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Application Proof of

KINGDOM 晶通

Zhejiang Kingdom New Material Group Co., Ltd.

浙江晶通新材料集團股份有限公司

(the “Company”)

(A joint stock company incorporated in the People’s Republic of China with limited liability)

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KINGDOM 晶通

Zhejiang Kingdom New Material Group Co., Ltd.

浙江晶通新材料集團股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] in : [REDACTED] H Shares (subject to the
the [REDACTED] [REDACTED])

Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED])

Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED] and the [REDACTED])

[REDACTED] : HK\$[REDACTED] per H Share, plus
brokerage of 1.0%, SFC transaction
levy of 0.0027%, AFRC transaction
levy of 0.00015% and Stock Exchange
trading fee of 0.00565% (payable in
full on application in Hong Kong
dollars and subject to refund)

Nominal Value : RMB1.00 per H Share

[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED]



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The [REDACTED] (for itself and on behalf of the [REDACTED], and with our consent) may, where considered appropriate and with our consent, reduce the number of [REDACTED] and/or the indicative [REDACTED] that stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.kingdomgroup.com.cn as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the [REDACTED]. For more details, see the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” in this document.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this document, including but not limited to the risk factors set out in the section headed “Risk Factors” in this document.

The obligations of the [REDACTED] under the [REDACTED] to subscribe for, and to procure applicants for the subscription for, the [REDACTED], are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. Such grounds are set out in the section headed “[REDACTED] — [REDACTED] — [REDACTED] — Grounds for Termination” in this document.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The [REDACTED] are being [REDACTED] and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in “Risk Factors.” You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

Who We Are

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 suppliers¹ in terms of total export value to Europe in the PVC decoration materials market in 2025.

The following sets forth our key business highlights:

 Ranked No. 1 in total export value from Chinese Mainland Based on total export value from Chinese Mainland in 2025, the Company ranked first among all suppliers in the PVC decoration materials market	 Ranked No. 1 in total export value to Europe Based on total export value to Europe in 2025, the Company ranked first among all Chinese suppliers ¹ in the PVC decoration materials market	 Extensive international footprint across Europe, North America, and beyond Key markets include Germany, France, the Netherlands, the United States, the United Kingdom, and Switzerland.
 Premium quality serving top-tier customers A major supplier for Europe, serving eight out of top ten European home improvement retail groups ²	 Industry-first technologies with continuous product innovation Pioneered digital printing, excimer and fully halogen-free PETG flooring technologies, launching an average of 300+ new self-developed flooring products and 100+ new self-developed wall panel products annually	 Global supply chain layout China + Southeast Asia + Europe, with annual production capacity of tens of millions square meters
 Recognized with prestigious industry honors for consecutive years Top Ten Brands in Resilient Flooring Industry, Leading Brand in the Wall Panel Industry, German iF Product Design Award, Zhejiang Export Famous Brand	 Sustained business growth Revenue CAGR of 20.2% from 2023 to 2025; SPC Revenue CAGR of 17.9% from 2023 to 2025	 Pioneer of green sustainability Reducing carbon emissions in the production of SPC products, compared to traditional ceramic tiles

¹ Chinese suppliers refer to suppliers headquartered in Chinese Mainland, including both domestic and overseas production facilities.

² This refers to the top ten home improvement retail groups in Europe in terms of retail sales value in 2025.

SUMMARY

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.

Our Market Position

Our business has been globally oriented since our establishment. We are a major supplier for Europe, serving eight out of the top ten European home improvement retail groups (in terms of retail sales value in 2025), and our products have been available in more than 60 countries and regions worldwide, including Germany, France, the Netherlands, the United States, the United Kingdom and Switzerland. As of the Latest Practicable Date, we have been receiving multiple industry recognitions on an annual basis, including “Top Ten Brands in the Resilient Flooring Industry in China” since 2018, “Leading Brand in the Wall Panel Industry in China” since 2022, and “Zhejiang Export Famous Brand” since 2018.

Our Products

Throughout fifteen years of development, we have continuously focused on addressing the distinct needs of our consumers and driving product R&D innovation, and have achieved several rounds of product iterations and formed four major product lines: (i) SPC flooring and wall panels, (ii) LVT flooring panels and (iii) EPC flooring and wall panels, along with (iv) other innovative products including PETG flooring panels.

Our products provide distinct functional advantages over traditional decoration materials, including naturalistic aesthetics, fire resistance, antibacterial properties, low carbon and formaldehyde-free composition, sound insulation, wear resistance, pest and mold resistance, and ease of installation. Our diverse product portfolio is suitable for a wide range of residential, commercial, and public spaces, including homes, hotels, shopping malls, office buildings, schools, libraries, and eldercare facilities. With a broad selection of colors, patterns, and embossing, our products are designed to meet customers’ various customized preferences. 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.

We were among the first in the industry to adopt digital printing technology, allowing our products to more closely replicate the appearance and texture of natural materials, thereby enhancing the overall customer experience. We were also one of the early movers in introducing halogen-free PETG flooring products. In addition, we were one of the first companies to obtain Global Recycled Standard (“GRS”) certificates, the Scientific

SUMMARY

Certification Systems (“SCS”) Global Services, the Blue Angel ecolabel (“Blue Angel”), and the Environmental Product Declaration (“EPD”) in compliance with EU requirements, facilitating the use of recycled PVC materials in decoration and renovation panels.

OUR STRENGTHS

- Our established leading market position in the new polymer stone plastic decoration composite materials market
- Our long-standing relationship with high-quality major customers
- Our strong technological innovation capabilities and continuous expansion into new application areas
- Our well-established global supply chain
- Strong product performance, broad application scenarios and cost efficiency
- Our strong commitment to environmental, social and governance principles
- Our visionary management team with international perspective and our strong human resource management

OUR STRATEGIES

- Strengthen international presence and accelerate growth in key products
- Expand product portfolio and strengthen new product development
- Continue to invest in emerging technologies to enhance R&D and innovation
- Establish an integrated global supply network with intelligent and sustainable manufacturing
- Advance talent development to empower our business strategies

SUMMARY

OUR BUSINESS MODEL

We design, manufacture and sell a variety of flooring and wall panel products primarily through ODM and OEM business model, catering to the diverse needs of global customers for application scenarios across residential, commercial and public spaces. These models leverage our robust technical capabilities, advanced production infrastructure, and deep industry expertise to deliver customized, high-quality products, while enabling customers to strengthen their brand presence and respond efficiently to market dynamics.

Under the ODM model, we collaborate closely with customers to turn their product visions into market-ready flooring and wall panel products. Customers provide general concepts and request for product design, such as preferred color tones, patterns, dimensional needs or functional requirements. Combining these requests and our insights into industry trends, our team design and develop customized prototypes for customers’ evaluation. Customers may request adjustments to refine the design. Once the final design and specifications are approved, customers place purchase orders with us. We then initiate production and package the finished products with our customers’ brand or neutral packaging.

Under the OEM model, we focus on manufacturing products strictly in line with customers’ pre-defined standards. Following an internal feasibility review, we produce counter samples for customer approval prior to commencing mass production. The finished products are subsequently packaged with our customers’ brand or neutral packaging.

OUR CUSTOMERS AND SUPPLIERS

Our customers mainly consist of overseas (i) retailers, which are companies mainly engaged in the sale of our products to end customers through supermarket chains or household accessory stores, and (ii) brand owners. In 2023, 2024 and 2025, our revenue from the five largest customers was RMB738.0 million, RMB975.3 million and RMB987.5 million, respectively, accounting for 46.0%, 44.0% and 42.7% of our total revenue in the same periods, respectively. In 2023, 2024 and 2025, our revenue from the single largest customer amounted to RMB321.8 million, RMB420.7 million and RMB343.9 million, respectively, accounting for 20.1%, 19.0% and 14.9% of our total revenue in the same periods, respectively. See “Business — Customers and Sales and Marketing — Our Major Customers.”

Our suppliers primarily consist of raw materials providers. In 2023, 2024 and 2025, our purchases from the five largest suppliers were RMB370.9 million, RMB516.2 million and RMB481.1 million, respectively, accounting for 43.5%, 35.2% and 32.6% of our total purchase in the same periods, respectively. In 2023, 2024 and 2025, our purchases from the single largest supplier amounted to RMB147.5 million, RMB141.6 million and RMB195.2 million, respectively, accounting for 17.3%, 9.6% and 13.2% of our total purchase in the same periods, respectively. See “Business — Raw Materials and Suppliers — Our Major Suppliers.”

SUMMARY

COMPETITIVE LANDSCAPE

The global new polymer stone plastic decoration composite materials market is characterized by the accelerating global expansion of Chinese suppliers. Chinese Mainland is the world’s leading exporter in PVC decoration materials market, accounting for approximately 45% of global export value in 2025. As products from Chinese suppliers continue to gain recognition from overseas customers, their market share is expected to rise steadily.

The Chinese PVC decoration materials export market in which we operate is highly competitive and fragmented. According to Frost & Sullivan, the top five suppliers in the PVC decoration materials market by total export value from Chinese Mainland in 2025 collectively accounted for a market share of 18.8%. We ranked first among all suppliers by total export value from Chinese Mainland in 2025, with an export value of USD262.5 million and a market share of approximately 6.1%.

According to Frost & Sullivan, in the global PVC decoration materials market by total export value to Europe, the top five Chinese suppliers collectively accounted for a market share of 34.7% in 2025. We ranked first among all Chinese suppliers¹ in terms of total export value to Europe in 2025, with an export value of USD253.3 million and a market share of approximately 14.5%.

See “Industry Overview” for more information.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary of consolidated financial information should be read together with the consolidated financial information in the Accountants’ Report in Appendix I to this document, including the accompanying notes and the information set out in “Financial Information” in this document.

Selected Information from the 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)

SUMMARY

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
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

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

SUMMARY

Revenue

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.

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.

SUMMARY

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.

Gross Profit and Gross Profit Margin

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/loss	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.

SUMMARY

During the Track Record Period, 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, with our gross profit margin at 35.9%, 37.0%, and 36.8% for the year ended December 31, 2023, 2024 and 2025, respectively.

Selected Information from the Consolidated Statements of Financial Position

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Total non-current assets	618,375	939,829	1,049,329
Total current assets	979,384	1,295,733	1,517,104
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
Total non-current liabilities	94,335	128,145	85,871
Net assets	831,355	1,122,834	1,451,318

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 and other borrowings of RMB77.0 million to support our expanding operations.

Selected Information from the Consolidated Statements of Cash Flows

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

SUMMARY

CONTROLLING SHAREHOLDERS

Mr. Dai and Ms. Zhang co-founded our Company in 2010 and have been working together to lead the overall operation and management of our Group since our establishment. Pursuant to the Acting-in-concert Agreement, Mr. Dai and Ms. Zhang agreed to, for a period of 36 months commencing from the date of agreement, communicate thoroughly to reach a consensus as to how to exercise their voting rights in our Company and act in concert by aligning their votes at the relevant Shareholders’ meetings and directors’ meeting. In the event that they could not reach a consensus as to how to exercise their voting rights, Ms. Zhang agreed to follow the directions of Mr. Dai. As of the Latest Practicable Date, (i) Mr. Dai, our executive Director, chairman of the Board and chief executive officer, is interested in and controls approximately 30.28% of the total issued Shares of our Company in his personal capacity, and approximately 1.53% of the total issued Shares of our Company in the capacity as the general partner of Hangzhou Jinghe; (ii) Ms. Zhang, an executive Director, is interested in and controls approximately 20.19% of the total issued Shares of our Company in her personal capacity; and (iii) Mr. Dai and Ms. Zhang are interested in and control, through Hangzhou Kingdom Imp & Exp and Zhejiang Jinhongda, approximately 40.38% of the total issued Shares of our Company. Therefore, Mr. Dai, Ms. Zhang, Hangzhou Kingdom Imp & Exp and Zhejiang Jinhongda and Hangzhou Jinghe were in aggregate entitled to exercise approximately 92.38% of the voting rights in our Company as of the Latest Practicable Date.

Immediately after completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Mr. Dai and Ms. Zhang will both directly and indirectly (through Hangzhou Jinghe, Hangzhou Kingdom Imp & Exp and Zhejiang Jinhongda) in aggregate be entitled to exercise approximately [REDACTED]% of the voting rights in our Company. Accordingly, Mr. Dai, Ms. Zhang, Hangzhou Jinghe, Hangzhou Kingdom Imp & Exp and Zhejiang Jinhongda will be presumed as a group of Controlling Shareholders upon the completion of the [REDACTED].

[REDACTED] INVESTMENTS

We have received one round of [REDACTED] investments since our incorporation. See the paragraph headed “History, Development and Corporate Structure — [REDACTED] Investments” in this document for details.

CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain transactions which will constitute a partially-exempt continuing connected transaction of our Company under the Listing Rules upon [REDACTED]. We have applied to the Stock Exchange for, [and the Stock Exchange has granted], a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of such transaction upon [REDACTED]. For details, see the section headed “Connected Transactions” in this document.

SUMMARY

DIVIDEND

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.

NON-COMPLIANCE

There were instances where we had failed to be in compliance with certain applicable laws and regulations in the PRC, Thailand, Germany and Singapore during the Track Record Period. For details of such non-compliance incidents and the respective remedial actions taken, see the subsection headed “Business — Legal Proceedings and Compliance”.

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors.” You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the most significant risks we face include the following:

- We may fail to develop and implement our growth strategies or effectively manage our growth.
- We operate in a competitive market and may not be able to compete effectively against our existing and future competitors.
- We may not be able to accurately anticipate or timely respond to changes in market trends.
- Our overseas business development is subject to various cross-border operating risks, any failure to handle which may adversely affect our business, financial condition, and results of operations.
- Our business, financial condition and results of operations may be materially and adversely affected by international export controls and economic sanctions.

SUMMARY

- If we fail to retain existing customers, especially our major customers, attract new customers or increase the spending by our customers, our business and results of operations may be materially and adversely affected.
- An increase in the costs of raw materials or our inability to procure raw materials at satisfactory prices may adversely affect our profitability.
- As we increase production capacity through the expansion of manufacturing facilities, we may face risks associated with the ramp-up of manufacturing.

See “Risk Factors” for more information.

USE OF [REDACTED]

Assuming that the [REDACTED] is not exercised, after deducting the [REDACTED] and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED]), we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED]. We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to invest in our wall panel products, primarily through the establishment of our dedicated wall panel production base in Tongxiang, Zhejiang Province, China, with the view to enhancing our domestic wall panel product production capacity.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to enhance our global supply chain capabilities through the construction of a modern, green production base in Hungary that integrates PVC flooring and wall panel manufacturing with circular recycling.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the continuous investment in our Thailand production base located in Chonburi Province, Thailand. The project will focus on (i) expanding our product offering, including wall panels and digital printing products; (ii) expanding raw material storage capacity and upgrading to intelligent warehouse management; (iii) establishing showrooms and research and development center; and (iv) building office facilities.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to procure and upgrade equipment in our existing production base in Tongxiang, Zhejiang Province, China, including: (i) digital printing equipment to meet customer demand for digital printing products; (ii) optimization and upgrade of the fully integrated production line spanning AI visual inspection, saw blade slotting, packaging, and automated guided vehicle (AGV) warehousing; and (iii) establishment of an AI knowledge base and development, optimization, and upgrade of information systems.

SUMMARY

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the establishment of our R&D center at our Tongxiang headquarters by establishing a new R&D research center building, introducing advanced R&D equipment and recruiting R&D specialists.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for our working capital and general corporate purposes.

See “Future Plans and Use of [REDACTED]” for more details.

[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] 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.

[REDACTED] STATISTICS

[REDACTED]

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

During the Track Record Period and up to the Latest Practicable Date, we have successfully developed our rPET product line and achieved a significant breakthrough in the research and development of our Fiber Polymer Core (“FPC”) project. Our rPET products are manufactured using recycled PET sourced from post-consumer waste combined with natural mineral fillers, while our FPC products are manufactured from post-consumer fibre garments combined with natural minerals. Both products are non-PVC, recyclable, and free from plasticizers and halogens, making them green and sustainable products.

In March 2026, we declared cash dividends of RMB60 million to our Shareholders. As of the Latest Practicable Date, we have paid these dividends in full.

Our Directors have confirmed that up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of the periods reported in the Accountants’ Report in Appendix I to this document, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain technical terms are explained in “Glossary of Technical Terms.”

