margin remained relatively stable at 39.2% for the year ended December 31, 2024 and at 40.4% for the year ended December 31, 2025.

Our gross profit from North America increased by 45.8% from RMB19.5 million for the year ended December 31, 2023 to RMB28.5 million for the year ended December 31, 2024, primarily due to the revenue growth as a result of the enhancement of our product offering, which led to a reduction in the allocation of fixed manufacturing costs, primarily fixed asset depreciation and amortization, across products, and decreased by 47.4% from RMB28.5 million for the year ended December 31, 2024 to RMB15.0 million for the year ended December 31, 2025, primarily due to our products sold to North America are mainly from our Thailand production base. The Thailand production base has only recently commenced operations in 2025 and was still in the process of ramping up production capacity, resulting in relatively lower gross profit. Our gross profit margin of North America decreased from 27.7% for the year ended December 31, 2023 to 15.3% for the year ended December 31, 2024, primarily due to changes in our sourcing and production structure from 2023 to 2024. Our gross profit margin of North America further decreased to 6.3% for the year ended December 31, 2025, primarily due to our products sold to North America in 2025 were mainly from our Thailand production base, which had only recently commenced operations and was still in the process of ramping up production capacity, resulting in relatively lower gross margins.

Our gross profit from other countries and regions increased by 35.6% from RMB34.3 million for the year ended December 31, 2023 to RMB46.6 million for the year ended December 31, 2024, primarily due to the revenue growth from other countries and regions as a result of the growth of sales from the existing customers and the expansion of customer base, which led to a reduction in the allocation of fixed manufacturing costs, primarily fixed asset depreciation and amortization, across products, and decreased by approximately 29.4% from RMB46.6 million for the year ended December 31, 2024 to RMB32.9 million for the year ended December 31, 2025, primarily due to the decline in revenue from South America and Australia, as the legacy product series generated relatively weak market response, while the newly launched product series was still in the early stage of market penetration for the year ended December 31, 2025. Our gross profit margin of other countries and regions remained relatively stable at 36.0% for the year ended December 31, 2023 and at 35.8% for the year ended December 31, 2024, and increased from 35.8% for the year ended December 31, 2024 to 41.7% for the year ended December 31, 2025, primarily due to fluctuations of foreign exchange.

Other Income and Gains

During the Track Record Period, our other income and gains primarily consisted of (i) government grants, (ii) bank interest income, (iii) interest income from loans to related parties, (iv) gain on disposal of items of property, plant and equipment, net, (v) gain on termination of leases, net, (vi) foreign exchange gains, net, and (vii) gains on fair value change of derivative financial instruments, net.

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	(RMB in thousands, except for percentages)					
Other Income						
Government grants	9,214	36.0	10,741	53.5	13,121	17.9
Bank interest income	3,611	14.1	8,871	44.2	7,529	10.3
Interest income from loans to related parties	92	0.4	22	0.1	–	–
Others[(1)]	1,925	7.5	292	1.5	1,267	1.7
Gains						
Gain on disposal of items of property, plant and equipment, net	–	–	–	–	828	1.1
Gain on termination of leases, net	–	–	133	0.7	–	–
Foreign exchange gains, net	10,736	42.0	–	–	46,708	63.9
Gains on fair value change of derivative financial instruments, net	–	–	–	–	3,745	5.1
Total	**25,578**	**100.0**	**20,059**	**100.0**	**73,198**	**100.0**

Note:

(1) Mainly include income from waste disposal and compensation received for damages to sporadic goods.

Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses primarily consisted of (i) patent royalty fees, (ii) transportation costs and customs, (iii) marketing and promotion costs, and (iv) labor costs of our selling and distribution personnel. Our selling and distribution expenses amounted to RMB168.6 million, RMB242.0 million and RMB259.9 million for the year ended December 31, 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our total selling and distribution expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Patent royalty fees	55,860	33.1	84,430	34.9	98,703	38.0
Transportation costs and customs	50,442	29.9	85,692	35.4	84,316	32.4
Marketing and promotion costs	26,637	15.8	24,751	10.2	23,822	9.2
Labor costs	21,406	12.7	28,898	11.9	34,967	13.5
Others[(1)]	14,303	8.5	18,218	7.6	18,139	6.9
Total	**168,648**	**100.0**	**241,989**	**100.0**	**259,947**	**100.0**

Note:

(1) Mainly include export credit insurance premium payment, depreciation and amortization, and business entertainment expenses.

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) labor costs of our administrative personnel, (ii) depreciation and amortization, (iii) professional service fees, including consulting fees, legal service fees, auditing fees, and recruitment service fees, (iv) office expenses, (v) taxes and surcharges, and (vi) [**REDACTED**] related to the [**REDACTED**]. Our administrative expenses amounted to RMB72.1 million, RMB103.8 million and RMB141.4 million for the year ended December 31, 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Labor costs	27,678	38.4	41,376	39.9	51,616	36.5
Depreciation and amortization	14,590	20.2	18,327	17.7	22,605	16.0
Professional service fees	10,273	14.2	12,122	11.7	14,748	10.4
Office expenses	4,343	6.0	6,579	6.3	8,667	6.1
Taxes and surcharges	6,353	8.8	11,896	11.5	15,189	10.7
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others[1]	8,893	12.4	13,508	12.9	18,584	13.2
Total	**72,130**	**100.0**	**103,808**	**100.0**	**141,380**	**100.0**

Note:

(1) Mainly include inspection and repair fees, IT management costs, financial institution handling fees, insurance premiums, and waste disposal fees.

Research and Development Expenses

During the Track Record Period, our research and development expenses primarily consisted of (i) material costs for our research and development, (ii) labor costs of our research and development personnel, and (iii) depreciation and amortization. Our research and development expenses amounted to RMB74.4 million, RMB85.3 million and RMB83.6 million for the year ended December 31, 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our total research and development expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Material costs	55,942	75.2	58,485	68.6	55,943	66.9
Labor costs	12,966	17.4	16,865	19.8	17,520	21.0
Depreciation and amortization expenses	1,532	2.1	1,390	1.6	1,579	1.9
Others[1]	3,986	5.3	8,527	10.0	8,573	10.2
Total	**74,426**	**100.0**	**85,267**	**100.0**	**83,615**	**100.0**

Note:

(1) Mainly include electricity expenses for research and development, inspection fees, patent application fees, and maintenance expenses.

Reversal of Impairment Losses/(Impairment Losses) on Financial Assets, Net

Our reversal of impairment losses/(impairment losses) on financial assets, net mainly represented net reversal of impairment losses and net impairment losses on our trade receivables, amounting to net reversal of RMB1.9 million, net reversal of RMB3.2 million, and net impairment losses of RMB2.9 million for the year ended December 31, 2023, 2024 and 2025, respectively.

Other Expenses

Our other expenses mainly represented expenses incurred from loss on fair value change of derivative financial instrument, net, amounting to RMB10.0 million, RMB14.9 million, and RMB5.5 million for the year ended December 31, 2023, 2024 and 2025, respectively.

Finance Costs

During the Track Record Period, our finance costs primarily included (i) interest on bank loans and other borrowings, (ii) interest expense on loans from a related party, and (iii) interest on lease liabilities.