“Accountants’ Report”	the accountants’ report prepared by Ernst & Young, the text of which is set out in Appendix I to this document
“Acting-in-concert Agreement”	the acting-in-concert agreement dated March 20, 2026 entered into by Mr. Dai and Ms. Zhang
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	the articles of association of our Company adopted on [●], 2026 which will become effective upon the [REDACTED] and as amended from time to time, a summary of which is set out in Appendix V to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“B2B National Trading”	B2B National Trading, INC., a limited liability company incorporated in the United States of America on October 19, 2015, one of the shareholders of Vortis USA

[REDACTED]

DEFINITIONS

[REDACTED]

“China” or “PRC”	the People’s Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to “China” and the “PRC” do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Zhejiang Kingdom New Material Group Co., Ltd. (浙江晶通新材料集團股份有限公司), previously named as Zhejiang Kingdom New Material Co., Ltd. (浙江晶通新材料股份有限公司), whose predecessor was named Zhejiang Kingdom Plastics Co., Ltd.* (浙江晶通塑膠有限公司) and Zhejiang Kingdom New Material Co., Ltd.* (浙江晶通新材料有限責任公司), was established in the PRC on June 23, 2010 and converted into a joint stock company with limited liability on November 27, 2024
“Company Law” or “PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“Compliance Advisor”	Somerley Capital Limited

[REDACTED]

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Controlling Shareholders” has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. Dai, Ms. Zhang, Zhejiang Jinghongda, Hangzhou Kingdom Imp & Exp and Hangzhou Jinghe

[REDACTED]

“core connected person(s)” has the meaning ascribed thereto under the Listing Rule

“CSDC” China Securities Depository and Clearing Co., Ltd. (中國證券登記結算有限責任公司)

“CSRC” China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets

“Decoflooring” Decoflooring GmbH, a limited liability company incorporated in Germany on August 22, 2014, one of our subsidiaries

“Director(s)” or “our Director(s)” the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors

“Eight Choice” Eight Choice Holdings Ltd., a limited liability company incorporated in the British Virgin Islands on July 16, 2015, one of the shareholders of VYTEC Thailand

“EIT” enterprise income tax

“EIT Law” the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time

“Enduring Innovation” Enduring Innovation Pte. Ltd., a limited liability company incorporated in Singapore on April 6, 2023, one of the shareholders of both VYTEC Thailand and Vortis USA

DEFINITIONS

“EU”	European Union
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[REDACTED]

“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company and Independent Third Party, which prepared the Frost & Sullivan Report
“Frost & Sullivan Report”	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this document

[REDACTED]

“German Legal Advisors”	Gleiss Lutz Hootz Hirsch PartmbB Rechtsanwälte, Steuerberater (AG Stuttgart PR 136), the legal advisors to our Company as to the laws of Germany
“Group,” “our Group,” “our,” “we” or “us”	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Guide for New Listing Applicants”	the Guide for New Listing Applicants as published by the Stock Exchange in December 2023 and amended from time to time
“H Share(s)”	overseas listed foreign share(s) in our ordinary share capital, with nominal value of RMB1.00 each in the share capital of our Company, which are to be subscribed for and traded in HK dollars, and for which an application has been made for [REDACTED] and permission to trade on the Stock Exchange

DEFINITIONS

[REDACTED]

“Hangzhou Jinghe”	Hangzhou Jinghe Enterprise Management Partnership (Limited Partnership)* (杭州晶合企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on October 22, 2025, one of our incentive platforms and one of the Controlling Shareholders
“Hangzhou Jingju”	Hangzhou Jingju Enterprise Management Partnership (Limited Partnership)* (杭州晶聚企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on October 22, 2025 and one of our incentive platforms
“Hangzhou Kingdom Imp & Exp”	Hangzhou Kingdom Imp & Exp Trading Corp., Ltd* (杭州晶達進出口貿易有限公司), a limited liability company established in the PRC on November 24, 2003, and one of the Controlling Shareholders

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars,” “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

“IASB”	International Accounting Standards Board
“IFRS Accounting Standards”	the International Financial Reporting Standards as issued by the IASB, which comprise the IFRS Accounting Standards, International Accounting Standards, Interpretations developed by the IFRS Interpretations Committee or its predecessor body, the Standing Interpretations Committee

DEFINITIONS

“Independent Third Party(ies)” an individual or a company which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules

[REDACTED]

“Jingfeng Renewable Resources” Zhejiang Jingfeng Renewable Resources Recycling Co., Ltd.* (浙江晶豐再生資源回收有限公司), a limited liability company incorporated in the PRC on December 7, 2022, one of our subsidiaries

“Kingdom Hainan” Kingdom (Hainan) New Material Co., Ltd.* (晶通(海南)新材料有限公司), a limited liability company established in the PRC on October 10, 2025, one of our subsidiaries

DEFINITIONS

“Kingdom Singapore”	Kingdom Innovation Pte. Ltd., a private company limited by shares incorporated in Singapore on October 19, 2022, one of our subsidiaries
“Kingdom Smart Home”	Zhejiang Kingdom Smart Home Co., Ltd.* (浙江晶通智能家居有限公司), a limited liability company established in the PRC on February 7, 2021, one of our subsidiaries
“Latest Practicable Date”	May 18, 2026, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
	[REDACTED]
“Listing Committee”	the Listing Committee of the Stock Exchange
	[REDACTED]
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“m ² ” or “square meter(s)”	a unit of area
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
“Mr. Dai”	Mr. Dai Huibin (戴會斌), our founder, the chairman of the Board, an executive Director of our Company and one of the Controlling Shareholders
“Ms. Zhang”	Ms. Zhang Shuhong (章樹紅), our co-founder, an executive Director of our Company and one of the Controlling Shareholders

DEFINITIONS

“NDRC”	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

“Overseas Listing Trial Measures”	Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) released by the CSRC on February 17, 2023 and took effect on March 31, 2023

DEFINITIONS

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Legal Advisors”	King & Wood, the legal advisors to our Company as to the laws of the PRC
“PRC Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as enacted by the 6th meeting of the 9th Standing Committee of the NPC on December 29, 1998, and became effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“document”	this document being issued in connection with the [REDACTED]
“R&D”	research and development
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Jingkeda”	Shanghai Jingkeda New Material Development Co., Ltd.* (上海晶科達新材料開發有限公司), a limited liability company established in the PRC on March 13, 2025, one of our subsidiaries
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of our Share(s)
“Singapore Legal Advisors”	Shook Lin & Bok LLP, the legal advisors to our Company as to the laws of Singapore
“Sole Sponsor” [REDACTED]	The sole sponsor, [REDACTED] as named in the section headed “Directors and Parties Involved in the [REDACTED]” in this document
“m ² ”	square meter, a unit of area
“STA”	State Taxation Administration (中華人民共和國國家稅務總局)
	[REDACTED]
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Strategic Committee”	the strategic committee of the Board
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Thai Legal Advisors”	Weerawong, Chinnavat & Partners Ltd., the legal advisors to our Company as to the laws of Thailand
“Track Record Period”	the three years ended December 31, 2023, 2024 and 2025
“U.S. dollars,” “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

[REDACTED]

“United States,” “USA” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Unlisted Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not [REDACTED] on any stock exchange
“VAT”	value added tax
“Vortis USA”	Vortis Floors LLC (formerly known as Bella Covering LLC), a limited liability company incorporated in the United States of America on December 3, 2024, one of our subsidiaries
“VYTEC Thailand”	VYTEC Floor Co., Ltd., a limited liability company incorporated in Thailand on June 12, 2023, one of our subsidiaries

[REDACTED]

“Yosegrow”	Yosegrow Pte., Ltd., a limited liability company incorporated in Singapore on April 21, 2023, one of the shareholders of Vortis USA

DEFINITIONS

“Zhejiang Construction”	Zhejiang Construction Industrial Investment Innovation (Tongxiang) Enterprise Management Consulting Partnership (Limited Partnership) (浙建產投創新(桐鄉)企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on April 27, 2026, and one of the [REDACTED] Investors
“Zhejiang Jinghongda”	Zhejiang Jinghongda Technology Co., Ltd.* (浙江晶弘達科技有限公司), a limited liability company established in the PRC on March 25, 2024, and one of the Controlling Shareholders
“Zhejiang Jingjiu”	Zhejiang Jingjiu New Material Technology Co., Ltd.* (浙江晶久新材料科技有限公司), a limited liability company established in the PRC on May 27, 2022, and one of our subsidiaries
“Zhejiang Kingsun”	Zhejiang Kingsun Building Material Technology Co., Ltd.* (浙江晶順建材科技有限公司), a limited liability company established in the PRC on November 30, 2016, one of our subsidiaries
“Zhejiang VC”	Zhejiang Venture Capital Co., Ltd.* (浙江省科技風險投資有限公司), a limited liability company established in the PRC on June 7, 1993, one of the [REDACTED] Investors
“Zhejiang Jingxin”	Zhejiang Jingxin New Materials Co., Ltd.* (浙江晶鑫新材料有限公司), a limited liability company established in the PRC on February 11, 2026, one of our subsidiaries
“%”	per cent

For the purpose of this document, references to “provinces” of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.

In this document the terms “associate(s),” “close associate(s),” “connected person(s),” “core connected person(s),” “connected transaction(s),” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain technical terms used in this document in connection with us and our business. Such terms and their meaning may not correspond to standard industry definitions or usage.

“click-lock”	a glue-free installation system where flooring planks feature interlocking profiles that snap together for a stable fit
“digital printing”	a high-resolution imaging process that applies decorative patterns directly onto the substrate
“embossing”	a physical relief pattern that creates three-dimensional textures on the flooring surface to replicate the authentic look and feel of natural wood grain or stone
“export value”	the total monetary value of all goods sold to other countries, calculated on a Free On Board (FOB) basis at the point of departure from the exporting country
“EPC”	expanded polymer core, also known as WPC, a lightweight composite flooring material featuring a foamed polymer core that provides enhanced underfoot comfort and sound insulation
“extruding”	a manufacturing technique where heated polymer material is forced through a die to create continuous sheets or profiles with a consistent cross-section
“grooving”	a precision milling process that cuts a recessed channel along the edge of a plank, forming part of the tongue-and-groove or click-lock mechanism
“laminating”	the process of bonding multiple layers of materials together using heat, pressure, or adhesives to form a single, high-performance flooring composite
“LVT”	luxury vinyl tile, a multi-layered synthetic flooring material that mimics natural materials like wood or stone while offering durability and water proofing
“ODM (Original Design Manufacturer)”	a business model in which a manufacturer designs and produces products that are ultimately sold under a customer’s brand name
“OEM (Original Equipment Manufacturer)”	a business model in which a manufacturer produces products based on a customer’s specifications and design, which are then marketed under the customer’s brand

GLOSSARY OF TECHNICAL TERMS

“palletizing”	the final stage of packaging where finished flooring boxes are stacked and secured on pallets for efficient storage and safe transportation
“PETG”	polyethylene terephthalate glycol, a clear and strong thermoplastic polyester used in flooring films for its chemical resistance and impact strength
“plasticizers”	additives incorporated into polymers to make the final flooring material softer and easier to process during manufacturing
“polymer”	a large molecule composed of repeating structural units that are connected to one another through chemical bonds
“post-consumer”	recycled material derived from products that have completed their life cycle as consumer items
“profiling”	the precision machining process of shaping the edges of planks to create the specific geometry required for various interlocking systems
“PVC”	polyvinyl chloride, a versatile synthetic plastic polymer used as a primary binder in resilient flooring
“rPET”	recycled polyethylene terephthalate, a sustainable material produced from recycled plastic waste, used to reduce environmental impact in the production of flooring components
“SPC”	stone plastic composite, a rigid core flooring material made from a composite of limestone powder and thermoplastic polymers
“stabilizers”	chemicals used in plastics formulation to help maintain physical and chemical properties during processing and service life
“thermoplastic”	a type of polymer material that becomes soft and moldable when heated and solidifies upon cooling
“UV coating”	ultraviolet coating, a protective top layer cured by ultraviolet light that enhances scratch resistance, prevents fading from sunlight, and simplifies daily maintenance

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "might," "ought to," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change.

These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- the market opportunities of our products;
- our ability to attract and retain senior management and key employees;
- our operations and business prospects;
- our business strategies and plans to achieve these strategies;
- industry trends and competition;
- general economic, political and business conditions in the industries and markets in which we operate;
- relevant government policies and regulations relating to our industry, business and corporate structure;
- our ability to maintain good relationships with business partners;
- our ability to control costs and expenses;
- our ability to defend our intellectual rights and protect confidentiality;
- our dividend policy;

FORWARD-LOOKING STATEMENTS

- changes or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;
- capital market developments;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- all other risks and uncertainties described in the section headed “Risk Factors” in this document; and
- other statements in this document that are not historical facts.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of the Directors are made as of the date of this document. Any such information may change in light of future developments.

RISK FACTORS

An [REDACTED] in our H Shares involves risks. You should carefully consider all of the information in this document, including our consolidated financial statements and related notes before making an [REDACTED] in our H Shares.

Our business, financial conditions, results of operations and prospects could be materially and adversely affected by any of these risks, some of which are beyond our control. Other risks and uncertainties that we are not currently aware of or that are not disclosed or implied below, or which we do not currently believe to be material, may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. The [REDACTED] of our H Shares may decline due to any of these risks, and you may lose all or part of your [REDACTED]. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We may fail to develop and implement our growth strategies or effectively manage our growth.

Our ability to continuously expand our business is contingent upon our ongoing success in executing our growth strategies, including to maintain and strengthen our market position and to improve our product portfolio. The implementation of our business strategies depends, among other factors, on the general economic conditions, our ability to maintain strong relationships with customers, overall demand trends for decoration and renovation panel products, the availability of management, financial, operational and other resources, and market competition. Should we be unable to implement these strategies, which may be influenced by factors beyond our control, we may not achieve growth rates comparable to our past performance, or any growth at all, resulting in a material and adverse impact on our business, financial position, and operational outcomes.

We operate in a competitive market and may not be able to compete effectively against our existing and future competitors.

The new polymer stone plastic decoration composite materials industry is competitive. In addition, the existing players in the industry may seek to become more competitive through various means, including mergers and acquisitions and the introduction of domestic or foreign strategic investors. These current and potential competitors may have better track records, greater financial and marketing resources and greater economies of scale than we do. In addition, competition for market share could result in price reductions by our competitors, which may in turn put downward pressure on the selling prices of our products. If we cannot respond to changes in market conditions rapidly or respond as swiftly or effectively as our competitors, or if we fail to deal with the competition effectively, our business, results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

We may not be able to accurately anticipate or timely respond to changes in market trends.

The new polymer stone plastic decoration composite materials industry is influenced by changes in design trends and procurement preferences of our customers. These factors may change rapidly and can be difficult to predict. Our ability to respond to such changes depends on accurate market analysis, timely collection of customer feedback, strong research and development capabilities, and cost-effective production. If we fail to anticipate customer requirements, regulatory standards, or market trends, or if we misjudge customer demand for our products, our business growth and financial performance could be materially and adversely affected, potentially resulting in reduced orders or loss of major customers. Our success and continued growth depend on our ability to respond to evolving needs or develop new flooring and wall panel products, surface technologies, and material formulations that meet the evolving requirements of our customers. We cannot assure you that we will be able to identify or develop new products or technologies successfully, on a timely basis, or at all. In addition, we cannot assure you that any newly developed products will be accepted by our customers or incorporated into their procurement plans.

Our overseas business development is subject to various cross-border operating risks, any failure to handle which may adversely affect our business, financial condition, and results of operations.

During the Track Record Period, our products were sold to customers in Europe, North America, and Asia Pacific. As we plan to continue to expand our business into various regions and countries overseas, we will face various risks and challenges, including changes in political environment and economic conditions, increased competition from local players, cultural difference, and the complexity of compliance with laws and regulations in different jurisdictions. Any failure to handle these risks effectively could result in damage to our reputation, increase in costs, or disruptions to the execution of our business plans and operations. In addition, our plans for overseas business development may require significant investments in sales and marketing, human resources, and research and development, which may not yield the expected return on investment. The timing of our expansion plans may also be affected by factors beyond our control, such as changes in economic conditions, political environment, or delays in obtaining necessary licenses and permits. Furthermore, we may be subject to additional regulatory requirements in foreign countries, which may increase our compliance costs and subject us to legal and regulatory risks. See “Regulatory Overview — Laws and Regulations Relating to Our Business in the EU,” “Regulatory Overview — Laws and Regulations Relating to Our Business in Singapore,” and “Regulatory Overview — Laws and Regulations Relating to Our Business in Thailand.” These requirements may also limit our ability to operate in certain regions or countries, which could negatively impact our growth prospects. We may need to allocate significant resources to manage and mitigate these cross-border operating risks, which could increase our expenses and adversely affect our financial performance. If we are unable to manage these risks effectively, our business, financial condition, and results of operations may be materially and adversely affected.

RISK FACTORS

Our business, financial condition and results of operations may be materially and adversely affected by international export controls and economic sanctions.

We substantially rely on overseas markets. In 2023, 2024 and 2025, 98.6%, 98.9% and 99.1% of our products sales were attributable to sales to overseas markets, respectively, mainly including Europe and we anticipate that our export sales will continue to be significant to our revenue in the future. Certain foreign jurisdictions in which we operate our business have imposed or may impose export controls, economic sanctions or other trade-related measures in various forms (such as heavy tariffs or harsh trade conditions) against certain countries, individuals and legal entities, which, from time to time, prohibit or restrict export and import activities to a certain extent. Export controls and economic sanctions laws or regulations could change in a way that could affect us or our business partners, harming our exports or sales in other countries and/or resulting in restrictions, penalties or fines.

During the Track Record Period, we recorded a limited amount of sales in North America. There is no assurance that our sales of their products will not be subject to the restrictions introduced by the U.S. Furthermore, if we export our products to other countries which are subject to sanctions or export controls in the future and if the scope of the export controls or sanctions are expanded, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to retain existing customers, especially our major customers, attract new customers or increase the spending by our customers, our business and results of operations may be materially and adversely affected.

Our future growth depends on our ability to continuously retain existing customers, especially our major customers, attract new customers as well as to increase the number of repeat customers and the order size of each customer. Consequently, we must stay abreast of the emerging consumer trends. This requires timely collection of market feedback, accurate assessments of market trends and deep understanding of the industry dynamics. Should our customers change their purchasing behavior or we fail to offer appealing products with attractive price, our business results of operations and financial condition may be materially and adversely affected.

Particularly, we depend on a number of major customers for a substantial portion of our revenue. In 2023, 2024 and 2025, sales to our top five customers accounted for 46.0%, 44.0% and 42.7% of our revenue, respectively, while sales to our largest customer accounted for 20.1%, 19.0% and 14.9% of our revenue for the same years, respectively. Our business, financial condition, and results of operations will likely continue to be subject to a certain degree of customer concentration for the foreseeable future. There is no assurance that we will be able to retain our major customers or that they will maintain their current level of business with us in the future, or at all. If there is a significant decrease in business engagements with our major customers for whatever reasons, and we are unable to obtain comparable business engagements as replacement, our financial conditions and operating results would be materially and adversely affected.

RISK FACTORS

An increase in costs of raw materials or our inability to procure raw materials at satisfactory prices may adversely affect our profitability.

The principal raw materials used in our production processes include PVC, UV coating and calcium carbonate. Cost of materials consumed accounted for approximately 71.8%, 75.9% and 70.0% of our cost of sales in 2023, 2024 and 2025, respectively.

We mainly source our raw materials in the PRC during the Track Record Period. The prices of the raw materials, in particular PVC, may fluctuate significantly due to various factors, including general market conditions, supply and demand dynamics, energy and feedstock costs, transportation costs and customs, and the availability of alternative comparable materials. PVC is a petroleum-based product, and its market price is closely linked to upstream petrochemical inputs and energy prices.

Geopolitical instability, including armed conflicts and heightened tensions in major energy-producing regions, such as those involving Iran, may disrupt global energy supply chains and lead to volatility or increases in crude oil, natural gas and other petrochemical feedstock prices. Such developments could, directly or indirectly, result in increased production costs for PVC manufacturers and upward pressure on PVC prices, which may be further exacerbated by trade restrictions, sanctions, or increased shipping and insurance costs.

As a result, we are exposed to risks arising from fluctuations in raw material prices and the risk that we may not be able to procure raw materials on commercially reasonable terms to meet our production requirements. If we are unable to obtain raw materials at satisfactory prices or are unable to pass increased costs on to our customers in a timely manner, our profitability and financial performance may be adversely affected. Moreover, any increase in the selling prices of our products in response to rising production costs may reduce customer demand and competitiveness, which could further materially and adversely affect our business, results of operations and financial condition.

As we increase production capacity through expansion of manufacturing facilities, we may face risks associated with the ramp-up of manufacturing.

We plan future production expansion projects in anticipation of increased demand for our products, including the new production and warehouse facility. However, if this demand does not materialize, we will not generate sufficient revenue to offset the costs of maintaining, expanding and operating these facilities, which could decrease our profits and prevent us from growing our business. Additionally, as we increase our production, we may encounter risks associated with our manufacturing that may harm our profitability. If we were to experience any problems during production expansion, or our production expansion projects do not achieve the intended economic benefits there could be a material adverse effect on our business, financial condition, and/or results of operations.

RISK FACTORS

We may be subject to intellectual property infringement claims by third parties, and we may accordingly incur substantial liabilities.

We may be subject to intellectual property infringement claims or other allegations by third parties in relation to products manufactured by us in the ordinary course of business. There is no assurance that our internal control measures to prevent infringement of third-party intellectual property rights are sufficient, or that our designs, manufacturing processes or products will not infringe the intellectual property rights of others. In addition, we cannot assure that our customers' use or modification of our products will not give rise to claims that we have infringed or contributed to the infringement of third-party intellectual property rights.

Our commercial success depends significantly on our ability to develop, manufacture, market and sell our products, without infringing, misappropriating or otherwise violating the patents and other proprietary rights of third parties. The new polymer stone plastic decoration composite materials industry is characterized by extensive patent filings, particularly with respect to product construct. In the PRC and other jurisdictions, invention patent applications are generally maintained in confidence until publication, typically 18 months after the filing date. As a result, third parties may have filed patent applications of which we are not aware while we are developing or manufacturing products. Even after conducting reasonable investigations, we may not be able to determine with certainty whether our products or manufacturing techniques infringe existing patents or patents that may be granted in the future.

If we are found to have violated the intellectual property rights of others, we may be prohibited from using such intellectual property, be required to redesign or develop alternative products or processes, or be required to obtain licenses for the continued use of such intellectual property. There is no assurance that we will be able to obtain such licenses on commercially reasonable terms or at all. Our failure to do so could materially and adversely affect our business, results of operations, financial condition and prospects.

Our failure to adequately protect our intellectual property rights may have a material and adverse effect on our business, financial conditions and/or results of operations.

We rely on intellectual property rights to protect our proprietary technology used to manufacture our products, as well as technical know-how relating to the design and production process of our products, which has been derived from the past experience of our key employees and management team as well as the results of our research and development efforts. There may be counterfeit and imitation versions of our products on the market, and we may have to initiate legal or administrative proceedings to protect our intellectual property rights. Any unauthorized or inappropriate use of our intellectual property rights may harm our reputation and materially and adversely affect our financial conditions and results of operations. In addition, some of our own intellectual property rights may be invalid, unenforceable or subject to challenge. Any inability to adequately protect or enforce our intellectual property rights may weaken our competitive position.

RISK FACTORS

Our products are subject to safety, health and quality standards and requirements that may from time to time be imposed by either the government or by customers which may increase our costs or restrict our operations.

Our products are subject to safety, health and quality standards and requirements imposed either by the PRC government or the government of the jurisdictions to which our products are exported, or by our customers. Our customers may also request higher quality standards requirements on our products from time to time. The failure by us to comply, or the allegation of such non-compliance, with any present or future safety, health or quality standards or requirements could result in loss of customer contracts or a cessation of operations and damage to our reputation. In order to comply with these standards or requirements, we may have to incur significant expenses to acquire costly equipment and increase our production cost significantly, and our results of operations and profitability could be materially and adversely affected.

We may not be able to fully maintain quality control over our products and our products may fail to perform as expected or contain defects, which may materially and adversely affect our business, financial condition and results of operations.

The performance and quality of our products are critical to the success of our business, and depend significantly on the effectiveness of our quality control systems, which in turn, rely on a number of factors, including the design of such quality control systems, our quality training program, and our ability to ensure that our employees adhere to our quality control policies and guidelines. While we implement rigorous quality assurance procedures throughout our production, there remains a risk that these measures may prove inadequate or fail at any stage. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our business, reputation, financial condition and results of operations.

In addition, our products may contain undetected errors or defects, whether arising from design, manufacturing, or materials. Despite quality control and testing procedures, it is impossible to entirely eliminate the risk of defects. If any of our products are alleged to have caused property damage, personal injury, or other losses, we could face significant product liability claims, lawsuits, and regulatory investigations. Defending against such claims, regardless of their validity, would be expensive and time-consuming, diverting critical management and financial resources. An adverse ruling could compel us to pay substantial damages, settlements, or legal judgments, which could far exceed our available insurance coverage. Our product liability insurance, if any, may be subject to coverage limits, deductibles, and exclusions that may leave us responsible for significant uncovered losses. Furthermore, a widespread product defect could lead to voluntary or mandatory product recalls, requiring significant expenditures and causing severe disruption to our operations and supply chain. Even if a claim is unfounded, the negative publicity surrounding such events could severely damage our market image and customer trust, leading to lost sales and a decline in our market share. The financial impact of a major product liability event could have a material adverse effect on our business, financial condition, and results of operations.

RISK FACTORS

Our business and reputation may be affected by product liability or other claims, litigation, complaints or adverse publicity and insurance coverage may not be sufficient.

We may be exposed to risks of claims, litigation, complaints or adverse publicity. Such risks include product liability claims, such as unsafe or defective products and inadequacy of warnings and instructions on the usage of our products. We maintain product liability insurance for the products we sell to our customers. If any successful product liability claim is brought against us for damages, and our products proved to be defective, we may need to accept the product return and pay for the shipping cost. If we are found to be liable for a product liability claim, we could be required to pay monetary damages not covered by insurance, which could adversely affect our financial condition. Furthermore, violation of applicable product quality and safety requirements may result in fines or sanctions by the relevant regulatory authorities. We could be involved in conflicts and litigation, which could disrupt our business, divert management attention and we may incur substantial amount of costs to protect our rights or defend ourselves against claims. Even if we successfully defend ourselves against a claim, we could be forced to spend a substantial amount of money and time in defending such a claim and our reputation and future prospects could suffer. If we are unable to defend ourselves, our reputation and our business could be adversely affected.

We face the risk of obsolescence of our inventory.

The amount of our inventory, which consists of raw materials, work in progress and finished goods amounted to RMB238.1 million, RMB351.7 million and RMB452.1 million as of December 31, 2023, 2024 and 2025. Our inventory turnover days was 98 days, 77 days, and 101 days for the same years.

We constantly monitor our inventory level, and we may purchase additional raw materials based on the inventory level to cater for additional order for products from our customers. However, there is no assurance that we could correctly anticipate the expected increase in sales volume of our products. Overestimating our upcoming sales may lead to excess inventories of our raw materials. Also, finished goods may be returned by our customers due to product quality issues, and such returned finished goods may become obsolete if it is no longer sold again. If we are unable to accurately forecast the demand and manage inventory levels effectively, we may be required to write down or write off obsolete or slow-moving inventory, which would directly negatively impact our business and financial performance and result in potential asset impairment charges. Any significant inventory obsolescence could have a material adverse effect on our profitability and financial condition.

Any unexpected disruption at our production facilities could materially and adversely affect our business, results of operations and financial condition.

Our production facilities may be exposed to natural disasters, such as fires, floods, tsunamis and earthquakes and to other events beyond our control such as pandemics, political instabilities, outage of critical utilities or terrorist attacks. Events like these occurring in the future could disrupt production at our facilities, materially increase our cost of sales and other

RISK FACTORS

operating expenses and result in material asset losses. Such events could also disrupt shipping and freight forwarding services and interrupt the availability of basic services and infrastructure, including power and water. Disruptions such as these would have an adverse impact on our business, operating results and financial condition. Furthermore, if we are unable to find suitable alternative facilities in a timely manner in the event that our production facilities are destroyed or become inoperable, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Moreover, advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete, and therefore we may also need to develop advanced manufacturing techniques and process controls in order to fully utilize our facilities. If we are unable to do so, or if the process to do so is delayed, or if the cost of this scale up is not economically feasible for us or we cannot find a third-party supplier, we may not be able to supply our products in a sufficient quantity to meet future demand, which would materially and adversely affect our business, results of operations and financial condition.

Failure to renew our current leases at reasonable terms or to locate desirable alternatives for our offices and facilities could materially and adversely affect our business and results of operations.

We lease properties for our business operation, warehouse facilities and manufacturing activities including in Germany, Chinese Mainland, and the United States. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in entering to leases or renewing our lease agreements. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations, which could adversely affect our business, financial condition and results of operations. In addition, we may compete with other businesses for premises at certain locations or of desirable sizes. As a result, rental payments may increase as a result of the demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our current leased properties.

We are subject to certain risks associated with the transportation and warehousing of our raw materials and products.

During the Track Record Period, we engaged third-party logistics service providers to deliver our products from our production facilities to ports and to our overseas warehouses. Our transportation costs and customs, attributable to the cost of sales, amounted to approximately RMB55.8 million, RMB79.2 million and RMB97.4 million in 2023, 2024 and 2025, respectively. In the event that the third-party logistics service providers fail to deliver our products in accordance with the agreed delivery schedule, we may be subject to claims requested by our customers and our business relationships with our customers may be adversely affected. Consequently, our business, financial conditions and results of operations may be materially and adversely affected. As we do not purchase any insurance in relation to the local transportation services of our products provided by third-party logistics service

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providers, and we cannot assure that our logistics service providers have sufficient insurance coverage for loss or damage to our products, we may not be able to claim for any loss or damage to our products during the transportation process, which could materially and adversely affect our business, financial conditions and results of operations. In addition, geopolitical tensions, armed conflicts or other disruptions in certain regions may adversely affect international transportation and logistics, resulting in increased freight, fuel or insurance costs or delivery delays.

Additionally, as we typically store our raw materials and products in our warehouses pending for use in the manufacturing process or delivery, if the raw materials and products are damaged due to any fire or other accidents, we may not be able to procure sufficient materials to replace the damaged goods and thereby may be unable to supply products to our customers on time. The foregoing may adversely affect our reputation and results of operations.

We may experience a shortage of labor, an increase in labor costs and be exposed to labor disputes, which would have an adverse effect on our business and results of operations.

We rely on labor resources for manufacturing, and our manufacturing operations are labor-intensive. As at the Latest Practicable Date, we employed 647 workers in our manufacturing department. The labor costs as a percentage of our cost of sales were 8.6%, 8.2% and 9.5%, respectively, in 2023, 2024 and 2025. There have been certain developments in China’s labor market, including shortage of labor in certain regions, increased labor cost and more stringent regulatory requirements on labor protection. There is no assurance that we will not experience any shortage of labor, increased labor costs or labor disputes against us and that we will be able to comply with all relevant regulations or requirements. Any such negative incidents may cause us to incur additional costs, result in production delays, damage reputation or disrupt operations, as a result adversely and materially affecting our business, financial conditions and results of operation. See “Business — Employees” for more information.

We face risks relating to our use of labor dispatch arrangement.

During the Track Record Period, our engagement of dispatched workers did not fully comply with applicable PRC laws and regulations. As advised by our PRC Legal Advisors, for our non-compliance, the dispatched workers may be ordered to make corrections within a time limit, and failure to make such corrections may lead to fines imposed by labor administrative authorities. We are currently taking remedial actions to rectify our labor dispatch arrangements. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties or other disciplinary actions relating to labor dispatch by relevant government authorities, leading to material adverse effects on the operation or financial status of the Group or the Proposed [REDACTED]. However, we cannot assure you that the rectifications relating to our labor dispatch arrangements will be completed in time, and that the relevant government authorities will not impose penalties on us for historical non-compliance, which may materially and adversely affect our business, profitability and reputation.

RISK FACTORS

Certain of our practices with respect to social insurance and housing provident fund contributions may subject us to late payment fines or other administrative penalties, which may adversely affect our business and results of operations.

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for our employees as required by relevant PRC laws and regulations. Under applicable PRC laws and regulations, failure to pay social insurance premiums on time or in full may result in a daily late payment fee of 0.05% of the outstanding amount and, if the shortfall remains unpaid, a fine of one to three times the outstanding amount; failure to make full housing provident fund contributions may result in a court enforcement order. Although we had not been subject to any administrative penalties in connection with our contribution of social insurance plans and housing provident fund during the Track Record Period, there is no assurance that our historical and current practice with respect to the contribution of social insurance plans and housing provident fund will at all times be deemed in compliance with relevant PRC laws and regulations by PRC government authorities mainly due to the evolving interpretation and implementation of these laws and regulations. In addition, we cannot assure you that any new laws and regulations or any changes in the implementation of the existing laws and regulations will not require us to pay any contribution shortfall or impose late payment penalties and fines on us retroactively, thereby materially and adversely affecting our financial condition and results of operations.

Our business depends substantially on the efforts of our management and key personnel, and our operations may be severely disrupted if we lose their service.

Our future performance depends on the service and contribution of our management to oversee and execute our business plans and identify and pursue new opportunities and product innovations. Any loss of service of our management can significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results. From time to time, there may be changes in our management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them into our existing teams also require a significant amount of time, training and resources, and may impact our existing corporate culture.

Additionally, competition for highly skilled personnel is often intense, and we may incur significant costs to attract and retain highly skilled personnel in our R&D team. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We may experience difficulty in hiring and retaining highly skilled employees with appropriate qualifications in competition with other companies, particularly in the areas of engineering and product development. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the estimated value of our equity or equity awards declines, it may adversely affect our ability to retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and prospects could be adversely affected.

RISK FACTORS

Our operations may be materially and adversely affected by environmental regulations.

We are subject to extensive and increasingly stringent environmental protection laws and regulations worldwide. The activities which are subject to environmental regulation primarily include manufacturing activities and the emission or discharge of pollutants or wastes into the soil, water or atmosphere. In addition, the relevant environmental regulations also regulate the standards that our products must meet, in terms of the maximum content or emission of certain chemicals. At present, these laws and regulations impose fines and penalties for environmental violations, require us to obtain certain licenses before we are permitted to carry out certain activities and/or occupy certain premises, and authorize the relevant government to suspend our license or take other actions to correct or stop suspected illegal operations causing environmental damage. Currently, the PRC and EU authorities are moving towards more rigorous enforcement of environmental laws and regulations and the adoption of more stringent environmental standards. As a result, we may incur additional costs in order to comply with the more stringent rules. In addition, there is no assurance that our products will always comply with the applicable environmental regulations. If we fail to comply with current or future environmental laws and regulations, we may be required to pay penalties or take corrective actions and the resulting negative publicity may damage our reputation and market image, any of which may have a material and adverse effect on our results of operations and or financial condition.

If we fail to comply with applicable anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations, our business, financial condition and results of operations could be adversely and materially affected.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations of various jurisdictions, particularly in Europe and China. Although we have policies and procedures designed to ensure that we and our employees comply with these laws and regulation, there is no assurance that such policies or procedures will prevent our employees or third parties from engaging in bribery activities or other misconduct. Violation of or any allegation that we violate these laws and regulations could disrupt our business and lead to severe criminal and civil penalties. It could also subject us to financial losses and sanctions imposed by governmental authorities and harm our reputation. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery or other misconduct involving employees and other third parties that had any material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in future and we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

RISK FACTORS

Our operations are subject to various laws and regulations in multiple jurisdictions, and any non-compliance, including administrative penalties incurred during the Track Record Period, and our rights to use our leased or owned properties may be defective and could be challenged by original property owners or other third parties, which may negatively affect our business, financial condition, and results of operation.

In the PRC, the applicable laws and regulations require that lease agreements be registered with the local real estate administration. As of December 31, 2025, we leased six operating properties in the PRC. As of the Latest Practicable Date, four of our lease agreements relating to our leased properties in the PRC have not been duly registered. While our possession and use of these properties are not directly invalidated by the lack of registration, this non-compliance exposes us to potential administrative fines. For each lease agreement that is not filed with the relevant PRC housing administration authority, we may be subject to an administrative fine up to a maximum of RMB10,000.