The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Interest on bank and other borrowings	6,372	91.6	6,928	87.8	5,898	83.7
Interest expense on loans from a related party	9	0.1	–	–	–	–
Interest on lease liabilities	576	8.3	959	12.2	1,149	16.3
Total	**6,957**	**100.0**	**7,887**	**100.0**	**7,047**	**100.0**

Share of Profits of an Associate

Our share of profits of an associate primarily represented our share of profits from long-term investments in our associate, Innovisione Co., Ltd., and its controlled entity, amounting to RMB1.3 million, RMB2.1 million, and RMB5.7 million for the year ended December 31, 2023, 2024 and 2025, respectively.

Income Tax Expense

Our income tax expense amounted to RMB40.7 million, RMB55.7 million, and RMB67.4 million for the year ended December 31, 2023, 2024 and 2025, respectively.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. The provision for PRC corporate income tax is based on the statutory rate of 25% on the assessable profits of certain our PRC subsidiaries as determined in accordance with the PRC Corporate Income Tax Law. Our Company and Zhejiang Kingsun are qualified as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% during the Track Record Period, which will expire on December 8, 2026 and December 24, 2028, respectively.

Pursuant to the respective rules and regulations, our subsidiary incorporated in Singapore was subject to 17% of their taxable income during the Track Record Period, our subsidiary incorporated in Thailand was subject to corporate income tax at a rate of 20% on the taxable income during the Track Record Period, our subsidiary incorporated in Germany was subject to corporate income tax and trade tax at a rate of 15.83% and 18.03%, respectively, on the taxable income during the Track Record Period, and our subsidiary incorporated in the United States of America was subject to corporate income tax at a rate of 26.19% on the taxable income during the Track Record Period.

As of the Latest Practicable Date, we did not have any dispute with any tax authority. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any tax investigation, enquiries, penalties or surcharges.

Profit for the Year

Our profit for the year amounted to RMB229.8 million, RMB336.7 million, and RMB360.5 million for the year ended December 31, 2023, 2024, and 2025, respectively. Our net profit margin was 14.4%, 15.2%, and 15.6% for the year ended December 31, 2023, 2024, and 2025, respectively.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared with Year Ended December 31, 2025

Revenue

Our revenue increased by 3.9% from RMB2,219.4 million for the year ended December 31, 2024 to RMB2,306.7 million for the year ended December 31, 2025, primarily attributable to the following changes:

- ***SPC***: Our revenue from SPC products remained relatively stable at RMB1,588.9 million for the year ended December 31, 2024 and at RMB1,604.8 million for the year ended December 31, 2025.

- ***LVT***: Our revenue from LVT products remained relatively stable at RMB481.4 million for the year ended December 31, 2024 and at RMB488.5 million for the year ended December 31, 2025.

- ***EPC***: Our revenue from EPC products increased by 60.5% from RMB110.7 million for the year ended December 31, 2024 to RMB177.6 million for the year ended December 31, 2025, primarily due to the sales growth driven by the launch of over 150 new EPC product designs and patterns in 2025.

- ***Others***: Our revenue from other products remained relatively stable at RMB38.4 million for the year ended December 31, 2024 and at RMB35.8 million for the year ended December 31, 2025.

Cost of Sales

Our cost of sales increased by 4.2% from RMB1,398.5 million for the year ended December 31, 2024 to RMB1,457.4 million for the year ended December 31, 2025, primarily attributable to an increase in manufacturing costs of RMB59.7 million mainly driven by expanded production scale including our Thailand production base which commenced production in 2025.

Gross Profit and Gross Profit Margin

Our gross profit remained relatively stable at RMB820.9 million for the year ended December 31, 2024 and at RMB849.4 million for the year ended December 31, 2025, with our gross profit margin remained relatively stable at 37.0% for the year ended December 31, 2024 and at 36.8% for the year ended December 31, 2025.

- ***SPC***: Our gross profit from SPC products remained relatively stable at RMB609.4 million for the year ended December 31, 2024 and at RMB609.4 million for the year ended December 31, 2025, with our gross profit margin of SPC products remained relatively stable at 38.4% for the year ended December 31, 2024 and at 38.0% for the year ended December 31, 2025.

- ***LVT***: Our gross profit from LVT products increased from RMB161.7 million for the year ended December 31, 2024 to RMB178.0 million for the year ended December 31, 2025, with our gross profit margin of LVT products increased from 33.6% for the year ended December 31, 2024 to 36.4% for the year ended December 31, 2025, primarily due to the foreign exchange rate fluctuations and the decrease of costs as a result of the price decrease of raw materials.

- ***EPC***: Our gross profit from EPC products increased by 31.2% from RMB42.4 million for the year ended December 31, 2024 to RMB55.7 million for the year ended December 31, 2025, primarily due to the increase in revenue generated from EPC products driven by launch of new EPC product designs and patterns, while our gross profit margin of EPC products decreased from 38.3% for the year ended December 31, 2024 to 31.3% for the year ended December 31, 2025, primarily due to the expanded production capacity of our EPC products in 2025 is mainly from our Thailand production base, which had only commenced operations in 2025 and was still in the process of ramping up production capacity, resulting in relatively lower gross margins, as well as the decrease in selling price of EPC products primarily due to our proactive pricing adjustments to enhance market competitiveness.

- ***Others***: Our gross profit from other products remained relatively stable at RMB7.4 million for the year ended December 31, 2024 and at RMB6.3 million for the year ended December 31, 2025, with our gross profit margin of other products at 19.4% for the year ended December 31, 2024 and at 17.6% for the year ended December 31, 2025.

Other Income and Gains

Our other income and gains increased significantly from RMB20.1 million for the year ended December 31, 2024 to RMB73.2 million for the year ended December 31, 2025, primarily attributable to (i) an increase of RMB46.7 million in net foreign exchange gains, mainly resulting from exchange rate fluctuations affecting our trade receivables and bank settlements; and (ii) an increase of RMB3.7 million of net gains on fair value change of derivative financial instruments, primarily due to our foreign exchange lock-in arrangements resulting in fair value gains in 2025.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 7.4% from RMB242.0 million for the year ended December 31, 2024 to RMB259.9 million for the year ended December 31, 2025, primarily attributable to (i) an increase in patent royalty fees of RMB14.3 million, mainly due to higher patent royalty expenses driven by our continued growth in sales volume for the year ended December 31, 2025; and (ii) an increase in labor costs of RMB6.1 million, mainly due to our increased investment in sales personnel to support market development activities.

Administrative Expenses

Our administrative expenses increased by 36.2% from RMB103.8 million for the year ended December 31, 2024 to RMB141.4 million for the year ended December 31, 2025, primarily attributable to (i) an increase in labor costs of RMB10.2 million, mainly due to continued expansion of our management team and higher payroll expenses; (ii) an increase in depreciation and amortization expenses of RMB4.3 million, primarily attributable to higher depreciation of right-of-use assets and other fixed assets including our Thailand production base; and (iii) the addition of [**REDACTED**] related to the [**REDACTED**] of RMB[**REDACTED**] million in 2025.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB85.3 million for the year ended December 31, 2024 and at RMB83.6 million for the year ended December 31, 2025.

Reversal of Impairment Losses/(Impairment Losses) on Financial Assets, Net

Our reversal of impairment losses/(impairment losses) on financial assets, net changed from net reversal of RMB3.2 million for the year ended December 31, 2024 to net impairment losses of RMB2.9 million for the year ended December 31, 2025 mainly due to the increase of net impairment losses on trade receivables from customers.