Certain properties, which serve as our production auxiliary and supporting facilities, were constructed without first obtaining the requisite construction work planning permits and construction work commencement permits. Under the relevant PRC laws and regulations, commencing construction without such permits may result in orders to cease construction, fines calculated based on a percentage of the construction cost or project contract price, and in cases where the impact cannot be eliminated through rectification, orders to demolish the relevant structures or confiscation of the properties. While we have not been subject to any administrative penalties in connection with these properties during the Track Record Period, and our PRC Legal Advisors are of the view that the lack of ownership certificates for these auxiliary properties will not have a material adverse effect on our production and operations, we cannot assure you that the relevant competent authorities will not impose administrative fines, order the demolition of these properties, or restrict our use of them in the future. Any such enforcement actions could adversely affect our business, financial condition, and results of operations.

In addition, our operations are subject to various laws and regulations, including those pertaining to fire safety, environmental protection, and customs. While we endeavor to comply with all applicable laws and regulations, and have taken corrective actions for past instances of non-compliance, there can be no assurance that we will not be found in violation of such laws and regulations in the future. During the Track Record Period, we incurred certain administrative penalties related to fire safety and customs regulations. Any non-compliance, even if minor, could lead to administrative penalties, fines, orders for rectification, or other enforcement actions by regulatory authorities.

Under the applicable Thai laws and regulations, including the Building Control Act B.E.2522 (1979) (the “BCA”), our Thai subsidiary is required to obtain and comply with the relevant construction-related permits and certificates in connection with the construction and use of its premises. As part of our expansion strategy, we acquired buildings that were not constructed by us, and part of the construction-related permits and certificates under the BCA for certain of such buildings were not available at the time of acquisition. Following our acquisition, our Thai subsidiary has obtained all requisite construction-related permits and certificates under the BCA. However, we cannot assure you that regulatory consequences, such as monetary penalties, will not be imposed on us in connection with our use of such buildings prior to the issuance of such permits and certificates. In addition, the transfer of certain buildings ancillary to the factory buildings we acquired was not formally registered. The majority of such ancillary buildings have since been demolished. According to our Thailand Legal Advisors, in respect of the remaining unregistered building, pursuant to applicable Thai laws and consistent with Thai Supreme Court judgments as of the Latest Practicable Date, the Thai Subsidiary should be deemed to have acquired ownership of such remaining building on the ground that it forms an integral part of the land on which it is situated, notwithstanding that the transfer of such building was not formally registered.

RISK FACTORS

We cannot assure you that our rights to use these properties will not be challenged by the local authorities or any other third parties in the future. We also cannot assure you that Thai courts will not render future judgements interpreting the relevant provisions in a manner that is unfavorable to us. If the foregoing occur, we may incur costs in relocating to other suitable premises, thus affecting our business operations and financial condition. Moreover, if our rights to such properties are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor.

Our German subsidiary had an incomplete entry in the transparency register (Transparenzregister) in respect of its beneficial owners. Under the German Anti-Money Laundering Act (Geldwäschegesetz, GwG), any incomplete entry may be sanctioned with administrative fines of up to EUR1,000,000 as well as publication of the non-compliance on the website of the German Federal Office of Administration for a period of five years. The entry has since been rectified; however, we cannot assure you that the German authorities will not impose fines or other sanctions in respect of such past non-compliance, which could adversely affect our business, financial condition, and results of operations.

Our Singapore subsidiary failed to lodge its Estimated Chargeable Income ("ECI") filings on time for years of assessment 2024 and 2025. Under the Income Tax Act 1947 of Singapore, failure to furnish an ECI without reasonable excuse constitutes an offence punishable by a fine of up to S\$5,000 and, in default of payment, imprisonment of up to six months. The filings have since been regularized without penalties; however, we cannot assure you that the relevant authorities will not pursue enforcement action in respect of such late filings, which could adversely affect our business, financial condition, and results of operations.

Our management, employees or other third parties may engage in misconduct or other improper activities, which could have a material adverse effect on our business, financial condition and results of operations.

Our management, employees or other third parties we involve may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, violations of laws, fraud or other improper activities. Although we have implemented policies, procedures and controls to prevent and detect these activities, these precautions may not prevent all misconduct, and as a result, we could face unknown risks or losses. Any failure to comply with applicable laws or regulations or administrative or court orders due to misconduct or other improper activities by any of our management, employees, suppliers, agents or business partners could damage our reputation and may subject us to fines and penalties, restitution or other damages, or loss of current and future customer contracts, any of which would adversely affect our business, financial condition and results of operations.

We are subject to risks relating to litigations and disputes with employees, competitors, business partners or other parties, which could adversely affect our business, financial condition, results of operations and prospects.

We may be subject to disputes or claims of various types brought by various external or internal parties. We may from time to time be subject to labor disputes and adverse employee relations. Such disputes and any future labor disputes and adverse employee relations could result in legal proceedings and lead to reputational harm, monetary damages, interruptions of our operation or diversion of managerial attention.

RISK FACTORS

We may also be subject to disputes with our competitors, suppliers, business partners or governmental entities relating to contractual disputes, intellectual property right infringements or legal compliance. Such claims and disputes may evolve into litigations or law enforcement actions. We cannot guarantee that we will not be subject to legal proceedings in the ordinary course of business. Legal proceedings are distractive and expensive as it may cause us to incur defense costs, utilize a significant portion of our resources and divert managerial attention from our day-to-day operations, any of which could harm our business. In the case of an adverse verdict, we may be required to pay significant monetary damages, assume significant liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operation and reputation could be materially and adversely affected.

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. We have established risk management and internal control systems designed to manage, rather than eliminate, the risks associated with our business, to provide reasonable assurance regarding the reliability of financial reporting and compliance with applicable laws and regulations. However, all internal control systems have inherent limitations, including the possibility of human error, circumvention, or the override of controls, and may not be sufficient to prevent or detect all misstatements, errors, fraud, or violations of law. As we continue to grow and expand our operations, both geographically and in terms of complexity, our internal control procedures will need to continue to evolve. We may face difficulties in implementing and maintaining adequate controls over our expanded operations, new business lines, or acquired entities. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and cause errors, information lapses or production breakdowns that may adversely affect our business. If we are not successful in identifying and overcoming weaknesses in our internal controls, our ability to effectively manage our business may be affected. Any failure to maintain an effective system of internal controls, or to identify and manage significant risks on a timely basis, could result in material misstatements of our financial statements, operational inefficiencies, regulatory sanctions, financial losses, or damage to our reputation. Such a failure could also erode investor confidence and have a material adverse effect on our business, financial condition, and results of operations.

Our information technology systems are important to our operations. A system failure or breakdown may cause interruptions of our business and operation.

Our information technology infrastructure is important for us to conduct our operations. Any malfunction or interruption in a particular part of our information technology system for an extended period of time may result in a breakdown throughout our network. Furthermore, a future serious dispute with our information technology service provider or termination of a service contract with such provider may adversely affect our ability to upgrade our information technology infrastructure in a timely and cost-effective manner. If any of these events occur, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer.

We collect and store business data and transaction data generated during or in connection with our business operations, including our business and transactions with some business partners. The secure maintenance of such data is critical. Despite our data security and protection measures, our information technology and infrastructure may be vulnerable to breaches by hackers, employee error, malfeasance or other disruptions such as natural disasters, power losses or telecommunication failures. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

We rely on confidentiality agreements with employees, consultants, advisors, and business partners, along with certain non-compete covenants in relation to our operations in China, to protect our trade secrets, proprietary know-how, and other confidential information. However, these measures have inherent limitations. There is a risk that these agreements may be breached, invalidated, or circumvented. The legal protections and enforcement mechanisms for trade secrets and non-compete obligations vary significantly across different jurisdictions and may not provide adequate recourse or deterrence in practice. In particular, it may be difficult to detect unauthorized disclosures or uses of confidential information, and proving such violations can be complex and costly. If any such information were to be disclosed to or independently developed by a competitor, our competitive position could be materially and adversely affected. The loss of key proprietary information could diminish our technological advantage, impair our research and development efforts, and harm our business prospects.

Our insurance coverage may not be sufficient to cover the risks related to our product liability, operations and losses.

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. We have taken out insurance policies to cover the risks associated with our business operation. As of the Latest Practicable Date, we obtained and maintained insurance policies that we believe are customary for businesses of our size and type and in line with standard commercial practice in China. However, there is no certainty that we will be able to successfully claim any of our losses under our current insurance policy on a timely basis. We cannot guarantee that a product liability claim or other litigation will not be brought against us in the future, or that we will be able to purchase product liability insurance or other related insurance on acceptable terms. Moreover, we may incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure, production facilities or business operations. The occurrence of any of these events may result in us incurring substantial costs and the diversion of our resources. Our current insurance coverage may not be sufficient to prevent us from suffering any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

Our business and reputation may be adversely affected by negative publicity involving us, our Shareholders, Directors, officers, employees, suppliers or other parties we cooperate with, or by general negative publicity in the industry.

We, our affiliates or other parties we cooperate with may from time to time be subject to negative media coverage and publicity relating to aspects such as the quality or safety of our solutions, the integrity or actions of our management or employees, the financial distress of a major customer or business partner, or general misconduct or regulatory scrutiny within our industry. Such unfavorable information, whether true or not, may arise from a variety of sources and spread rapidly through social media, online platforms and other channels. The dissemination of such information can erode public confidence, damage the reputation that we have established, and threaten our business prospects. This may lead to a loss of existing and potential customers, termination of partnerships, increased scrutiny from regulators, and difficulty in attracting and retaining qualified personnel. Consequently, our business, results of operations, financial condition and growth prospects could be materially and adversely affected. Furthermore, defending against and mitigating the impact of such rumors or negative publicity may require significant management attention and financial resources.

Events like force majeure, natural disasters, acts of war or terrorism, contagious disease outbreaks, epidemics, or similar occurrences, could materially and adversely impact our business, financial condition, and operating outcomes.

Our business, financial condition, and results of operations may be materially and adversely affected by future force majeure events, natural disasters, acts of war, or outbreaks of epidemics and contagious diseases. In addition, geopolitical tensions, armed conflicts, trade restrictions or sanctions may also disrupt cross-border operations, supply chains and collaborations with international clients, suppliers or partners, and may increase our costs or limit our ability to perform certain services, including shipping. Government-imposed measures in response to emergencies, such as lockdowns, travel restrictions, quarantine requirements or workplace safety mandates, may also constrain workforce availability, reduce operational efficiency or increase compliance and operating costs. Any such disruptions may materially and adversely affect our business, financial condition, and results of operations.

We are subject to various risks relating to third party payments.

During the Track Record Period, certain of our relevant customers (“the Relevant Customers”) settled their payments with us through third-party payors (the “Third-Party Payment Arrangement(s)”). The Third-Party Payment Arrangement(s) primarily include settlement by entities within the same group of the Relevant Customers as well as by their, affiliates, intermediaries and other independent third parties. In 2023, 2024 and 2025, there were 2, 3 and 4 Relevant Customers, respectively, and the aggregate amount settled with the Relevant Customers under the Third-Party Payment Arrangements was RMB7.20 million, RMB8.20 million and RMB15.6 million, representing approximately 0.4%, 0.4% and 0.7% of our total revenue for the same years, respectively. For details, please see “Business — Third Party Payment.”

We are subject to various risks relating to such Third-Party Payment Arrangements, including possible claims from third-party payors for return of funds as they were not contractually indebted to us, and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of the Third-Party Payment Arrangements, we will have to spend financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may, as a result, be adversely affected.

RISK FACTORS

RISKS RELATED TO OUR FINANCIAL PERFORMANCE

Our historical revenue and profit margin may not be indicative of our future revenue and profit margin.

In 2023, 2024 and 2025, our revenue amounted to RMB1,597.8 million, RMB2,219.4 million and RMB2,306.7 million respectively. For the same years, our gross profit amounted to RMB573.9 million, RMB820.9 million and RMB849.4 million respectively, whereas our gross profit margin amounted to 35.9%, 37.0% and 36.8% respectively. For detailed analysis of our gross profit and gross profit margin, please refer to the paragraph headed “Financial information — Gross profit and gross profit margin” of this document.

However, there can be no assurance that we will be able to maintain our historical growth rates in future periods. We may encounter risks and difficulties frequently experienced by companies in the industry where we operate, and any predictions about our future revenue and expenses may not be accurate. Our business, results of operations and financial condition depend in part on our ability to effectively manage our growth or implement our growth strategies. We intend to grow by expanding our business, increasing market penetration of our existing products and developing new ones. The management of our growth may place significant demands on our managerial, administrative, operational, financial and other resources. Moreover, our growth depends on the ability to maintain stable production capacity and offer reliable products to our customers. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, our business may be harmed. If we fail to achieve the necessary level of efficiency as we grow, our growth rate may decline, investors’ perceptions of our business and prospects may be adversely affected and the market price of our Shares could decline.

We face foreign exchange and currency conversion risks.

During the Track Record Period, a substantial portion of our sales was settled in U.S. dollars, euros and RMB, while our costs are generally denominated in RMB. Accordingly, fluctuations in exchange rate of U.S. dollars, RMB and other currencies may affect our price competitiveness and harm our business operation and financial performance. In 2023, 2024 and 2025, we recorded a net foreign exchange gain of RMB10.7 million, RMB(0.4) million, and RMB46.7 million, respectively. However, we cannot assure you that we will make similar or any net foreign exchange gain in the future. Changes in foreign exchange rates may be due to many factors such as changes in the global economy and geopolitical conditions which are beyond our control. We may employ hedging strategies to manage our foreign exchange exposure, but such strategies may be costly, complex and insufficient. There is no guarantee that our hedging arrangements will be effective or available on commercially acceptable terms, and any failure to manage our foreign exchange risks may adversely affect our business, financial condition, and results of operations.

RISK FACTORS

Furthermore, as dividends, if any, we pay on our Shares will be in Hong Kong dollars, a depreciation in the RMB, on the other hand, would adversely affect the amount of any dividends we pay to our Shareholders, or require us to use more RMB funds to service the same amount of any foreign debt. Future changes in China’s foreign exchange control policies, which are influenced by complex domestic and international economic and political factors, could introduce additional volatility and uncertainty.

The change or discontinuation of any preferential tax treatments, export tax refund, or government grants could adversely affect our business, financial conditions, and results of operations.

During the Track Record Period, we were entitled to and benefitted from certain preferential tax treatments, export tax refunds, and government grants. However, there can be no assurance that we will continue to qualify for, or successfully obtain, these benefits in the future. The approval, continuation, and amount of such tax refunds, grants and preferential policies are subject to the discretion of the relevant government authorities and may be amended, reduced, or revoked based on changes in governmental policies, budgetary constraints, or shifts in economic development priorities. Furthermore, our eligibility is often contingent upon our continued compliance with specific conditions, which may include achieving certain operational milestones, maintaining specified employment levels, investing in designated areas, or engaging in particular types of R&D activities. A reduction or loss of these government incentives would lead to a direct increase in our tax liabilities and operating costs, thereby negatively impacting our profitability, cash flows, and overall financial condition. Moreover, if our competitors continue to receive such benefits while we do not, our competitive position could be significantly weakened.

Our transfer pricing arrangements may be subject to scrutiny by the relevant tax authorities.

Under the applicable laws and regulations in the jurisdictions in which we operate, arrangements and transactions among related parties may be subject to audit or challenge by the relevant tax authorities. We could face material and adverse tax consequences if the relevant tax authorities determine that the certain intra-group transactions of us do not represent arm’s length negotiations and consequently adjust any of those entities’ income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. The relevant tax authorities may also impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operations may therefore be materially and adversely affected.

RISK FACTORS

We are exposed to customer credit risk, which may lead to trade receivables, adversely affecting our financial condition. Additionally, delayed or reduced project payments could harm our liquidity and financial performance.

We are subject to the credit risks of our customers. As of December 31, 2023, 2024 and 2025, our contract liabilities, amounted to RMB10.6 million, RMB8.3 million and RMB9.6 million, respectively, and our trade receivables, before deduction for allowance for expected credit losses, amounted to RMB285.9 million, RMB399.9 million and RMB420.8 million as at the same date, respectively. 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 years ended December 31, 2023, 2024 and 2025, respectively. As our business continues to scale, our trade receivable balance may continue to grow, which may increase our risks for uncollectible receivables. Actual losses on receivable balance may differ from our estimation and reserve in our allowance account, as a result a necessary adjustment on our allowance may be required, and our financial conditions may be adversely affected.

Our financial liquidity is dependent on our customers making prompt progress payments and/or release of retention monies due to us. Any default in payments of receivables and progress payments or delays in payments of retention monies owed to us or any unilateral demands on performance and quality guarantees by our clients may lead to a decrease of working capital available for our other operations. While we may file claims against our customers for uncompensated costs we have incurred pursuant to our contracts, any disputes between us and our customers as to the value of work properly done in a particular period, or failure by our customers to make progress payment or release retention monies on time or in full would have an adverse effect on our liquidity position and financial performance.

We may need to raise additional capital in the future in order to execute our business plan, which may not be available on acceptable terms, or at all.

We may require additional capital in the future to fund our working capital needs, support research and development activities, finance capital expenditures, invest in strategic acquisitions, or respond to unanticipated business opportunities or challenges. There can be no assurance that such additional funds, whether through equity or debt financing will be available when needed, or that it will be available on terms favorable to us. If we are unable to obtain sufficient capital on acceptable terms, our ability to execute our business strategy, pursue growth opportunities, or even maintain our current operations could be significantly impaired. We may be forced to delay, scale back, or abandon our development plans, which could harm our competitive position. Furthermore, if we do raise additional capital through public or private equity offerings, the ownership interest of our existing shareholders including investors in [REDACTED], will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our shareholders’ rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies.