Other Expenses

Our other expenses decreased by 63.1% from RMB14.9 million in 2024 to RMB5.5 million in 2025, primarily attributable to the recognition of the net loss arising from the fair value changes of derivative financial instruments in 2024 due to our foreign exchange lock-in arrangements in 2024.

Finance Costs

Our finance costs decreased by 10.7% from RMB7.9 million for the year ended December 31, 2024 to RMB7.0 million for the year ended December 31, 2025, primarily attributable to lower interest on bank loans and other borrowings due to decrease of bank interest rate.

Share of Profits of an Associate

Our share of profits of an associate increased significantly from RMB2.1 million for the year ended December 31, 2024 to RMB5.7 million for the year ended December 31, 2025, primarily attributable to improved business performance of our associate in 2025.

Income Tax Expense

Our income tax expense increased from RMB55.7 million for the year ended December 31, 2024 to RMB67.4 million for the year ended December 31, 2025 in line with our profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB336.7 million for the year ended December 31, 2024 to RMB360.5 million for the year ended December 31, 2025, with our net profit margin of 15.2% for the year ended December 31, 2024, and of 15.6% for the year ended December 31, 2025.

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

Revenue

Our revenue increased by 38.9% from RMB1597.8 million for the year ended December 31, 2023 to RMB2,219.4 million for the year ended December 31, 2024.

- ***SPC***: Our revenue from SPC products increased by 37.5% from RMB1,155.3 million for the year ended December 31, 2023 to RMB1,588.9 million for the year ended December 31, 2024, primarily due to the growth of sales from our existing customers as a result of the launch of over 400 new SPC product designs and patterns in 2024, and the implementation of targeted promotional activities in 2024, as well as the expansion of customer base of SPC products for the year ended December 31, 2024.

- ***LVT***: Our revenue from LVT products increased by 36.6% from RMB352.4 million for the year ended December 31, 2023 to RMB481.4 million for the year ended December 31, 2024, primarily due to the increased sales from our existing customers, particularly in Europe, driven by our overall market expansion for LVT products, including the implementation of targeted promotional activities in 2024, and the launch of over 300 new LVT product designs and patterns in 2024, as well as the expansion of customer base of LVT products for the year ended December 31, 2024.

- ***EPC***: Our revenue from EPC products increased by 96.8% from RMB56.3 million for the year ended December 31, 2023 to RMB110.7 million for the year ended December 31, 2024, primarily due to the growth in sales of EPC products in Europe and North America as a result of the growth of sales from our existing customers as a result of the launch of over 50 new EPC product designs and patterns in 2024, and the implementation of targeted promotional activities in 2024.

- ***Others***: Our revenue from other products increased by 13.2% from RMB33.9 million for the year ended December 31, 2023 to RMB38.4 million for the year ended December 31, 2024, primarily due to the increased market demand for the PETG products and accessories as a result of the launch of new product designs and patterns in 2024.

Cost of Sales

Our cost of sales increased by 36.6% from RMB1,023.9 million for the year ended December 31, 2023 to RMB1,398.5 million for the year ended December 31, 2024, primarily attributable to (i) an increase in material costs of RMB325.5 million mainly driven by expanded production scale including Phase IV of our domestic production base which commenced production in 2024 and increased sales; (ii) an increase in labor costs of RMB25.5 million as a result of business scale expansion; and (iii) an increase in transportation costs and customs of RMB23.4 million mainly driven by increased sales.

Gross Profit and Gross Profit Margin

Our gross profit increased by 43.0% from RMB573.9 million for the year ended December 31, 2023 to RMB820.9 million for the year ended December 31, 2024, with our gross profit margin increased from 35.9% for the year ended December 31, 2023 to 37.0% for the year ended December 31, 2024, primarily attributable to the following changes:

- ***SPC***: Our gross profit from SPC products increased by approximately 39.3% from RMB437.6 million for the year ended December 31, 2023 to RMB609.4 million for the year ended December 31, 2024, primarily due to the increase in revenue from SPC products for the year ended December 31, 2024 as a result of the growth of sales from the existing customers and the expansion of customer base, which led to a reduction in the allocation of fixed manufacturing costs, primarily fixed asset depreciation and amortization, across products, with our gross profit margin of SPC products remained stable at 37.9% for the year ended December 31, 2023 and at 38.4% for the year ended December 31, 2024.

- ***LVT***: Our gross profit from LVT products increased by approximately 43.9% from RMB112.3 million for the year ended December 31, 2023 to RMB161.7 million for the year ended December 31, 2024, with our gross profit margin of LVT products increased from 31.9% for the year ended December 31, 2023 to 33.6% for the year ended December 31, 2024, primarily due to the increase in revenue from LVT products for the year ended December 31, 2024 as a result of the growth of sales from the existing customers and the expansion of customer base, which led to a reduction in the allocation of fixed manufacturing costs, primarily fixed asset depreciation and amortization, across products.

- ***EPC***: Our gross profit from EPC products increased significantly from RMB18.0 million for the year ended December 31, 2023 to RMB42.4 million for the year ended December 31, 2024, with our gross profit margin of EPC products increased from 32.0% for the year ended December 31, 2023 to 38.3% for the year ended December 31, 2024, primarily due to the increase in revenue from EPC products for the year ended December 31, 2024 as a result of the growth of sales from the existing customers, which led to a reduction in the allocation of fixed manufacturing costs, primarily fixed asset depreciation and amortization, across products; as well as the higher percentage of high-end EPC products, which usually have higher gross profit margins.

- ***Others***: Our gross profit from other products increased by approximately 24.3% from RMB6.0 million for the year ended December 31, 2023 to RMB7.4 million for the year ended December 31, 2024, with our gross profit margin of other products increased from 17.7% for the year ended December 31, 2023 to 19.4% for the year ended December 31, 2024, primarily due to the increase in revenue from other products for the year ended December 31, 2024 as a result of the increased market demand for the PETG products and accessories.

Other Income and Gains

Our other income and gains decreased by 21.6% from RMB25.6 million for the year ended December 31, 2023 to RMB20.1 million for the year ended December 31, 2024, primarily attributable to a decrease of net foreign exchange gains of RMB10.7 million, mainly resulting from exchange rate fluctuations affecting our trade receivables and bank settlements; partially offset by an increase in bank interest income of RMB5.3 million as a result of higher bank deposit balances.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 43.5% from RMB168.6 million for the year ended December 31, 2023 to RMB242.0 million for the year ended December 31, 2024, primarily attributable to (i) an increase in patent royalty fees of RMB28.6 million, mainly due to higher patent royalty expenses driven by the growth in sales volume for the year ended December 31, 2024; (ii) an increase in transportation costs and customs of RMB35.3 million, in line with our sales volume growth; and (iii) an increase in labor costs of RMB7.5 million, mainly due to the expansion of our sales team to support market development.

Administrative Expenses

Our administrative expenses increased by 43.9% from RMB72.1 million for the year ended December 31, 2023 to RMB103.8 million for the year ended December 31, 2024, primarily attributable to (i) an increase in labor costs of RMB13.7 million, mainly due to the increased headcount and compensation for our management team; and (ii) an increase in depreciation and amortization expenses of RMB3.7 million, primarily attributable to higher depreciation of right-of-use assets and other fixed assets including warehouses in Germany and Phase IV of our domestic production base.

Research and Development Expenses

Our research and development expenses increased by 14.6% from RMB74.4 million for the year ended December 31, 2023 to RMB85.3 million for the year ended December 31, 2024, primarily attributable to the increase in labor costs of RMB3.9 million as a result of our research and development manpower investment and the increase in others of RMB4.5 million as a result of the increase of electricity expenses, inspection fees, and maintenance expenses for new products research and development activities.

Reversal of Impairment Losses/(Impairment Losses) on Financial Assets, Net

Our reversal of impairment losses/(impairment losses) on financial assets, net changed from net reversal of RMB1.9 million for the year ended December 31, 2023 to net reversal of RMB3.2 million for the year ended December 31, 2024, as a result of the reversal of impairment losses on trade receivables which were settled in 2024.

Other Expenses

Our other expenses increased by 49.1% from RMB10.0 million for the year ended December 31, 2023 to RMB14.9 million for the year ended December 31, 2024, primarily attributable to the recognition of the net loss arising from the fair value changes of derivative financial instruments in 2024 due to our foreign exchange lock-in arrangements in 2024.

Finance Costs

Our finance costs increased by 13.4% from RMB7.0 million for the year ended December 31, 2023 to RMB7.9 million for the year ended December 31, 2024, primarily attributable to (i) the increase in interest on bank and other borrowings of RMB0.6 million as a result of higher principal amounts of borrowings, and (ii) the increase in interest on lease liabilities of RMB0.4 million arising from additional lease arrangements in respect of the warehouses in Germany in 2024.

Share of Profits of an Associate

Our share of profits of an associate increased significantly from RMB1.3 million for the year ended December 31, 2023 to RMB2.1 million for the year ended December 31, 2024, primarily attributable to improved business performance of our associate in 2024.

Income Tax Expenses

Our income tax expense increased by 37.1% at RMB40.7 million for the year ended December 31, 2023 and RMB55.7 million for the year ended December 31, 2024, primarily attributable to our increased profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 46.5%, from RMB229.8 million for the year ended December 31, 2023 to RMB336.7 million for the year ended December 31, 2024, with our net profit margin of 14.4% for the year ended December 31, 2023 and 15.2% for the year ended December 31, 2024.

DISCUSSION OF KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the components of our consolidated statements of financial positions as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Non-current assets			
Property, plant and equipment	411,031	707,760	824,777
Right-of-use assets	97,984	108,390	102,283
Intangible assets	2,634	2,681	4,645
Investment in an associate	61,497	63,130	68,227
Equity investments designated at fair value through other comprehensive income	200	200	–
Prepayments	17,611	16,910	4,975
Deferred tax assets	27,418	40,758	44,422
Total non-current assets	618,375	939,829	1,049,329
Current assets			
Inventories	238,060	351,702	452,094
Trade and notes receivables	280,437	405,207	415,819
Prepayments, other receivables and other assets	48,170	82,053	169,201
Time deposits	31,437	–	–
Cash and cash equivalents	272,533	280,384	345,287
Pledged short-term deposits	107,155	176,387	134,703
Due from related parties	1,592	–	–
Total current assets	979,384	1,295,733	1,517,104
Current liabilities			
Trade and notes payables	333,004	532,729	522,749
Other payables and accruals	162,555	265,695	257,206
Derivative financial instruments	–	11,050	–
Interest-bearing bank borrowings	130,181	137,027	213,973
Lease liabilities	7,455	5,667	5,344
Due to related parties	9	–	–
Tax payable	38,865	32,415	29,972
Total current liabilities	672,069	984,583	1,029,244
Net current assets	307,315	311,150	487,860
Total assets less current liabilities	925,690	1,250,980	1,537,189
Non-current liabilities			
Lease liabilities	2,186	16,494	13,203
Interest-bearing bank and other borrowings	50,000	71,682	34,064
Deferred government grants	42,149	39,969	38,604
Total non-current liabilities	94,335	128,145	85,871
Net assets	831,355	1,122,834	1,451,318

Current Assets and Current Liabilities

The following table sets forth a breakdown of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of April 8,
	2023	2024	2025	2026
	(RMB in thousands)			
				(Unaudited)
Current assets				
Inventories	238,060	351,702	452,094	386,265
Trade and notes receivables	280,437	405,207	415,819	565,248
Prepayments, other receivables and other assets	48,170	82,053	169,201	151,870
Time deposits	31,437	–	–	–
Cash and cash equivalents	272,533	280,384	345,287	431,269
Pledged short-term deposits	107,155	176,387	134,703	–
Due from related parties	1,592	–	–	–
Total current assets	979,384	1,295,733	1,517,104	1,534,652
Current liabilities				
Trade and notes payables	333,004	532,729	522,749	629,172
Other payables and accruals	162,555	265,695	257,206	136,290
Derivative financial instruments	–	11,050	–	–
Interest-bearing bank borrowings	130,181	137,027	213,973	245,900
Lease liabilities	7,455	5,667	5,344	4,911
Due to related parties	9	–	–	–
Tax payable	38,865	32,415	29,972	18,852
Total current liabilities	672,069	984,583	1,029,244	1,035,125
Net current assets	307,315	311,150	487,860	499,527

Our net current assets remained relatively stable at RMB307.3 million as of December 31, 2023 and at RMB311.2 million as of December 31, 2024.

Our net current assets increased by 56.8% from RMB311.2 million as of December 31, 2024 to RMB487.9 million as of December 31, 2025, primarily due to an increase in trade and notes receivables of RMB10.6 million, an increase in inventories of RMB100.4 million, and an increase in prepayments, other receivables and other assets of RMB87.1 million, partially offset by an increase in interest-bearing bank borrowings of RMB77.0 million to support our expanding operations.

Our net current assets remained relatively stable at RMB487.9 million as of December 31, 2025 and at RMB499.5 million as of April 8, 2026.

Property, Plant and Equipment

Our property, plant and equipment consisted of (i) freehold land, representing our land in Thailand, (ii) buildings, (iii) machinery and equipment, (iv) motor vehicles, (v) office equipment and furniture, (vi) leasehold improvements, and (vii) construction in progress. The following table sets out a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Freehold land	–	18,597	37,671
Buildings	115,697	254,885	329,952
Machinery and equipment	156,655	236,096	332,707
Motor vehicles	5,513	8,683	8,250
Office equipment and furniture	5,473	5,003	8,217
Leasehold improvements	3,356	3,966	2,822
Construction in progress	124,337	180,530	105,158
Total	411,031	707,760	824,777

Our property, plant and equipment increased by 72.2% from RMB411.0 million as of December 31, 2023 to RMB707.8 million as of December 31, 2024, primarily attributable to (i) an increase in buildings of RMB139.2 million mainly due to the construction of Phase IV of our domestic production base; (ii) an increase in machinery and equipment of RMB79.4 million mainly due to the procurement of new equipment for Phase IV of our domestic production base, (iii) an increase in construction in progress of RMB56.2 million mainly due to the construction of our Thailand production base, and (iv) an increase in freehold land of RMB18.6 million due to acquisition of land in Thailand.

Our property, plant and equipment further increased by 16.5% to RMB824.8 million as of December 31, 2025, primarily attributable to (i) an increase in buildings of RMB75.1 million mainly due to the completion of the construction of our Thailand production base in 2025, (ii) an increase in office equipment and furniture of RMB3.2 million mainly due to the procurement of equipment and assets for our Thailand production base, and (iii) an increase in freehold land of RMB19.1 million due to further acquisition of land in Thailand, partially offset by a decrease in construction in progress due to the completion of the construction of our Thailand production base.