RISK FACTORS

Our investments and acquisitions may not realize the expected benefits.

We may make certain investments and acquisitions that we believe can expand and strengthen our resources, monetization abilities, and our technological capacities in our future operation as we continue to grow. Our strategic acquisitions and investments could subject us to uncertainties and risks, including high acquisition and financing costs, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve our intended objectives, benefits or revenue-enhancing opportunities, uncertainty of entering into markets in which we have limited or no experience, costs associated with, and difficulties in, integrating acquired businesses and managing a larger business, and diversion of our resources and management attention. Our failure to address these uncertainties and risks may have a material adverse effect on our liquidity, financial condition and results of operations. Even if we are able to successfully acquire or invest in suitable businesses, we cannot assure you that we will achieve our expected returns on such acquisitions or investments.

Acquisitions also pose the risk that we may be exposed to successor liability relating to the actions by an acquired company and its management before and after the acquisition. The due diligence that we conduct in connection with an acquisition or investment may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the acquired companies or investment target companies and/or their shareholders may not be sufficient to protect us from, or to compensate us for, actual liabilities.

RISKS RELATED TO THE [REDACTED]

No public market currently exists for our H Shares, and an active [REDACTED] market for our H Shares may not develop.

No public market currently exists for our H Shares. The initial [REDACTED] for our H Shares to the public will be the result of negotiations between our Company and the [REDACTED] (on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the market price of the H Shares following the [REDACTED]. We have applied to the Hong Kong Stock Exchange for the [REDACTED] of, and [REDACTED] in, the H Shares. A [REDACTED] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] market for our H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the H Shares will rise following the [REDACTED].

The market price and [REDACTED] of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the [REDACTED].

The market price and [REDACTED] of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, strategic alliances, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in the demand for our products, could cause large and sudden changes to the market price and [REDACTED] at which our H Shares will trade. The Stock Exchange and other securities markets have, from time to time, experienced significant price and [REDACTED] volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

RISK FACTORS

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any [REDACTED], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and/or
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Since there will be a gap of several days between pricing and [REDACTED] of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before [REDACTED] of our H Shares begins.

The [REDACTED] to the public of our H Shares sold in the [REDACTED] is expected to be determined on the [REDACTED]. However, the H Shares will not commence [REDACTED] on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the [REDACTED]. As a result, investors may not be able to sell or otherwise deal in the H Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the H Shares when trading begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [REDACTED] begins.

RISK FACTORS

Potential investors will experience immediate and substantial dilution as a result of the [REDACTED].

Potential investors will pay a price per H Share in the [REDACTED] that substantially exceeds the per H Share value of our tangible assets after subtracting our total liabilities. Therefore, purchasers of our [REDACTED] in the [REDACTED] will experience a substantial immediate dilution in [REDACTED] net tangible assets, and our existing Shareholders will receive an increase in the [REDACTED] adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the [REDACTED], potential investors would receive less than the amount they paid for their H Shares. See “Appendix II — Unaudited [REDACTED] Financial Information” for more information.

The liquidity, [REDACTED] and market price of our H Shares may be affected if we cannot receive the regulatory approval from CSRC with respect to the “full circulation” of our Unlisted Shares.

We are applying to CSRC for approval to convert certain of our Unlisted Shares to H Shares. Such conversion must, in all aspects, comply with the regulations promulgated by the relevant securities regulatory authority in the PRC. We cannot guarantee that we can obtain such approval from CSRC. If we are unable to obtain such approval, the amount of H Shares outstanding at and for a period of time after the [REDACTED] will be less than expected, and thus the liquidity, [REDACTED] and market price of our H Shares may be affected.

Dividends payable to investors and gains on the sale of our H Shares by our investors are subject to PRC tax.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) with respect to PRC-sourced income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of H shares and the tax rate applicable thereto are known to us. There is uncertainty as to whether gains realized upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

RISK FACTORS

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including [REDACTED]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities’ verification.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT on gains derived by holders of our H Shares from their disposition of our H Shares may be collected. If any such tax is collected, the value of our H Shares may be materially and adversely affected.

Payment of dividends is subject to restrictions under the PRC law and there is no assurance whether and when we will pay dividends.

Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS Accounting Standards. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS Accounting Standards. 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 amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders’ meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this document.

Certain facts, statistics and data contained in this document relating to the PRC, Hong Kong and the industries in which we operate have been derived from various official government publications, industry associations, independent research institutes and/or other third party reports we generally believe to be reliable. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the [REDACTED] or any of our or their respective affiliates or advisors, and we cannot guarantee the quality or reliability of such source materials. Therefore, we make no

RISK FACTORS

representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry or the [REDACTED].

There may have been prior to the publication of this document, and there may be subsequent to the date of this document but prior to the completion of the [REDACTED], press and/or media regarding us, our business, our industries and the [REDACTED]. None of us or any other person involved in the [REDACTED] has authorized the disclosure of information about the [REDACTED] in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecast, view or opinion expressed by the press and/or other media regarding our H Shares, the [REDACTED], our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecast, view or opinion expressed in any such publication. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this document, we disclaim them. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this document only and should not rely on any other information.

WAIVERS AND EXEMPTION

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and an exemption from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our Group’s management headquarters, senior management, business operations are not principally located, managed or conducted in Hong Kong, and our Directors consider that the relocation of our executive Directors to Hong Kong or the appointment of additional executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Company and therefore would not be in the best interests of our Company and our Shareholders as a whole, our Company does not, and, for the foreseeable future, will not, have two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is an effective communication between the Stock Exchange and us by way of the following arrangements:

- (i) **Authorized representatives:** both of our Company’s authorized representatives, Mr. DAI Huibin (戴會斌) and Ms. Chan Ching Nga (陳靜雅) (“**Ms. Chan**”), will act as our Company’s principal channels of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone, facsimile and/or email.

Each of the authorized representatives of our Company has the means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;

- (ii) **Directors:** each Director has provided their mobile phone number, office phone number, fax number, if any, and e-mail address to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, they will provide the phone number of the place of their accommodation to the authorized representatives.

Each of our Directors who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time;

WAIVERS AND EXEMPTION

- (iii) **Compliance advisor:** we have appointed Somerley Capital Limited as our compliance advisor (“**Compliance Advisor**”), in compliance with Rule 3A.19 of the Listing Rules, who will, among other things and in addition to the authorized representatives and our Directors, act as an additional channel of communication with the Stock Exchange from the [REDACTED] to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately following the [REDACTED]. Pursuant to the Note of Rule 3A.23, the Compliance Advisor will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that our authorized representatives, Directors and other officers will promptly provide such information and assistance as the Compliance Advisor may need or may reasonably require in connection with the performance of the Compliance Advisor’s duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized representatives, our Directors, other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between the Stock Exchange and us.

Any meetings between the Stock Exchange and our Directors will be arranged through the authorized representatives or the Compliance Advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and/or our Compliance Advisor; and

- (iv) **Legal advisors:** we will also retain legal advisors to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the [REDACTED].

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

WAIVERS AND EXEMPTION

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles they played;
- (ii) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than 15 hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Pursuant to paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

- (i) whether the issuer has principal business activities primarily outside Hong Kong;
- (ii) whether the issuer is able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under paragraph 9 of Chapter 3.10 of the Guide for New Listing Applicants) nor Relevant Experience (as defined under paragraph 9 of Chapter 3.10 of the Guide for New Listing Applicants) as a company secretary; and
- (iii) why the directors consider the individual to be suitable to act as the issuer’s company secretary.

Further, pursuant to paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time (the “**Waiver Period**”) and on the following conditions:

- (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and
- (ii) the waiver will be revoked if there are material breaches of the Listing Rules by the issuer.

WAIVERS AND EXEMPTION

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulations in Hong Kong, they also need to have experience relevant to our Company’s operations, nexus to the Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who is familiar with our Company’s business and affairs as our company secretary.

We have appointed Mr. Shan Zhongshun (山忠順) (“**Mr. Shan**”) and Ms. Chan as our joint company secretaries. Since Mr. Shan does not possess a qualification stipulated under Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements for a company secretary of a listed issuer as stipulated under Rules 3.28 and 8.17 of the Listing Rules. Notwithstanding the above, we consider the appointment of Mr. Shan appropriate and necessary, given that he is familiar with our Group’s operations and corporate governance matters and had previously served as:– (1) secretary to the board of directors, president of the labour union, deputy director of securities investment and head of capital strategy at Tianneng Power International Limited* (天能動力國際有限公司), a company listed on the Stock Exchange (stock code: 819); and (2) the secretary to the board of directors and assistant to the chairman of the board of directors at Shuangdeng Group Co., Ltd.* (雙登集團股份有限公司), also a company listed on the Stock Exchange (stock code: 6960), through which he has accumulated practical experience in regulatory compliance and corporate governance of a Hong Kong-listed issuers. To support Mr. Shan, we have appointed Ms. Chan, who meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, as a joint company secretary to provide assistance, for a three-year period from the [REDACTED] so as to enable Mr. Shan to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge his duties.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Shan as our joint company secretary. Pursuant to the Chapter 3.10 of the Guide for New Listing Applicants, such waiver has been granted on the conditions that:

- (i) Ms. Chan is appointed as a joint company secretary to assist Mr. Shan in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules;
- (ii) our Company will further ensure that Mr. Shan has access to the relevant training and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange. Our Hong Kong legal advisors have provided training to Mr. Shan on the principal requirements of the Listing Rules and the Hong Kong laws and regulations applicable to our Company after the [REDACTED]. In addition, Mr. Shan will endeavor to familiarize himself with the Listing Rules, including any updates thereto, during the three-year period from the [REDACTED];

WAIVERS AND EXEMPTION

- (iii) Mr. Shan has confirmed that he will attend no less than 15 hours of professional training courses on the Listing Rules, corporate governance, information disclosure, investor relations as well as the functions and duties of a company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;
- (iv) before the expiry of Mr. Shan’s initial term of appointment as the company secretary of our Company, our Company will evaluate his experience in order to determine if he has acquired the qualifications required under Rule 3.28 of the Listing Rules; and
- (v) this waiver will be revoked immediately if and when Ms. Chan ceases to provide such assistance during the three-year period, and we undertake to re-apply to the Stock Exchange for a waiver in the event that Ms. Chan ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary of our Company. In addition, this waiver is subject to revocation in the event of any material breaches of the Listing Rules by our Company.

For the biographical information of Mr. Shan and Ms. Chan, see “Directors and Senior Management.”

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

We have entered into, and expect to continue, certain transactions that will constitute a partially-exempt continuing connected transaction of our Company under the Listing Rules upon [REDACTED]. Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted], a waiver in respect of such partially-exempt continuing connected transaction between the Company and its connected person under Chapter 14A of the Listing Rules. For further details, see “Connected Transactions” in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

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[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Dai Huibin (戴會斌)	Building 32-1, Fengdu Garden, Yuhang Subdistrict, Yuhang District, Hangzhou City, Zhejiang Province, China	Chinese
Ms. Zhang Shuhong (章樹紅)	Room 101, Unit 1, Building 2, Zhenyayuan, Wuzhen Yayuan, Jiaxing City, Zhejiang Province, China	Chinese
Mr. Tang Nianfeng (唐年鋒)	Room 902, Unit 2, Building 2, Yue Shang Wan, Gongshu District, Hangzhou City, Zhejiang Province, China	Chinese
Independent non-executive Directors		
Dr. Hung Ting On John (洪廷安)	36E, Block 9, Tung Chung Crescent, Tung Chung, New Territories, Hong Kong	Chinese
Dr. Liu Chunyan (劉春彥)	Room 403, No. 2, Lane 708, Lingshan Road, Pudong New Area, Shanghai, China	Chinese
Dr. Miao Duoqian (苗奪謙)	Room 501, No. 15, Lane 318, Sanmen Road, Yangpu District, Shanghai, China	Chinese
Dr. Yang Jintao (楊晉濤)	Unit 2-202, Building 44, Hanmoxianglin’ Yuan West Lake District, Hangzhou, Zhejiang Province, China	Chinese

For details regarding our Directors, see “Directors and Senior Management” in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor, [REDACTED]

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

[REDACTED]

Legal Advisors to our Company

as to Hong Kong laws:

King & Wood
13/F, Gloucester Tower
The Landmark
15 Queen’s Road Central
Central
Hong Kong

as to PRC law:

King & Wood
18th Floor
East Tower, World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing
PRC

as to Thai law:

Weerawong, Chinnavat & Partners Ltd.
1 Park Silom Tower, 39th Floor
Convent Road, Silom
Bangrak, Bangkok 10500
Thailand

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

as to German law:

**Gleiss Lutz Hootz Hirsch PartmbB
Rechtsanwälte, Steuerberater (AG
Stuttgart PR 136)**
Lautenschlagerstraße 21
70173 Stuttgart
Germany

as to Singapore law:

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

Legal Advisors to the Sole Sponsor

as to Hong Kong and U.S. law:

Linklaters
11/F, Alexandra House
18 Chater Road
Central
Hong Kong

as to PRC law:

Commerce & Finance Law Offices
10/F, Jing An Kerry Centre
Tower 1
1515 Nanjing West Road
Shanghai
PRC

Reporting Accountant and Independent Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One TaiKoo Place
979 King’s Road
Quarry Bay
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**
Suite 2504, Wheelock Square
1717 Nanjing West Road
Jing'an District
Shanghai
PRC

Compliance Advisor

Somerley Capital Limited
20th Floor, China Building,
29 Queen's Road Central,
Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office in the PRC	No. 38 Desheng Road, Heshan Town Tongxiang City, Jiaxing City Zhejiang Province, 314512 PRC
Head Office and Principal Place of Business in the PRC	No. 38 Desheng Road, Heshan Town Tongxiang City, Jiaxing City Zhejiang Province, 314512 PRC
Principal Place of Business in Hong Kong	46/F, Hopewell Centre, No. 183 Queen’s Road East, Wan Chai, Hong Kong
Company’s Website	<u>www.kingdomgroup.com.cn</u> <i>(Information contained in this website does not form part of this document)</i>
Joint Company Secretaries	Mr. SHAN Zhongshun (山忠順) Ms. CHAN Ching Nga (陳靜雅)
Authorized Representatives	Mr. DAI Huibin (戴會斌) Ms. CHAN Ching Nga (陳靜雅)
Audit Committee	Dr. HUNG Ting On John (洪廷安) (<i>Chairman</i>) Dr. LIU Chunyan (劉春彥) Dr. MIAO Duoqian (苗奪謙)
Remuneration Committee	Dr. LIU Chunyan (劉春彥) (<i>Chairman</i>) Dr. HUNG Ting On John (洪廷安) Ms. ZHANG Shuhong (章樹紅)
Nomination Committee	Dr. LIU Chunyan (劉春彥) (<i>Chairman</i>) Mr. DAI Huibin (戴會斌) Ms. ZHANG Shuhong (章樹紅) Dr. MIAO Duoqian (苗奪謙) Dr. YANG Jintao (楊晉濤)
Strategic Committee	Mr. DAI Huibin (戴會斌) (<i>Chairman</i>) Ms. ZHANG Shuhong (章樹紅) Dr. HUNG Ting On John (洪廷安) Dr. LIU Chunyan (劉春彥) Dr. MIAO Duoqian (苗奪謙) Dr. YANG Jintao (楊晉濤)

CORPORATE INFORMATION

[REDACTED]

Principal Bank(s)

Bank of Ningbo, Tongxiang Sub-branch

No. 1 Yangguang Road, Heshan Town
Tongxiang City, Jiaxing City
Zhejiang Province
PRC

Bank of Jiaxing, Tongxiang Sub-branch

No. 9 Qingfeng South Road
Tongxiang City, Jiaxing City
Zhejiang Province
PRC

**Tongxiang Rural Commercial Bank,
Heshan Sub-branch**

No. 209 Heshan Dajie, Heshan Town
Tongxiang City, Jiaxing City
Zhejiang Province
PRC

INDUSTRY OVERVIEW

Unless otherwise indicated, the data and statistics contained in this section and elsewhere in this document have been extracted from various official government publications and other publications, as well as an industry report prepared by Frost & Sullivan, an independent market research and consulting firm commissioned by us in connection with the [REDACTED]. Information derived from official government sources has not been independently verified by us, the Sponsor, the [REDACTED], the [REDACTED], or any other person or party involved in the [REDACTED], and no representation is made as to its accuracy.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research consultant, to analyze and prepare a report on the global new polymer stone plastic decoration composite materials industry for use in this document, for which we have paid a fee of RMB 680,000. In preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the prevailing social, economic, and political conditions globally will remain stable throughout the forecast period; (ii) government policies applicable to the new polymer stone plastic decoration composite materials industry globally will remain consistent throughout the forecast period; and (iii) the new polymer stone plastic decoration composite materials industry globally will, throughout the forecast period, be driven by the factors described in the report. Unless otherwise indicated, all data and forecasts contained in this section are sourced from the Frost & Sullivan Report. The Frost & Sullivan Report has been independently prepared by Frost & Sullivan and has not been influenced by us or any other relevant parties.

Frost & Sullivan is an independent global consulting firm established in New York in 1961, providing services including, among others, industry consulting, market strategy consulting, and corporate training. Frost & Sullivan conducted (i) primary research, including discussions with a number of leading industry participants regarding the current state of the industry and, on a best-efforts basis, interviews with industry experts to collect data for the purposes of in-depth analysis; and (ii) secondary research, including review of company reports, independent research reports and data from its proprietary research database.

OVERVIEW OF POLYMER MATERIALS AND NEW POLYMER COMPOSITE MATERIALS INDUSTRY

Definition of Polymer Materials and New Polymer Composite Materials

Polymer materials, also known as polymeric materials, are formed from long-chain structures where individual units are connected by chemical bonds. These polymer materials are characterized by their high molecular weight, high molecular density, diversity, plasticity, chemical stability, and insulating properties.