Right-of-Use Assets

Our right-of-use assets include (i) office premises and warehouses, and (ii) leasehold land. The following table sets out a breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Office premises and warehouses	10,065	22,385	18,192
Leasehold land	87,919	86,005	84,091
Total	**97,984**	**108,390**	**102,283**

Our right-of-use assets increased by 10.6% from RMB98.0 million as of December 31, 2023 to RMB108.4 million as of December 31, 2024, primarily attributable to an increase in office premises and warehouses of RMB12.3 million as we entered into new lease agreements for our warehouses in Germany, partially offset by the amortization of leasehold land of RMB1.9 million.

Our right-of-use assets decreased by 5.6% from RMB108.4 million as of December 31, 2024 to RMB102.3 million as of December 31, 2025, primarily attributable to the amortization of our office premises and warehouses of RMB8.6 million and the amortization of leasehold land of RMB1.9 million.

Intangible Assets

Our intangible assets primarily consist of software.

Our intangible assets remained stable at RMB2.6 million as of December 31, 2023, and at RMB2.7 million as of December 31, 2024.

Our intangible assets further increased by 73.3% to RMB4.6 million as of December 31, 2025, primarily due to increase of software.

Investment in an Associate

Our investment in an associate represented our investment in Innovisione Co., Ltd. and its controlled entity.

Our investments in an associate increased by 2.7% from RMB61.5 million as of December 31, 2023 to RMB63.1 million as of December 31, 2024, and further increased by 8.1% to RMB68.2 million as of December 31, 2025. These increases were primarily attributable to the increased profits of our associate, Innovisione Co., Ltd., and its controlled entity.

Equity Investments Designated at Fair Value through Other Comprehensive Income

Our equity investments designated at fair value through other comprehensive income represented our investment in a partnership fund.

Our equity investments designated at fair value through other comprehensive income remained stable at RMB0.2 million as of December 31, 2023 and 2024. Our equity investments designated at fair value through other comprehensive income subsequently decreased to nil as of December 31, 2025, primarily attributable to our withdrawal from the partnership fund and the subsequent recovery of the investment. See note 17 to the Accountants' Report in Appendix I to this document.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets (including current and non-current portions) primarily consisted of (i) advance payments to suppliers, mainly representing our prepayment for raw materials, service fees, promotion fees and prepayment for royalty fees, (ii) prepayment for property, plant and equipment, (iii) deposits and other receivables, mainly representing customer security deposits, (iv) export tax refund, (v) tax recoverable, (vi) deductible input value-added tax, and (vii) deferred [**REDACTED**]. The following table sets out a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Advance payments to suppliers	29,085	26,205	41,229
Prepayment for property, plant and equipment and intangible assets	17,611	16,910	4,975
Deposits and other receivables	7,601	19,609	62,693
Export tax refund	10,895	14,064	28,167
Tax recoverable	–	–	207
Deductible input value-added tax	1,707	23,367	33,693
Deferred [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	66,899	100,155	175,439
Impairment allowance	(1,118)	(1,192)	(1,263)
Total	**65,781**	**98,963**	**174,176**

Our prepayments, other receivables and other assets increased by 50.4% from RMB65.8 million as of December 31, 2023 to RMB99.0 million as of December 31, 2024, primarily attributable to (i) an increase in deductible input value-added tax of RMB21.7 million due to the purchase of equipment and construction of facilities for Phase IV of our domestic production base, and (ii) an increase in deposits and other receivables of RMB12.0 million mainly due to increase in deposits and security deposits as a result of increased sales, partially offset by a decrease in advance payments to suppliers of RMB2.9 million due to a decrease in prepayments for raw material procurement as a result of changes in payment terms with suppliers.

Our prepayments, other receivables and other assets further increased by 76.0% from RMB99.0 million as of December 31, 2024 to RMB174.2 million as of December 31, 2025, primarily attributable to (i) an increase in advance payments to suppliers of RMB15.0 million because of increased prepayments for raw materials, service fees, promotion fees as a result of our business expansion and prepayment for royalty fees pursuant to the requirements under the relevant licensing agreement; and (ii) an increase in export tax refund of RMB14.1 million primarily attributable to the increase in export sales at the end of the year.

As of April 8, 2026, approximately RMB40.0 million, or 22.9% of our prepayments, other receivables and other assets as of December 31, 2025, had been settled.

Inventories

Our inventories primarily consisted of (i) raw materials, (ii) work in progress, and (iii) finished goods. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Raw materials	30,627	55,850	84,963
Work in progress	28,755	42,301	43,046
Finished goods	178,678	253,551	324,085
Total	**238,060**	**351,702**	**452,094**

Our inventories increased by 47.7% from RMB238.1 million as of December 31, 2023 to RMB351.7 million as of December 31, 2024, primarily attributable to (i) an increase in raw materials of RMB25.2 million and work in progress of RMB13.5 million, driven by the expanded production capacity of Phase IV of our domestic production base and the trial production preparations for our Thailand production base; and (ii) an increase in finished goods of RMB74.9 million as we strategically stocked up to meet increased order demand.

Our inventories further increased by 28.5% to RMB452.1 million as of December 31, 2025, primarily attributable to (i) an increase in raw materials of RMB29.1 million as a result of the commencement of commercial production at our Thailand production base, which led to higher PVC procurement in 2025; and (ii) an increase in finished goods of RMB70.5 million due to expanded production capacity from Phase IV of our domestic production base and our Thailand production base.

The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
– Within 1 year	251,868	360,747	466,983
– 1 to 2 years	16,818	13,741	9,249
– 2 to 3 years	–	4,561	2,645
– Over 3 years	–	5,295	6,128
	268,686	384,344	485,005
Inventory write-down	(30,626)	(32,642)	(32,911)
Total	**238,060**	**351,702**	**452,094**

The following table sets forth our inventory turnover days for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(days)		
Inventory turnover days[(1)]	98	77	101

Note:

(1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventories for a year divided by cost of sales for the relevant year and multiplied by 365 days.

Our inventory turnover days decreased from 98 days for the year ended December 31, 2023 to 77 days for the year ended December 31, 2024, primarily due to the significant increase in revenue for the year ended December 31, 2024 as a result of the sales increase from current customers and the expansion of customer base, and increased to 101 days for the year ended December 31, 2025, primarily due to PVC stockpiling for the year ended December 31, 2025.

As of April 8, 2026, approximately RMB333.8 million, or 73.8% of inventories as of December 31, 2025, had been used, consumed or sold.

Trade and Notes Receivables

Our trade and notes receivables primarily consist of (i) trade receivables, and (ii) notes receivables. Our credit period is generally within three months.

The following table sets out a breakdown of our trade and notes receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade receivables	285,888	399,901	420,824
Notes receivable	–	7,486	–
	285,888	407,387	420,824
Less: Impairment	(5,451)	(2,180)	(5,005)
Total	**280,437**	**405,207**	**415,819**

Our trade and notes receivables increased by 44.5% from RMB280.4 million as of December 31, 2023 to RMB405.2 million as of December 31, 2024, primarily attributable to (i) an increase in trade receivables of RMB114.0 million as of December 31, 2024 in line with our revenue growth and the extension of credit terms granted to certain customers, particularly those with significant sales growth during the year; and (ii) an addition in notes receivable of RMB7.5 million as of December 31, 2024 as we received a proportion of customer payments in the form of bank acceptance notes, which was a temporary arrangement and did not persist in 2023 or 2025.

Our trade and notes receivables increased by 2.6% from RMB405.2 million as of December 31, 2024 to RMB415.8 million as of December 31, 2025, primarily attributable to an increase in trade receivables of RMB20.9 million due to the commencement and expanding business scale of VYTEC Thailand, our subsidiary, which offered relatively long credit periods, partially offset by a decrease in note receivable of RMB7.5 million due to the maturity and collection of outstanding notes.

The following table sets out an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 3 months	260,510	390,085	394,356
3 to 6 months	13,034	5,361	12,338
6 to 12 months	6,757	2,151	8,589
Over 12 months	136	124	536
Total	**280,437**	**397,721**	**415,819**

The following table sets forth our trade and notes receivables turnover days for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
		(days)	
Trade and notes receivables turnover days[1]	96	57	66

Note:

(1) Trade and notes receivables turnover days are calculated using the average of opening balance and closing balance of gross amount of trade and notes receivables for a year divided by revenue for the relevant year and multiplied by 365 days.

Our trade and notes receivables turnover days decreased from 96 days for the year ended December 31, 2023 to 57 days for the year ended December 31, 2024, primarily because the settlement of certain outstanding trade receivables from customers, and increased to 66 days for the year ended December 31, 2025, primarily because the relatively longer credit terms granted by VYTEC Thailand.

As of April 8, 2026, approximately RMB346.4 million, or 83.3% of our trade receivables as of December 31, 2025, had been settled.

Pledged Short-term Deposits

Our pledged short-term deposits primarily represented security deposits required for the issuance of bank acceptance notes payable to our suppliers.

Our pledged short-term deposits increased by 64.6% from RMB107.2 million as of December 31, 2023 to RMB176.4 million as of December 31, 2024, primarily attributable to our expanded business scale and revenue growth, caused by higher volumes of raw material procurement and a corresponding increase in the use of bank acceptance notes for settlement.

Our pledged short-term deposits decreased by 23.6% to RMB134.7 million as of December 31, 2025, primarily attributable to the moderation of our revenue growth, which led to a reduced demand for raw material procurement and a corresponding decrease in the issuance of bank acceptance notes, resulting in lower pledged deposit requirements.

Trade and Notes Payables

Our trade and notes payables primarily consist of (i) trade payables, and (ii) notes payables. The following table sets out a breakdown of our trade and notes payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Trade payables	138,535	188,670	258,037
Notes payables	194,469	344,059	264,712
Total	**333,004**	**532,729**	**522,749**

Our trade and notes payables increased by 60.0% from RMB333.0 million as of December 31, 2023 to RMB532.7 million as of December 31, 2024, primarily attributable to (i) an increase in trade payables of RMB50.1 million driven by the growth in our sales volume and the corresponding increase in raw material procurement; and (ii) an increase in notes payables of RMB149.6 million driven by the growth in our procurement volume for the year ended December 31, 2024, which led to a corresponding increase in bank acceptance notes issued to suppliers.

Our trade and notes payables remained relatively stable at RMB532.7 million as of December 31, 2024 and at RMB522.7 million as of December 31, 2025.

The following table sets out an aging analysis of our trade and notes payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Within 3 months	215,017	361,691	373,695
3-6 months	110,583	169,159	139,862
6-12 months	6,629	1,338	8,240
Over 12 months	775	541	952
Total	**333,004**	**532,729**	**522,749**

The following table sets forth our trade and notes payables turnover days for the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
		(days)	
Trade and notes payable turnover days[1]	160	113	132

Note:

(1) Trade and notes payables turnover days are calculated using the average of opening balance and closing balance of trade and notes payables for a year divided by cost of sales used for the relevant year and multiplied by 365 days.

Our trade and notes payable turnover days decreased from 160 days for the year ended December 31, 2023 to 113 days for the year ended December 31, 2024, primarily due to the growth of our business operations, which led to increases in our costs of sales, and increased to 132 days for the year ended December 31, 2025, primarily due to the extended credit period granted by certain suppliers.

As of April 8, 2026, approximately RMB226.6 million, or 87.8% of our trade payables as of December 31, 2025, had been settled. As of April 8, 2026, approximately RMB150.2 million, or 56.8% of our notes payables as of December 31, 2025, had been settled.

Deferred Tax Assets

Our deferred tax assets primarily consist of temporary differences arising from (i) impairment of trade and other receivables, (ii) provision for inventories, (iii) impairment of property, plant and equipment, (iv) decelerated depreciation for tax purpose, (v) lease liabilities, (vi) accrued liabilities in other payables and accruals, (vii) changes in fair value of financial liabilities at fair value through profit or loss for tax purposes, (viii) deferred government income, and (ix) unrealized profits from intercompany transactions, partially offset by deferred tax liabilities. See note 27 in Appendix I to this document for details. The following table sets out a breakdown of our deferred tax assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Deferred Tax Assets			
Impairment of trade and other receivables	999	529	631
Provision for inventories	3,972	4,576	4,537
Impairment of property, plant and equipment	1,309	1,276	151
Decelerated depreciation for tax purpose	164	260	–
Lease liabilities	1,634	6,017	5,167
Accrued liabilities in other payables and accruals	2,839	5,472	9,115
Changes in fair value of financial liabilities at fair value through profit or loss for tax purposes	–	1,657	–
Deferred government income	6,540	6,322	5,995
Unrealized profits from intercompany transactions	11,766	20,907	25,055
Sub-total	29,223	47,016	50,651
Deferred Tax Liabilities			
Right-of-use assets	(1,616)	(5,762)	(4,872)
Share of profits of an associate	(189)	(496)	(1,357)
Sub-total	(1,805)	(6,258)	(6,229)
Total	**27,418**	**40,758**	**44,422**

Our deferred tax assets increased from RMB27.4 million as of December 31, 2023 to RMB40.8 million as of December 31, 2024, primarily attributable to the increase of lease liabilities mainly driven by new lease agreements entered into for our overseas operations, particularly for our warehouses in Germany, and the increase of unrealized profits from intercompany transactions driven by the increase in inventories held at our Germany warehouses, resulting in a higher amount of unrealized gross profit in inventories at the end of the period.

Our deferred tax assets remained relatively stable at RMB40.8 million as of December 31, 2024 and RMB44.4 million as of December 31, 2025.

Due from Related Parties

Our due from related parties primarily represented the loans provided to Mr. Dai Huibin, Ms. Zhang Shuhong and Ms. Miao Yue'an. As of December 31, 2023, the amount due from related parties was approximately RMB1.6 million. These loans were non-trade in nature with interest at 3.65% per annum, and were settled in May 2024, February 2023 and January 2023 respectively. See Note 34 of Appendix I to this document for details.

Other Payables and Accruals

Our other payables and accruals (including current and non-current portions) primarily consisted of (i) contract liabilities, (ii) payroll payable, (iii) other payables and accruals, mainly representing construction fees and payables related to equipment purchase, (iv) provision representing provision for warranty, (v) investment payable to an associate, (vi) taxes payable other than corporate income tax, (vii) deferred income, and (viii) refund liabilities. The following table sets out a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Contract liabilities	10,631	8,333	9,567
Payroll payable	26,234	29,982	32,911
Other payables and accruals	58,411	130,575	138,267
Provision	8,799	15,205	21,174
Investment payable to an associate	22,658	22,996	4,491
Taxes payable other than corporate income tax	8,851	19,508	9,247
Deferred government grants	43,602	42,149	40,784
Refund liabilities	25,518	36,916	39,369
Total	**204,704**	**305,664**	**295,810**

Our other payables and accruals increased by 49.3% from RMB204.7 million as of December 31, 2023 to RMB305.7 million as of December 31, 2024, primarily attributable to (i) an increase in other payables and accrual of RMB72.2 million due to the increase of construction fees incurred for Phase IV of our domestic production base and our Thailand production base; and (ii) an increase in provision of RMB6.4 million as a result of the increased warranty provision in line with the growth in revenue.