INDUSTRY OVERVIEW

New polymer composite materials are advanced systems where polymers act as the continuous phase, combined with dispersed reinforcement materials through physical or chemical methods, creating a synergistic effect to achieve enhanced performance or functional properties.

OVERVIEW OF NEW POLYMER STONE PLASTIC DECORATION COMPOSITE MATERIALS INDUSTRY

The new polymer stone plastic decoration composite materials is an environmentally friendly decoration composite material primarily composed of a high proportion ($\geq 50\%$) of inorganic stone powder (e.g., natural calcium carbonate powder, limestone ore powder), supplemented with polymer resins (such as PVC, PP, HDPE, PET, PETG, TPU, etc.) and various functional additives. It is manufactured through high-temperature melt extrusion molding or hot-pressing processes. It typically include PVC decoration materials and halogen-free stone plastic decoration composite materials.

Definition and Classification of PVC Decoration Materials

PVC decoration materials refer to polyvinyl chloride-based products widely used in interior applications such as flooring, wall panels and others. These materials exhibit a range of practical properties, including water proof, moisture proof, resistance to insects and mold, as well as high abrasion resistance and impact strength. PVC decoration materials are also environmentally friendly, recyclable, and beneficial to health.

PVC Flooring

SPC Flooring: SPC flooring is manufactured using natural calcium carbonate and PVC resin as its major raw materials, formed under high temperature and pressure. The high proportion of stone powder endows SPC flooring with exceptional stability. Moreover, SPC flooring is typically installed using a click-lock method, which is particularly suitable for DIY installation.

LVT Flooring: LVT flooring is a multi-layer elastic flooring product with PVC resin as its primary substrate. LVT flooring is recognized for its superior decorative versatility and is the most widely adopted in commercial applications.

EPC Flooring: EPC flooring is a multi-layer composite flooring made from natural calcium carbonate, polymer resin, and foaming agents. EPC flooring represents a more premium segment within the PVC flooring category. Its core layer, which incorporates a foaming agent, provides greater thickness, delivering the most comfortable underfoot feel and excellent sound insulation among PVC flooring products.

Other PVC Flooring: This category mainly includes VCT flooring, which is composed primarily of limestone filler bound with a polyvinyl chloride resin, among other products.

INDUSTRY OVERVIEW

PVC Wall Panels

PVC wall panels usually include SPC wall panels and EPC wall panels. The finish layer can display diverse patterns like wood grain and stone textures through printing technology, achieving rich visual effects. Their key features are broadly analogous to those of PVC flooring. PVC wall panels are progressively gaining market share as a substitute for traditional interior wall covering materials, including conventional wallpapers, ceramic tiles, solid wood panels and among others.

Other PVC Decoration Materials

Other PVC decoration materials include ceiling panels, furniture such as cabinets, and auxiliary decorative components such as door/window architraves and skirting boards.

Definition of Halogen-Free Stone Plastic Decoration Composite Materials

Halogen-free stone plastic decoration composite materials refer to decoration materials contain no halogens (fluorine, chlorine, bromine, iodine, astatine) or maintain halogen content below specified threshold limits, including halogen-free PETG decoration materials, halogen-free rPET decoration materials, and others. Halogen-free stone plastic decoration composite materials represent a significant innovation in the industry.

Halogen-free PETG decoration materials refer to halogen-free stone plastic decoration composite materials made from virgin (non-recycled) PETG resin as the base material. Halogen-free PETG decoration material possesses characteristics similar to those of PVC decoration material. Moreover, it substantially reduces the emission of harmful substances during production process, addressing growing market and regulatory concerns regarding environmental impact.

Halogen-free rPET decoration materials represent an important subcategory of halogen-free PETG decoration materials developed under the concept of a sustainable circular economy. Halogen-free rPET decoration materials use recycled PET materials as their core substrate; waste materials are subjected to sorting, cleaning, crushing, melting, and re-granulation to produce usable rPET resin, which is then used in flooring production. In terms of performance, high-quality rPET flooring can achieve physical properties comparable to those of virgin PETG flooring. Furthermore, rPET flooring is itself capable of being recycled again.

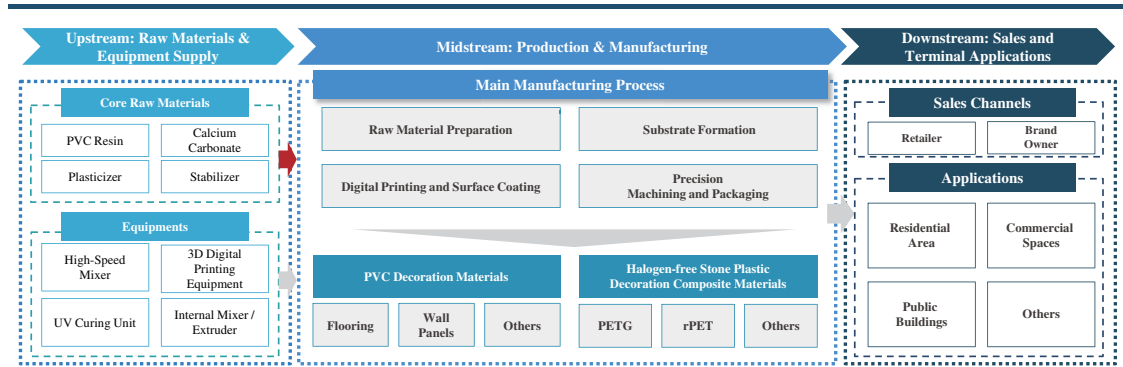
In the future, an emerging segment is expected to be formed by halogen-free stone plastic decoration composite materials using base materials such as recycled textile fibers and other halogen-free alternatives.

Industrial Chain of New Polymer Stone Plastic Decoration Composite Materials Market

The upstream segment primarily includes the supply of chemical raw materials, including PVC resin, calcium carbonate fillers and plasticizers, among others. The midstream manufacturing segment includes processing technology innovation and the application of precision mould technology, which determine the product’s texture authenticity, dimensional stability and surface abrasion resistance. Advanced embossing technology combined with high-definition printed layers can realistically imitate the appearance of natural materials such as wood and stone, meeting consumers’ aesthetic requirements. The Company is positioned in the midstream segment of the industry value chain. Downstream sales channels primarily comprise retailers and brand owners, while demand is principally driven by the commercial and residential renovation and decoration market.

INDUSTRY OVERVIEW

Industrial Chain of New Polymer Stone Plastic Decoration Composite Materials Market



Source: Frost & Sullivan

Advantage Analysis of New Polymer Stone Plastic Decoration Composite Materials

- Environmental Performance and Recyclability.** New polymer stone plastic decoration composite materials have no formaldehyde added during the production process. Thus, they are more environmental friendly and healthier. In addition, unlike traditional timber flooring, they do not rely on wood or other forest resources, thereby reducing the use of non-renewable natural resources. Furthermore, they can be re-granulated and used as raw material in the production of new products.
- Aesthetics and Design Diversity.** Through advanced printing technology, new polymer stone plastic decoration composite materials can closely replicate the texture of natural wood, the appearance of stone, and even the patterns of carpets, with a variety of colors and designs that can meet diverse decorative style needs. The rich colors and textures of the materials enable these materials to serve as effective substitutes for a range of traditional interior finishing products, such as wooden flooring, ceramic tiles, wallpapers, and carpets.
- Economic Efficiency.** The click-lock installation design of SPC and EPC flooring greatly simplifies the construction process. Also, LVT flooring can be cut and then installed quickly over large areas, allowing for efficient coverage without the need for extensive seaming. This significantly improves installation efficiency and reduces labor costs. Furthermore, the products themselves are typically priced more competitively than many traditional decorative materials.
- Convenience of Installation and Renovation.** The modular design and click-lock installation method of SPC and EPC flooring, as well as the seamless installation feature of LVT flooring, make installation and removal highly convenient. These materials can be installed directly over existing floor surfaces for renovation and can subsequently be dismantled with relative ease.

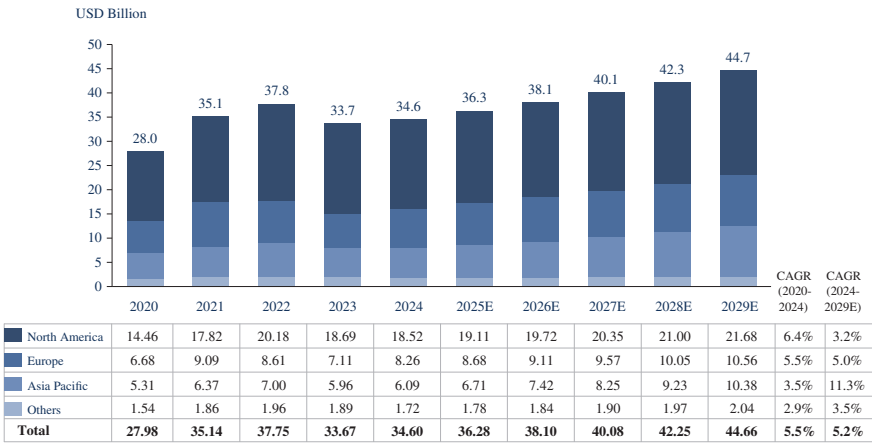
INDUSTRY OVERVIEW

- **Ease of Maintenance.** New polymer stone plastic decoration composite materials have a dense surface with excellent stain resistance and wear resistance. They possess strong water proof and moisture proof capabilities, therefore, its daily cleaning only requires wiping with a mop, making maintenance convenient.

Market Size of PVC Decoration Materials Industry

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% during the period. 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 shares of 53.5%, 23.9%, and 17.6%.

Market Size of PVC Decoration Materials Industry, Global, 2020-2029E

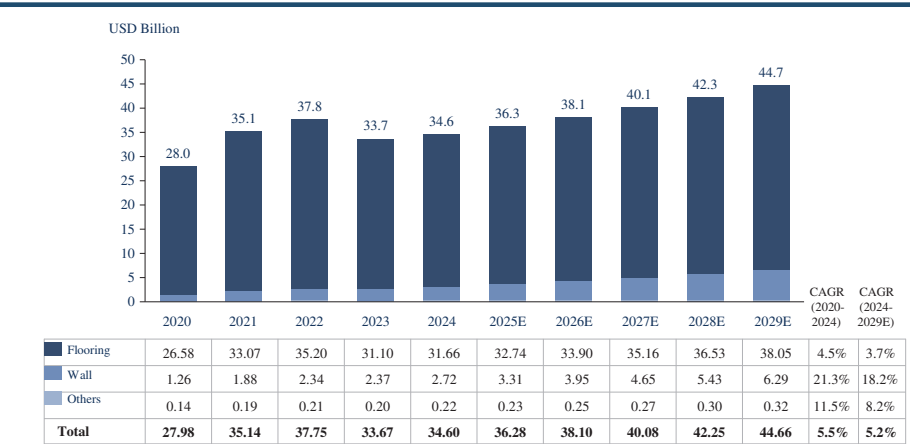


Source: UNData, General Administration of Customs of the People's Republic of China, Frost & Sullivan

By product, PVC flooring hold the largest share in the global PVC decoration materials market. In 2024, their market size was USD31.7 billion, accounting for approximately 91.5% of the total market. It is projected to reach USD38.1 billion by 2029, with a CAGR of 3.7% from 2024 to 2029.

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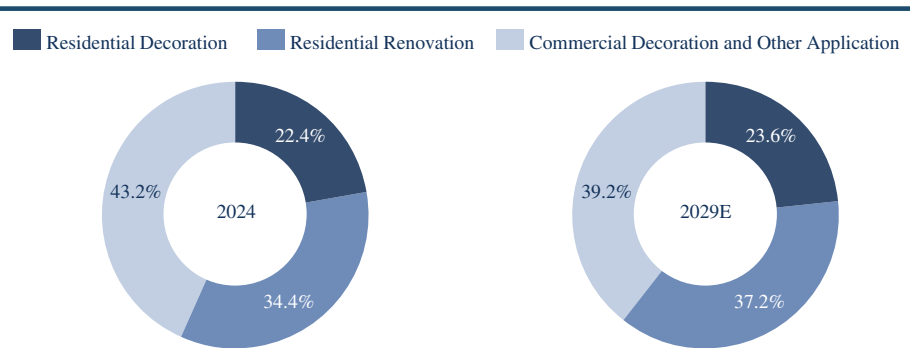
Market Size of PVC Decoration Materials Industry (by product type), Global, 2020-2029E



Source: UNData, General Administration of Customs of the People's Republic of China, Frost & Sullivan

In 2024, PVC decoration materials for flooring were applied approximately 22.4% in residential decoration, 34.4% in residential renovation, and 43.2% in commercial decoration and other applications. Looking ahead, as the application of housing refurbishment continues to expand, the share of the residential renovation segment is expected to increase, with its proportion projected to rise to approximately 37.2% by 2029.

Market Size of PVC Decoration Materials For Flooring (by application), Global, 2024 & 2029E

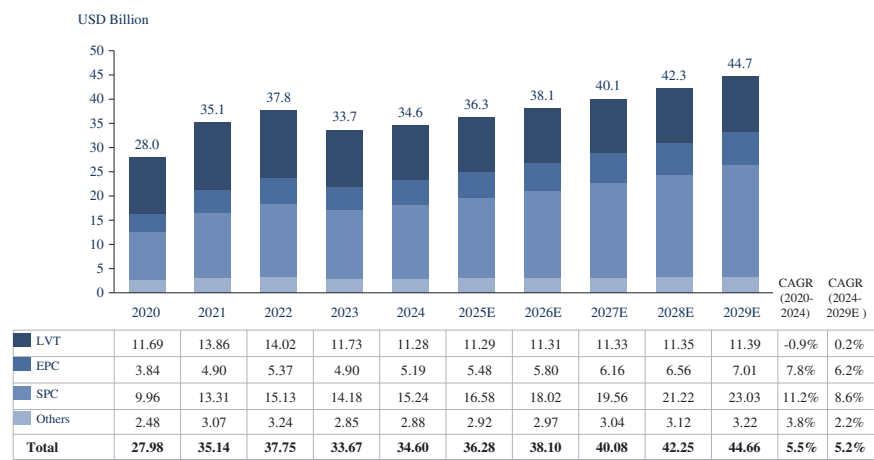


Source: Frost & Sullivan

By material, in 2020, LVT decoration materials held the highest share of the market, at approximately 41.8%. Its market size has remained relatively stable. However, leveraging their comprehensive advantages in stability, environmental friendliness, and durability, SPC decoration materials rapidly emerged as the market mainstream. By 2024, their market size had reached USD15.2 billion, accounting for 44.1% of the total market share. It is projected that by 2029, the market size of SPC decoration materials will further increase to USD23.0 billion, with a CAGR of 8.6% from 2024 to 2029. Besides, the size of EPC decoration materials market is also expected to maintain a steady growth.

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Market Size of PVC Decoration Materials Industry (by material), Global, 2020-2029E



Source: UNData, General Administration of Customs of the People's Republic of China, Frost & Sullivan

Market Size of Halogen-Free PETG and rPET Decoration Materials

The global market size grew from USD1.4 million in 2020 to USD16.7 million in 2024, representing a CAGR of 86.1% during the period. Looking ahead, the market size is projected to reach USD300.1 million by 2029, representing a CAGR of 78.2% for the period from 2024 to 2029.

Market Drivers and Development Trends of New Polymer Stone Plastic Decoration Composite Materials Industry

Overseas Markets

Market Drivers:

- Widely adopted sustainable development concepts.** A primary challenge within the decoration materials industry in developed markets, such as Europe and North America, lies in the environmental limitations of traditional products. For instance, solid wood flooring involve significant consumption of forest resources. Evolving regulatory frameworks and sustainability standards are increasingly compelling manufacturers to reduce dependence on such non-renewable resources. Concurrently, a strong and growing consumer preference for decoration materials that are environmentally sustainable, healthier, and ethically sourced is reshaping market demand. New polymer stone plastic decoration composite materials are significant beneficiaries of this trend, as their core attributes — including resource efficiency, durability, and lower lifecycle environmental impact.
- High labor costs in developed markets.** These factors create strong demand for materials with high installation efficiency and low maintenance requirements. Labor costs are high in Europe and North America, while the easy installation methods commonly used for

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new polymer stone plastic decoration composite materials significantly improve installation efficiency compared to traditional processes. This “rapid delivery” capability aligns with the demands of the residential and commercial fitout markets in Europe and North America.

Development Trends:

- ***Accelerating substitution of traditional decoration materials.*** New polymer stone plastic decoration composite materials are accelerating the replacement of traditional decoration materials. This substitution is driven by their integrated value proposition, which combines multiple compelling advantages: environmental sustainability and recyclability, diverse aesthetic designs, costs effectiveness, quick and simple installation, and ease of maintenance. This trend is further reinforced by the continuous iteration of product technologies, coupled with the rising awareness and preference among end-users for such advanced materials. Consequently, the pace of this substitution trend is expected to accelerate further in the foreseeable future.
- ***Expansion of application scenarios.*** This expansion occurs along two primary dimensions. First, the application of these materials is extending from flooring to wall panels and various cabinetry components, including kitchen cabinets, wardrobes, and bay window surrounds. Second, their properties are driving adoption in public and institutional spaces with specific performance requirements, such as schools, nursing homes, and hospitals, where they are increasingly used for interior decoration and protective surfacing.