Our other payables and accruals decreased by 3.2% to RMB295.8 million as of December 31, 2025, primarily attributable to (i) a decrease in taxes payable other than corporate income tax of RMB10.3 million as a result of the decrease in value-added tax payable, and (ii) a decrease in investment payable to an associate of RMB18.5 million, primarily due to our settlement of investment to our associate, Innovisione Co., Ltd..

As of April 8, 2026, approximately RMB35.8 million, or 13.9% of our other payables and accruals as of December 31, 2025, had been subsequently settled.

Due to Related Parties

Our due to related parties primarily represented the loans from Ms. Zhang Shuhong and Ms. Miao Yue'an. As of December 31, 2023, the amount due to related parties was approximately RMB9 thousand. The balances were unsecured, bearing interest at 3.65% per annum and were settled in October 2024 and February 2023, respectively. See Note 34 of Appendix I to this document for details.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from [**REDACTED**] from our business operations and capital contribution from shareholders. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations and the [**REDACTED**] from the [**REDACTED**]. We do not anticipate any changes to the availability of financing to fund our operations in the future.

During the Track Record Period, we financed our capital expenditure and working capital requirements primarily through cash generated from operating activities. As of December 31, 2023, 2024, and 2025, we had cash and cash equivalents of RMB272.5 million, RMB280.4 million, and RMB345.3 million, respectively.

Going forward, we anticipate that our operating cash flows, bank loans and the [**REDACTED**] from the [**REDACTED**] will collectively fulfil our working capital, capital expenditures and liquidity needs. Our capacity to meet financial commitments will hinge on our operational performance and cash flow generation, which are influenced by economic conditions and various external factors. Should our current funds prove inadequate, we will consider securing additional credit or engaging in equity financing.

Our Directors are of the view that, taking into account our available resources including cash and bank balances on hand, banking facilities and [**REDACTED**] from [**REDACTED**], we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Net cash from operating activities	389,213	279,845	249,857
Net cash used in investing activities	(202,921)	(259,514)	(170,537)
Net cash used in financing activities	(141,933)	(13,482)	(21,451)
Net increase in cash and cash equivalents	**44,359**	**6,849**	**57,869**
Cash and cash equivalents at the beginning of the year	237,554	272,533	280,384
Effect of foreign exchange rate changes	(9,380)	1,002	7,034
Cash and cash equivalents at the end of year	**272,533**	**280,384**	**345,287**

Net Cash Flows from Operating Activities

For the year ended December 31, 2025, we had net cash from operating activities of RMB249.9 million, which was primarily attributable to our profit before tax of RMB427.9 million, as adjusted by (i) non-cash and non-operating items which primarily consisted of depreciation of property, plant and equipment of RMB66.9 million, depreciation of right-of-use assets of RMB10.6 million and finance costs of RMB7.0 million, and (ii) changes in working capital, which primarily resulted from an decrease in trade and notes receivables of RMB21.9 million due to unrealized foreign exchange gains, which were non-cash in nature, an increase in inventories of RMB100.7 million due to expansion of our production capacity, an increase in prepayments, other receivables and other assets of RMB84.6 million due to increased prepayments for raw material supplies, service fees, promotion fees and fixed assets, a decrease in pledged short-term deposits of RMB41.7 million due to the moderation of our revenue growth, which led to a reduced demand for raw material procurement and a corresponding decrease in the issuance of bank acceptance notes, resulting in lower pledged deposit requirements.

For the year ended December 31, 2024, we had net cash from operating activities of RMB279.8 million, which was primarily attributable to our profit before tax of RMB392.4 million, as adjusted by (i) non-cash and non-operating items which primarily consisted of depreciation of property, plant and equipment of RMB43.3 million, depreciation of right-of-use assets of RMB9.9 million, and finance costs of RMB7.9 million, and (ii) changes in working capital, which primarily resulted from an increase in trade and notes payables of RMB202.1 million due to the increase in our material procurement and longer credit periods granted by certain suppliers, an increase in trade and notes receivables of RMB121.5 million in line with our revenue growth and the extension of credit terms granted to certain major customers due to sales volume increase, and an increase in inventories of RMB115.7 million due to expansion of our production capacity.

For the year ended December 31, 2023, we had net cash from operating activities of RMB389.2 million, which was primarily attributable to our profit before tax of RMB270.5 million, as adjusted by (i) non-cash and non-operating items which primarily consisted of depreciation of property, plant and equipment of RMB37.6 million, write-down of inventories to net realisable values, net of RMB10.8 million, depreciation of right-of-use assets of RMB7.6 million, and finance costs of RMB7.0 million, and (ii) changes in working capital, which primarily resulted from a decrease in trade and notes receivables of RMB288.6 million due to the settlement of outstanding trade receivables from our customers, and a decrease in trade and notes payables of RMB233.2 million due to reduced trade payables to certain customers as a result of change of payment terms.

Net Cash Flows Used in Investing Activities

For the year ended December 31, 2025, we had net cash used in investing activities of RMB170.5 million, which was primarily attributable to (i) purchase of items of property, plant and equipment of RMB152.1 million, (ii) additional investment in an associate of RMB18.4 million relating to the additional investment in Innovisione Co., Ltd., and (iii) purchase of intangible assets of RMB3.0 million, partially offset by proceeds from disposal of items of property, plant and equipment of RMB2.8 million.

For the year ended December 31, 2024, we had net cash used in investing activities of RMB259.5 million, which was primarily attributable to (i) purchase of items of property, plant and equipment of RMB277.0 million, and (ii) cash payment for acquisition of a subsidiary under common control of RMB21.9 million relating to the acquisition of Decoflooring, partially offset by withdrawal of time deposits with original maturity of more than three months of RMB31.4 million.

For the year ended December 31, 2023, we had net cash used in investing activities of RMB202.9 million, which was primarily attributable to (i) purchase of items of property, plant and equipment of RMB138.9 million, (ii) additional investment in an associate of RMB36.6 million, and (iii) purchase of intangible assets of RMB2.0 million, partially offset by repayment of loans to related parties of RMB4.1 million.

Net Cash Flows Used in Financing Activities

For the year ended December 31, 2025, we had net cash used in financing activities of RMB21.5 million, which was primarily attributable to (i) repayment of interest-bearing bank and other borrowings of RMB252.5 million, (ii) dividends paid of RMB50.0 million and (iii) principal portion of lease payments of RMB8.1 million, partially offset by proceeds from interest-bearing bank and other borrowings of RMB292.5 million.

For the year ended December 31, 2024, we had net cash used in financing activities of RMB13.5 million, which was primarily attributable to (i) repayment of interest-bearing bank and other borrowings of RMB176.3 million, and (ii) dividends paid of RMB100.0 million, partially offset by proceeds from interest-bearing bank and other borrowings of RMB204.4 million.

For the year ended December 31, 2023, we had net cash used in financing activities of RMB141.9 million, which was primarily attributable to (i) repayment of interest-bearing bank and other borrowings of RMB292.9 million, and (ii) dividends paid of RMB100.0 million, partially offset by proceeds from interest-bearing bank and other borrowings of RMB253.8 million.

INDEBTEDNESS

As of December 31, 2023, 2024, 2025 and April 8, 2026, our indebtedness primarily consisted of (i) current lease liabilities, (ii) current interest-bearing bank borrowings, (iii) non-current lease liabilities, and (iv) non-current interest-bearing bank and other borrowings. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 8,
	2023	2024	2025	2026
	(RMB in thousands)			*(Unaudited)*
Current				
Lease liabilities	7,455	5,667	5,344	4,911
Interest-bearing bank borrowings	130,181	137,027	213,973	245,900
Non-current				
Lease liabilities	2,186	16,494	13,203	11,090
Interest-bearing bank and other borrowings	50,000	71,682	34,064	35,491
Total	**189,822**	**230,870**	**266,584**	**297,392**

Lease Liabilities

As of December 31, 2023, 2024, 2025 and April 8, 2026, our total lease liabilities (including current and non-current portions) amounted to approximately RMB9.6 million, RMB22.2 million, RMB18.5 million, and 16.0 million respectively.

Our total lease liabilities increased significantly from RMB9.6 million as of December 31, 2023 to RMB22.2 million as of December 31, 2024, primarily attributable to the new lease agreements entered into for our overseas operations, particularly for our warehouses in Germany.

Our total lease liabilities decreased by 16.3% from RMB22.2 million as of December 31, 2024 to RMB18.5 million as of December 31, 2025, primarily attributable to the repayment of lease liabilities.

Our total lease liabilities decreased by13.7% from RMB18.5 million as of December 31, 2025 to RMB16.0 million as of April 8, 2026, primarily attributable to the amortization of the leased liabilities.

Bank and Other Borrowings

Our bank and other borrowings are primarily used for our daily business operation. As of December 31, 2023, 2024, 2025 and April 8, 2026, our total bank and other borrowings (including current and non-current portions) amounted to approximately RMB180.2 million, RMB208.7 million, RMB248.0 million, and 281.4 million, respectively.

Our bank borrowings contain standard terms, conditions and covenants that are customary for commercial bank loans in China. During the Track Record Period, the effective interest rates of our interest-bearing bank borrowings ranged from 1.4% to 4.7% per annum. As of April 8, 2026, we had bank facilities of RMB905.0 million, with RMB527.4 million unutilized.

Our other borrowings primarily represented shareholder loans provided by the minority shareholders of our subsidiary, VYTEC Thailand. Our other borrowings' interest rate is 1% per annum with the duration of three years. We expect to settle the outstanding other borrowings upon [**REDACTED**].

Our interest-bearing bank borrowings, representing the current portion of our borrowings, increased by 5.3% from RMB130.2 million as of December 31, 2023 to RMB137.0 million as of December 31, 2024. This increase was primarily attributable to additional borrowings obtained to support the operational activities. Our interest-bearing bank borrowings further increased by 56.2% to RMB214.0 million as of December 31, 2025, primarily due to an increase in interest-bearing bank borrowings to fund the operational activities. Our interest-bearing bank borrowings increased by 14.9% from RMB214.0 million as of December 31, 2025 to RMB245.9 million as of April 8, 2026, primarily attributable to an increase in interest-bearing bank borrowings to fund the operational activities.

Our interest-bearing bank and other borrowings, representing the non-current portion of our borrowings, increased by 43.4% from RMB50.0 million as of December 31, 2023 to RMB71.7 million as of December 31, 2024, primarily due to increase of our interest-bearing bank and other borrowings to fund the operational activities. Our interest-bearing bank and other borrowings decreased to RMB34.1 million as of December 31, 2025, which was attributable to the repayment of our interest-bearing bank and other borrowings. Our interest-bearing bank and other borrowings remained stable at 35.5 million as of April 8, 2026.

Indebtedness Statement

Except as discussed above, as of April 8, 2026, the most recent practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade notes), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing. As of April 8, 2026, we did not have plans for other material external debt financing.

Our Directors confirm that (i) there has not been any material change in our indebtedness since April 8, 2026 and up to the Latest Practicable Date, (ii) during the Track Record Period and up to the date of this document, we did not have any material default on our indebtedness or breach of covenant, and (iii) during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in obtaining bank loans and other borrowings.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of/Year ended December 31,		
	2023	2024	2025
Gross profit margin (%)[1]	35.9%	37.0%	36.8%
Net Profit Margin[2]	14.4%	15.2%	15.6%
Current Ratio[3]	1.5	1.3	1.5
Quick Ratio[4]	1.1	1.0	1.0

Notes:

(1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin equals net profit divided by revenue and multiplied by 100%.

(3) Current ratio equals current assets divided by current liabilities.

(4) Quick ratio equals current assets less inventory divided by current liabilities.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period were primarily related to the purchases of items of property, plant and equipment, and purchases of intangible assets. Our capital expenditures were RMB141.0 million, RMB277.8 million and RMB155.2 million for the year ended December 31, 2023, 2024, and 2025, respectively.

CAPITAL COMMITMENTS

Our capital commitments were RMB4.2 million, RMB7.5 million and RMB2.8 million for the year ended December 31, 2023, 2024, and 2025, respectively.

RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 34 of the Accountants' Report included in Appendix I to this document.

Our Directors are of the view that each of the related party transactions set out in Note 34 to the Accountants' Report in Appendix I to this Document was conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any off-balance sheet arrangements.

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate and currency risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 37 of Appendix I to this document for details.

DIVIDENDS

We declared cash dividends to our Shareholders of RMB100 million, RMB100 million and RMB50 million for the year ended December 31, 2023, 2024 and 2025, respectively. As of the date of this document, we have paid these dividends in full. See Note 11 of Appendix I to this document for details.

We do not have a formal dividend policy or a fixed dividend payout ratio. We may distribute dividends in the future by way of cash or by other means that we consider appropriate. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amounts of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders. PRC laws require that dividends should be paid only out of the profit for the year calculated according to PRC accounting principles.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we have distributable reserves of RMB122.0 million.

[REDACTED]

[**REDACTED**] to be borne by us are estimated to be approximately HK$[**REDACTED**] million (based on an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per Share), representing approximately [**REDACTED**]% of the estimated [**REDACTED**] from the [**REDACTED**] assuming no Shares are issued pursuant to the [**REDACTED**]. The [**REDACTED**] consist of (i) [**REDACTED**] expenses, including [**REDACTED**], of approximately HK$[**REDACTED**] million, and (ii) non-[**REDACTED**] expenses of approximately HK$[**REDACTED**] million, comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK$[**REDACTED**] million, and (b) other fees and expenses of approximately HK$[**REDACTED**] million. During the Track Record Period, we incurred [**REDACTED**] expenses of HK$[**REDACTED**] million, including HK$[**REDACTED**] million recorded as administrative expenses and HK$[**REDACTED**] million capitalized. Subsequent to the Track Record Period, approximately HK$[**REDACTED**] million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[**REDACTED**] million is expected to be accounted for as a deduction from equity upon the [**REDACTED**]. We do not believe any of the above fees or expenses are material or are unusually high for our Group. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this document for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the Latest Practicable Date, there has been no material adverse change in our financial and trading positions or prospects since December 31, 2025, being the end date of the periods reported on in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.