Domestic Market

- ***Policy support for green buildings.*** According to national plans, by 2025, all new urban buildings are required to fully comply with green building standards. Such policies, along with heightened consumer attention to environmental and health considerations, directly drive significant demand for green, low-carbon, and recyclable building materials. New polymer stone plastic decoration composite materials exhibit lower energy consumption during production.
- ***Stock housing market upgrade and renovation.*** During the “14th Five-Year Plan” period, China plans to renovate over 200,000 urban old residential communities. In renovation projects, these materials can be installed directly over existing surfaces without demolition. Therefore, the characteristics of these materials, such as rapid installation, immediate occupancy upon completion, and outstanding physical properties, effectively address the challenges of traditional renovation projects, such as long construction periods, significant construction waste and high disruption to residents’ lives. Consequently, they are increasingly being included in the recommended material lists for local renovation projects.

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Raw Materials and Cost Analysis of New Polymer Stone Plastic Decoration Composite Materials

The cost of PVC raw materials rose steadily from 2020 to 2021, reaching a notable short-term peak in late 2021. Entering 2022, PVC costs retreated and, from 2023 to 2025, remained within a relatively stable range with only mild fluctuations. The fluctuations in PVC costs are typically driven by upstream petrochemical feedstock and energy price dynamics, as well as supply-demand adjustments and inventory cycles. In 2026, geopolitical instability may give rise to rising crude oil prices, which could in turn exert upward pressure on PVC raw material costs.

COMPETITIVE LANDSCAPE OF GLOBAL PVC DECORATION MATERIALS MARKET

Ranking and Market Share of PVC Decoration Materials Market

Developed markets such as Europe and the United States have limited domestic production capacity for PVC decoration materials and rely heavily on imports. China is the world’s leading exporter in this sector, accounting for approximately 45% of global export value in 2025. Based on the export value of PVC decoration materials from Chinese Mainland in 2025, the Company ranked first among all suppliers, with an export value of USD262.5 million and a market share of approximately 6.1%.

Based on the export value of PVC decoration materials exported to Europe in 2025, the Company ranked first among all Chinese suppliers, with an export value of USD253.3 million and a market share of approximately 14.5%.

Ranking of PVC Decoration Materials Suppliers, by Total Export Value from Chinese Mainland, 2025

Supplier Name	Export Value (USD Million)	Market Share
The Company	262.5	6.1%
Company A	165.9	3.9%
Company B	142.8	3.3%
Company C	129.5	3.0%
Company D	105.0	2.5%
Others	3,471.5	81.2%
Total	4,277.3	100.0%

Ranking of Chinese PVC Decoration Materials Suppliers¹, by Total Export Value to Europe², 2025

Supplier Name	Export Value (USD Million)	Market Share
The Company	253.3	14.5%
Company A	144.5	8.3%
Company E	91.0	5.2%
Company D	63.0	3.6%
Company C	53.5	3.1%
Others	1,141.3	65.3%
Total	1,746.5	100.0%

Source: Interviews with Industry Experts, Frost & Sullivan

Notes:

- Chinese PVC decoration materials suppliers refer to suppliers headquartered in Chinese Mainland, including domestic and overseas production facilities.
- “Export Value to Europe” refers to the total FOB value of all goods exported to Europe (including the EU, the UK, and all other European countries) from outside the region. It excludes intra-regional trade between European countries.
- Company A was founded in 2006 and is headquartered in Jiaxing, Zhejiang, primarily engaged in the R&D and manufacturing of flooring products such as solid wood flooring, laminate flooring and SPC stone plastic composite flooring, as well as related decorative materials.

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Company B was founded in 2003 and is headquartered in Danyang, Jiangsu, mainly focuses on floor manufacturing, wooden door production, full-house customization services, and the development and sale of new flooring materials.

Company C was founded in 2019 and is headquartered in Changzhou, Jiangsu, primarily engaged in the R&D and manufacturing of flooring products such as PVC flooring and wood flooring, as well as related decorative materials.

Company D was founded in 1995 and is headquartered in Taizhou, Jiangsu, mainly focus on the R&D and production of PVC flooring, PVC building materials and other related products.

Company E was founded in 2013 and is headquartered in Jiaxing, Zhejiang; it is listed on the Shenzhen Stock Exchange, and primarily focuses on R&D and production of PVC floor.

- 4) In the 2025 ranking, an exchange rate of RMB 7.1429 to USD 1.0 was applied.

Entry Barriers of New Polymer Stone Plastic Decoration Composite Materials Industry

- **Technological Barriers.** New polymer stone plastic decoration composite materials are required to meet multiple performance standards, including wear resistance, scratch resistance, flame retardancy, environmental friendliness, dimensional stability, and visual aesthetics. Product development involves formulation design, process control, and various tests such as accelerated aging, flame resistance, and VOC emission testing. Furthermore, capabilities in aesthetic pattern design and embossing technology require long-term experience and artistic accumulation.
- **Globalized Service Network Barriers.** The sale of new polymer stone plastic decoration composite materials involves a full-chain service spanning product selection, measurement, delivery, installation, and after-sales support. Leading enterprises have typically established extensive localised sales teams, regional warehousing networks, and after-sales service systems in their core markets. The development of a localised network requires long-term channel accumulation, customer relationship building, and territory-specific operational experience, and entails substantial investment in personnel recruitment, training, and infrastructure. Even where new entrants possess competitive products, they are unlikely to be able to replicate an established service network within a short period of time, resulting in material gaps in customer response time, delivery efficiency, and after-sales support.
- **Scalable Global Operations Barriers.** The industry presents a significant barrier in the form of achieving scalable global production. Economies of scale can significantly reduce unit production costs, while small- and medium-scale producers generally lack cost advantages. Therefore, new entrants must possess strong financial resources and capabilities to achieve economically viable production during the initial stage.
- **Quality Stability Barriers.** The manufacturing of these materials involves multiple intricate processes, where production techniques are decisive for the consistency of product quality and performance. Only through long-term practice and accumulated experience can a manufacturer maintain a consistently high product yield rate. Moreover, as new materials and technologies evolve rapidly, companies must also possess robust R&D capabilities to continuously master advanced processes, thereby steadily improving product quality and reliability.
- **Talent Barriers.** The industry relies heavily on professionals with cross-disciplinary expertise. Effective competition in the global market necessitates talent with international perspectives in marketing, brand management, supply chain operations, and strategic planning. Building, integrating, and retaining such a comprehensive team requires significant time, financial investment, and organizational capability.

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LAWS AND REGULATIONS RELATING TO COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

Company Law

Pursuant to the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**Company Law**”) promulgated by the Standing Committee of the National People’s Congress of the PRC (全國人民代表大會常務委員會) (the “**SCNPC**”) on December 29, 1993, last amended on December 29, 2023 and implemented on July 1, 2024, companies are classified into two categories, namely, limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed.

Foreign Investment

Pursuant to the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**FIL**”) promulgated by the National People’s Congress (the “**NPC**”) on March 15, 2019 and implemented on January 1, 2020, as well as the Implementation Rules of the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法實施條例》) (the “**Implementation Rules of FIL**”) promulgated by the State Council on December 26, 2019 and implemented on January 1, 2020, the “foreign investment” refers to the investment activities in Chinese Mainland carried out directly or indirectly by foreign individuals, enterprises or other organizations (the “**Foreign Investors**”), including the following: (1) Foreign Investors establishing foreign-invested enterprises in Chinese Mainland alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, property interests or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in Chinese Mainland alone or collectively with other investors; and (4) Foreign Investors investing through other means prescribed by the laws and regulations of Chinese Mainland or by the State Council of the People’s Republic of China (the “**State Council**”).

Pursuant to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) jointly promulgated by the Ministry of Commerce of the People’s Republic of China (the “**MOFCOM**”) and the National Development and Reform Commission (the “**NDRC**”) on September 6, 2024 and implemented on November 1, 2024, restrictive measures were set out in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. Any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

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LAWS AND REGULATIONS RELATING TO OVERSEAS INVESTMENT

Pursuant to the Administrative Measures on the Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on March 16, 2009, amended on September 6, 2014 and implemented on October 6, 2014, the overseas investment activities of companies and other enterprises established in China are subject to the management and supervision of the MOFCOM and the provincial-level competent commerce authorities. The MOFCOM and the provincial-level competent commerce authorities shall subject the overseas investment of enterprises to filing or approval administration, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region or any sensitive industry shall be subject to approval administration. Overseas investment under other circumstances shall be subject to filing administration. In accordance with the Measures for the Administrative Measures on the Overseas Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and implemented on March 1, 2018, sensitive projects conducted by investors directly or through overseas enterprises controlled by them shall be subject to approval administration. The approval authority is the NDRC. Non-sensitive projects directly conducted by investors, namely non-sensitive projects involving investors’ direct contribution of assets or rights and interests or provision of financing or guarantees, shall be subject to filing administration.

LAWS AND REGULATIONS RELATING TO SECURITIES AND OVERSEAS LISTINGS

Securities Laws and Regulations

Pursuant to the Securities Law of the People’s Republic of China (《中華人民共和國證券法》) (the “**PRC Securities Law**”) promulgated by the SCNPC on December 29, 1998, last amended on December 28, 2019 and implemented on March 1, 2020, a domestic enterprise offering securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council. The China Securities Regulatory Commission (the “**CSRC**”) is the securities regulatory body set up by the State Council to supervise and administer the securities market, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the offering and listing of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listings

Pursuant to the Trial Administrative Measures on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) promulgated by the CSRC on February 17, 2023 and implemented March 31, 2023 as well as several supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the “**Overseas Listing**”

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Regulations”), enterprises in Chinese Mainland that seek to make an initial public offering and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three business days after its application for overseas listing is submitted.

Pursuant to the Overseas Listing Regulations, no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic enterprise intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic enterprise intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic enterprise’s controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

Pursuant to the Revised Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Archives Rules**”) jointly promulgated by the CSRC, the MOF, the National Administration of State Secrets Protection, and the National Archives Administration of China on February 24, 2023 and implemented on March 31, 2023, domestic enterprises in relation to the overseas securities offering and listing activities, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. Pursuant to the Archives Rules, during an overseas offering and listing, if a domestic enterprise needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.

Pursuant to the Guidelines for the Application for the “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請“全流通”業務指引》) promulgated by the CSRC on November 14, 2019, last amended and implemented on August 10, 2023, shareholders of domestic unlisted shares may, under the premise of complying with the relevant laws and regulations and the policy requirements on management of state-owned assets, foreign investment, and industry regulation, among others, determine the quantity and proportion of shares whose circulation is applied for on their own through consultation, and entrust our Company to complete the filing formalities with the CSRC. An unlisted domestic

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joint stock company may file with the CSRC for “Full Circulation” at the time of its initial public offering and listing overseas. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) promulgated by the NPC on March 16, 2007, last amended and implemented on December 29, 2018, as well as the Implementation Rules of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) (the “**Implementation Rules of EIT Law**”) promulgated by the State Council on December 6, 2007, last amended on December 6, 2024 and implemented on January 20, 2025, all resident enterprises in Chinese Mainland are subject to a uniform enterprise income tax rate of 25%, including foreign-invested enterprises. However, high-tech enterprises to which the PRC need to give key support are given the reduced enterprise income tax rate of 15%.

Value-Added Tax

Pursuant to Value-added Tax Law of the People’s Republic of China (《中華人民共和國增值稅法》) (the “**VAT Law**”), promulgated by the SCNPC on December 25, 2024, and implemented on January 1, 2026, as well as the Implementation Regulations for the Value-added Tax Law of the People’s Republic of China (《中華人民共和國增值稅法實施條例》) promulgated by the State Council on December 25, 2025, and implemented on January 1, 2026, entities and individuals that sell goods, services, intangible assets, or immovables, or import goods in Chinese Mainland are taxpayers of Value-added Tax (the “**VAT**”), and shall pay VAT according to law. Unless otherwise provided, the VAT rate is 13% for taxpayers that sell goods, provide processing, repair and replacement services, tangible movables leasing services or import goods; 9% for taxpayers that sell transport services, postal services, basic telecommunications, buildings, or real property leasing services, sell real property, transfer land use rights, or sell or import the goods listed in the VAT Law; unless otherwise provided, the VAT rate is 6% for taxpayers that sell services or intangible assets; 0% for Taxpayers that export goods or sell services or intangible assets across borders.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Labor Contract

Pursuant to the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) (the “**Labor Law**”) promulgated by the SCNPC on July 5, 1994, last amended and implemented on December 29, 2018, and the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”) promulgated by the

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SCNPC on June 29, 2007, last amended on December 28, 2012 and implemented on July 1, 2013, as well as the Implementation Rules of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) promulgated and implemented by the State Council on September 18, 2008, employers shall execute written labor contracts with full-time employees. All employers shall comply with local minimum wage standards. Employers must establish and enhance a system for labor safety and sanitation, strictly abide by state rules and standards on labor safety and sanitation, provide laborers with training in labor safety and sanitation, prevent accidents in the process of work, and reduce occupational hazards. Violations of the Labor Law and the Labor Contract Law may result in the imposition of fines and other administrative liabilities, or criminal liabilities in the case of serious violations.

Social Insurance and Housing Provident Funds

Pursuant to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, last amended and implemented on December 29, 2018, as well as the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999, last amended and implemented on March 24, 2019, the state has established social insurance systems, such as the basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, to guarantee the rights of citizens to legally obtain material assistance from the state and society when they become old, ill, suffer from work-related injuries, become unemployed and give birth to a child. Where the employer fails to pay social insurance premiums on time or in full, it shall be ordered by the social insurance premium collection agencies to pay or make up the premiums within the specified time limit, and shall be subject to a late payment fee of 0.05% of the outstanding amount from the due date calculated on a daily basis. Where the employer still fails to do so, relevant administrative department may impose a fine of more than one time but less than three times of the outstanding amount.

Pursuant to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, last amended and implemented on March 24, 2019, the employer shall go through the housing provident fund contribution registration with the housing provident fund management center, and apply for the establishment of housing provident fund accounts for its employees. Each employee can only have one housing provident fund account. The contribution rate to the housing provident fund for both the employee and the employer shall not be less than 5% of the employee's monthly average salary in the previous year, cities where conditions permit may appropriately raise the contribution rate. Where the employer fails to carry out the registration for housing provident fund contribution or fails to complete the formalities for opening housing provident fund accounts for its employees, the housing provident fund management center has the right to order it to complete within a time limit, and impose a fine for failure to register within the

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specified time limit. If the employer fails to contribute or make full contribution to the housing provident fund, the housing provident fund management center shall order the employer to do so within a specified period, and if the employer still defaults on payment, it may apply to the People’s Court for enforcement.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the People’s Republic of China (《中華人民共和國安全生產法》) (the “**Production Safety Law**”) promulgated by the SCNPC on June 29, 2002, last amended on June 10, 2021 and implemented on September 1, 2021, entities engaged in production and business activities in Chinese Mainland shall comply with the Production Safety Law and other laws and regulations related to production safety. Entities shall strengthen the management, establish and improve responsibility systems and policies, improve conditions, promote the development of production safety standards, and improve the production level to ensure their production safety. The primary persons in charge of the production and operation entities are fully responsible for the production safety of their entities. Production and business operation entities shall meet the production safety conditions specified in the Production Safety Law, relevant laws, administrative regulations, and national standards or industrial standards; those that do not meet the production safety conditions shall not engage in production and business activities. Production and business operation entities must provide employees with labor protection equipment that meets national standards or industrial standards, and supervise and educate employees to wear and use such equipment in accordance with the rules. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operation, an order to cease operation, or even criminal liability in severe cases.

LAWS AND REGULATIONS RELATING TO FIRE SAFETY

Pursuant to the Fire Safety Law of the People’s Republic of China (《中華人民共和國消防法》) (the “**Fire Safety Law**”) promulgated by the SCNPC on April 29, 1998, and last amended and implemented on April 29, 2021, as well as the Provisional Regulations on Administration of Fire Control Design Review and Acceptance of Construction Project (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China (the “**MOHURD**”) on April 1, 2020, last amended on August 21, 2023 and implemented on October 30, 2023, the construction entity of a labor-intensive enterprise’s manufacturing plant whose size is over 2,500 square meters and other special construction projects must apply for fire prevention design review with fire control authorities, and complete fire assessment inspection and acceptance procedures after the construction project is completed. Within five business days from the date when passing the final inspection of any other as-built construction project, the construction entity shall file with the competent department of fire protection design review and final inspection for record.

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LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

Product Quality Responsibility

Pursuant to the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》) (the “**Product Quality Law**”) promulgated by the SCNPC on February 22, 1993, last amended and implemented on December 29, 2018, producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers shall be responsible for the quality of the products they produce and sell. Quality of products shall meet the following requirements: (i) the products shall be free from any unreasonable threats to personal safety or safety of property, and shall conform to national standards or trade standards for ensuring human health and personal or property safety if there are such standards; (ii) the products shall have the functions they are supposed to have, except where there are explanations about the functional defects; and (iii) the products shall meet the standards specified on the products or packages thereof and the quality condition specified by way of product instructions or samples. Where any producer or seller violates the above responsibilities and obligations, and cause losses or personal or property damages to consumers, it shall be liable for compensation. The competent authority may take administrative penalties against any illegal acts, such as ordering to suspend production, confiscating illegally produced or sold products, imposing a fine, confiscating illegal gains (if any), and revoking the business license in case of a serious violation. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Pursuant to the Civil Code of the People’s Republic of China (《中華人民共和國民法典》) (the “**Civil Code**”) promulgated by the NPC on May 28, 2020 and implemented on January 1, 2021, where any harm is caused to another person by a defective product, the victim may require compensation to be made by the producer of the product or the seller of the product. Where the defect of a product endangers the personal or property safety of another person, the victim shall be entitled to require the producer or seller to assume the tort liability by ceasing infringement, removing the obstruction, or eliminating the danger.

Consumer Protection

Pursuant to the Consumer Rights and Interests Protection Law of the People’s Republic of China (《中華人民共和國消費者權益保護法》) (the “**Consumers Protection Law**”) promulgated on October 31, 1993, last amended on October 25, 2013 and implemented on March 15, 2014, consumers shall have the right to demand that the commodities and services provided by operators meeting the requirements for personal and property safety. Business operators shall guarantee that their provided commodities or services meet the requirements on personal and property safety. For commodities and services which may endanger personal or property safety, business operators shall provide consumers with true explanations and clear

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warnings, explaining and indicating the correct methods of using commodities or receiving services and the methods for preventing damage. Where business operators fail to fulfill their obligations of safety protection of consumers, causing damage to consumers, they shall assume tort liability.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

The principal laws and regulations governing import and export of goods in Chinese Mainland include the Administrative Regulations on Goods Import and Export of the People’s Republic of China (《中華人民共和國貨物進出口管理條例》), the Foreign Trade Law of the People’s Republic of China (《中華人民共和國對外貿易法》)(the “**Foreign Trade Law**”), the Customs Law of the People’s Republic of China (《中華人民共和國海關法》)(the “**Customs Law**”), etc.

Pursuant to the Customs Law promulgated by the SCNPC on January 22, 1987 and last amended and implemented on April 29, 2021, and the Administrative Provisions of the Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the People’s Republic of China (中華人民共和國海關總署) on November 19, 2021 and implemented on January 1, 2022, unless otherwise provided for, all import and export goods must be declared and duties on them paid by their sender or receiver or by representatives entrusted by the sender or receiver. To undergo customs declaration formalities, the consignee or consignor of imported or exported goods and the customs declaration enterprise shall complete filing formalities at the Customs in accordance with the law. Those who violate relevant laws and administrative regulations shall be punished in accordance with the relevant provisions, and if it is criminally punishable, the offender shall be held criminally liable in accordance with the law.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) (the “**Environmental Protection Law**”) promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014 and implemented on January 1, 2015, enterprises, public institutions, and other producer and business operators shall prevent and reduce environmental pollution and ecological disruption, and assume liabilities for damage caused by them.

Pursuant to the Environmental Impact Assessment Law of the People’s Republic of China (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002, last amended and implemented on December 29, 2018, and the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) last amended by the State Council on July 16, 2017 and implemented on October 1, 2017, the construction entities shall work out the report of environmental impacts, the report form of environmental impacts or the registration form of environmental impacts according to the following principles: (i) If the environmental impacts may be significant, it shall work out a report of environmental impacts so as to include an all-round appraisal of the environmental

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impacts; (ii) If the environment impacts may be gentle, it shall work out a report form of environmental impacts so as to include an analysis or special appraisal of the environmental impacts; (iii) If environment impacts may be very small so that it is not necessary to conduct an appraisal of the environmental impacts, it shall fill in a registration form of the environmental impacts. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies.

Pursuant to the provisions of the Administrative Regulations on the Permits of Pollutant Discharges (《排污許可管理條例》) promulgated on January 24, 2021 and implemented on March 1, 2021, and the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》) promulgated on April 1, 2024 and implemented on July 1, 2024, enterprises, public institutions and other producers that are included in the Classification Administration List of Pollutant Discharge Permits for Fixed Pollution Sources (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a pollutant discharge permit within the prescribed time limit, and shall not discharge pollutants without a pollutant discharge permit. Pollutant discharging entities with a significant volume of pollutant generation, emissions or environmental impact are subject to key management on permission of pollutant discharge. Those with a smaller volume of pollutant generation, emissions and environmental impact are subject to simplified management on permission of pollutant discharge. Entities with minimal pollutant generation, emissions and environmental impact are subject to pollutant discharge registration management.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Pursuant to the Administrative Regulations on Foreign Exchange of the People’s Republic of China (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996 and last amended and implemented on August 5, 2008, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (the “SAFE”), by complying with certain procedural requirements. By contrast, approval from or registration with relevant governmental authorities or designated banks is required where RMB is to be converted into foreign currency and remitted outside of Chinese Mainland to pay capital account items such as the repayment of foreign currency-denominated loans, direct investment overseas and investments in securities or derivative products outside of Chinese Mainland. Foreign-invested enterprises are permitted to convert their after-tax profits into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in Chinese Mainland.

Pursuant to the Circular of People’s Bank of China and the State Administration of Foreign Exchange on Issues Concerning the Fund Administration for Domestic Enterprises of Overseas Listing (《中國人民銀行、國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》) promulgated by the People’s Bank of China (the “PBOC”) and SAFE on December 24, 2025 and implemented on April 1, 2026, a domestic company shall, within 30

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business days from the first trading date of its overseas listing or the completion of the over-allotment option, register the overseas listing with the local branch office of the PBOC in the province or the separately planned city where it is registered. The funds raised by the domestic company from overseas listing shall, in principle, be repatriated to the domestic territory in a timely manner. Where such funds are retained overseas to conduct overseas direct investment, overseas securities investment, overseas lending and other businesses, the domestic company shall obtain the approval or filing document from the competent authority prior to the date of completion of the overseas offering or the completion of the over-allotment option, and shall comply with the relevant provisions on cross-border fund administration.

LAWS AND REGULATIONS RELATING TO LAND AND REAL ESTATE REGISTRATION

Pursuant to the Land Administration Law of the People’s Republic of China (《中華人民共和國土地管理法》) (the “**Land Administration Law**”) promulgated by the SCNPC on June 25, 1986, last amended on August 26, 2019 and implemented on January 1, 2020, state-owned land may be granted or allocated for use by construction entities in accordance with the law. According to the Interim Regulations on Real Estate Registration (《不動產登記暫行條例》) last amended by the State Council on March 10, 2024, and implemented on May 1, 2024, registration of real estate shall be conducted by the real estate registration agency of the people’s government at the county level where the real estate is located.

Pursuant to the Civil Code, the creation, change, transfer and elimination of the right of a real estate shall become effective after it is registered according to the law; the real estate ownership certificate shall be the proof on the holder’s ownership of a real estate. According to the Interim Regulations on Real Estate Registration and Rules for Implementation of Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) last amended by the Ministry of Natural Resources of the People’s Republic of China and implemented on May 9, 2024, the state applies a uniform registration system for real estate.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the People’s Republic of China (《中華人民共和國專利法》) (the “**Patent Law**”) promulgated by the SCNPC on March 12, 1984, last amended on October 17, 2020, and implemented on June 1, 2021, as well as the Implementation Regulations on the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》) promulgated by the State Council, on January 19, 1985 last amended on December 11, 2023 and implemented on January 20, 2024, there are three types of patents in China, namely invention patents, utility model patents, and design patents. The protection period of an invention patent is 20 years, that of a utility model patent is 10 years, and that of a design patent is 15 years (design patents with application date after June 1, 2021), all starting from their respective application dates.

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Trademark

Pursuant to the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) (the “**Trademark Law**”) promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and implemented on November 1, 2019, and the Implementation Regulations of the Trademark Law of the People’s Republic of China (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, last amended on April 29, 2014 and implemented on May 1, 2014, registered trademarks are trademarks approved and registered by the Trademark Office, and the trademark registrant shall have the exclusive rights to use the registered trademark, which is protected by the law. The validity period of a registered trademark is 10 years from the date of approval for registration.

Copyright

Pursuant to the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and implemented on June 1, 2021, and the Implementation Rules of the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, last amended on January 30, 2013 and implemented on March 1, 2013, works of Chinese citizens, legal persons or unincorporated organizations, i.e. intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, whether published or not, are entitled to copyright. The copyright holder has multiple rights, including the right of publication, the right of authorship, and the right of reproduction. The amended Copyright Law and its implementation rules extend copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Center of China (中國版權保護中心).

Internet Domain Names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and implemented on November 1, 2017, the Ministry of Industry and Information Technology shall be responsible for managing internet domain names in Chinese Mainland. The principle of “first-to-file” is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information relating to the domain name to be applied for, and sign the registration agreements as well. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

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LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN THE EU

A. LAWS AND REGULATIONS RELATING TO PRODUCT SAFETY

I. General requirements

In Germany and the European Union (“EU”), flooring products may be subject to a range of legal and technical product requirements. Products placed on the EU market are governed by a comprehensive regulatory framework addressing product safety, chemical compliance, construction performance, consumer information, and environmental responsibility.

Non-compliance with applicable laws and regulations may result in sales restrictions, product recalls, administrative fines, reputational damage, or civil liability, any of which could have a material adverse effect on the German subsidiaries’ business, financial condition, and operations. In detail:

- Depending on the seriousness of the irregularity, authorities may impose administrative measures, including mandatory product recalls.
- Non-compliance can constitute administrative offences (*Ordnungswidrigkeiten*), punishable by fines of up to EUR 200,000 and can result in the imposition of further penalties to compensate for the competitive advantage gained by such violation. Higher fines may apply based on revenue and in cases involving organizational oversight failures. Intentional non-compliance that endangers another person or property of significant value may constitute a criminal offence punishable by imprisonment.
- In addition, non-compliance with regulatory requirements or placing defect products on the market may result in liability for damages in relation to customers and consumers, in particular under tort law and the European Product Liability Directive (Directive 85/374/EEC, which will be replaced by Directive (EU) 2024/2853, effective 9 December 2026) and its implementation in the German Product Liability Act (*Produkthaftungsgesetz*).

Flooring products qualify as construction products within the meaning of Regulation (EU) 2024/3110 (Construction Product Regulation, “**CPR 2025**”). CPR 2025 will progressively replace Regulation (EU) No 305/2011 (“**CPR 2011**”). CPR 2025 entered into force on 7 January 2025; certain requirements under the CPR 2011 will continue to apply for a transitional period up to 2039, depending on when each product family’s harmonized technical specifications migrate to the CPR 2025 regime. Existing harmonized standards will continue to apply until replaced by the new CPR 2025 standards.

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Importers may place on the EU market only products from outside the EU that comply with the requirements of CPR 2025, particularly where a relevant harmonized technical specification already applies to the product concerned and the manufacturer has drawn up a declaration of performance and conformity. Without this declaration, the product may not be made available in the EU market. Key requirements under the CPR 2025 and CPR 2011 include (i) the maintenance of declarations of performance (“**DoPs**”), (ii) affixing CE markings to products (to the extent that harmonized standards apply or a European technical assessment has been issued), (iii) providing safety information in the languages required by the member state of sale (e.g. German in Germany). Under CPR 2025, (iv) environmental declarations must be provided as part of the DoP; (v) digital product passports (“**DPP**”) will be required once the respective delegated acts come into force; a DPP is accessible digitally and maintains structured technical, conformity, and environmental data for the purposes of market surveillance and supply chain.

Harmonized standards include, among others, DIN EN 14342 (for wood flooring) and DIN EN 14041 (for resilient, laminate and textile floor coverings), EN 13501-1 (for fire performance classifications) and DIN 51130/EN 16165 (for slip resistance).

The specific requirements under CPR 2025 and CPR 2011 are supplemented by general product safety requirements under the Regulation (EU) 2023/988 (General Product Safety Regulation, “**GPSR**”) and German domestic product safety laws. Other products (e.g. decorative items) marketed to consumers may be subject to GPSR and German domestic product safety laws as well. The GPSR imposes obligations to perform risk assessments, ensure safeguard traceability, carry out incident reporting, recall products, and allocate online marketplace responsibilities.

II. Hazardous substances and chemicals

Flooring products and interior decorative items placed on the EU market may also be subject to EU and German law on hazardous substances. Regulation (EC) No 1907/2006 (the “**REACH Regulation**”) sets out key rules for the manufacture, placing on the market, or use of substances, mixtures, or articles. Under the REACH Regulation, flooring products and interior decorative items are subject to screening for restricted substances and Substances of Very High Concern (“**SVHCs**”), i.e. substances that may have serious and often irreversible effects on human health and the environment. The REACH Regulation’s Annex XVII sets out substances that are banned or restricted in use; its Article 33 strengthens supply-chain and market surveillance by imposing duties to inform consumers in products where any SVHC exceeds 0.1% w/w (e.g., phthalates in PVC floors, azo dyes in textiles, formaldehyde-releasing resins in composite wood décor). Furthermore, safety data sheets (“**SDS**”) must be provided to downstream users and include information about the properties of the substance or mixture, its hazards, and instructions for handling. SVHCs may only be placed on the market or used with prior authorization. Importers of articles containing substances present in those articles in quantities totaling over one metric ton per year and intended to be brought to market must register with the European Chemicals Agency (“**ECHA**”).

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Accessory chemical mixtures used with flooring systems and decorative items, such as flooring adhesives, sealers, varnishes, oils, coatings, cleaners, and impregnations, also fall under the Regulation EC No. 1272/2008 (CLP Regulation), which outlines specific classification, labelling, and packaging requirements for hazardous substances and mixtures. In particular, relevant products have to bear the name, address, and telephone number of the supplier, as well as nominal quantity, product identifiers, hazard pictograms, respective signal words, hazard, precautionary statements, and/or supplemental information, if certain conditions are met.

B. LAWS AND REGULATIONS RELATING TO CUSTOMS/EXPORT CONTROL

The German subsidiary imports its products from Chinese affiliated companies. The import of such products is subject to applicable customs formalities and tariffs set out for respective products.

The German subsidiary exports its products within the EU and to customers in the United Kingdom and Switzerland, for which products are not subject to specific export control restrictions.

C. LAWS AND REGULATIONS RELATING TO TAXATION

I. Income taxation

Under the German Corporate Income Tax Act (*Körperschaftsteuergesetz*), corporations tax resident in Germany are subject to corporate income tax (*Körperschaftsteuer*) on their taxable income, which is determined mainly based on the provisions of the German Income Tax Act (*Einkommensteuergesetz*) and the German Generally Accepted Accounting Principles (*Grundsätze ordnungsmäßiger Buchführung und Bilanzierung*). The corporate income tax rate is currently 15% plus 5.5% solidarity surcharge (*Solidaritätszuschlag*) thereon, i.e. 15.825% in total.

Additionally, business income (including all income of a German limited liabilities company (*Gesellschaft mit beschränkter Haftung, GmbH*)) is subject to trade tax (*Gewerbesteuer*), the rate of which is determined by the municipality the business is conducted from. Since 2011, the trade tax rate for the municipality of Siegburg has been 18.025%. The total income tax rate of a corporation based in Siegburg is therefore 33.85% (corporate income tax, including solidarity surcharge, plus trade tax).

From a compliance perspective, corporations must file yearly corporate income and trade tax returns. Filing such tax returns late, incorrectly, or not at all may be punishable by late filing penalties and administrative fines (of up to EUR 25,000 and EUR 50,000 respectively). If these acts are done intentionally (*vorsätzlich*), this can be considered criminal tax evasion, with the sentence being determined by a criminal court on a case-by-case basis.

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II. Value-added taxation

Under the German VAT Act (*Umsatzsteuergesetz*), supplies and services rendered in Germany are generally subject to value-added tax (*Umsatzsteuer*, "VAT") at 19% (or 7% for specific supplies and services) of the remuneration. VAT is invoiced to the customer and typically owed to the tax authorities by the supplier. Any such entrepreneur is generally entitled to a refund of any VAT it pays for supplies and services as input VAT (*Vorsteuerabzug*).

Generally, the corporation obligated to transfer VAT to the tax authorities have to file VAT advance returns (*Umsatzsteuervoranmeldung*) on a monthly basis, showing the balance of owed VAT and input VAT, which is paid to or refunded by the tax authorities, as applicable, as well as yearly VAT returns. Filing such tax returns late, incorrectly, or not at all may be punishable by late filing penalties and administrative fines (of up to EUR 25,000 and EUR 50,000 respectively). If these acts are done intentionally (*vorsätzlich*), this can be considered criminal tax evasion, with the sentence being determined by a criminal court on a case-by-case basis.

III. Taxation of dividends

Dividends distributed by German corporations are generally subject to capital gains tax (*Kapitalertragsteuer*), which has to be withheld by the corporation distributing the dividends for the account of the recipient. Currently, the capital gains tax rate is at 25% plus solidarity surcharge of 5.5% thereon, i.e. 26.375% in total. The capital gains tax may be reduced or refunded if the shareholder is entitled to a reduction, e.g. under an applicable double taxation treaty or other tax reliefs, and subject to anti-abuse regulations. The reduction requires an exemption certificate from the Federal Central Office of Taxation.

IV. Payroll obligations

Under the German Income Tax Act (*Einkommensteuergesetz*) and the German Social Code IV (*Sozialgesetzbuch IV*), employers based in Germany are required to withhold wage tax (*Lohnsteuer*) and social security contributions (*Sozialversicherungsbeiträge*) for its employees from their wage payments and remit these amounts to the respective authorities (including social security contributions by the employer) on a monthly basis. With respect to wage tax, failing to do so may be punishable by late filing penalties and administrative fines (of up to EUR 25,000 and EUR 50,000 respectively). If these acts are done intentionally (*vorsätzlich*), this can be considered criminal tax evasion, with the sentence determined by a criminal court on a case-by-case basis.

With respect to social security contributions, failing to comply with certain reporting obligations may be punishable by administrative fines (of up to EUR 25,000) and failing to remit the amounts of social security contributions in time may result in a late filing penalty of 1% of the outstanding amount per month. If these acts are done intentionally (*vorsätzlich*), this can be considered non-payment and misappropriation of wages, with the sentence determined by a criminal court on a case-by-case basis.

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LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN SINGAPORE

The following is a summary of the material applicable laws and regulations of Singapore that are relevant to our business in Singapore (other than those generally applicable to companies operating in Singapore) as of the Latest Practicable Date.

Consumer Protection (Trade Descriptions and Safety Requirements) Act 1975

The Consumer Protection (Trade Descriptions and Safety Requirements) Act 1975 of Singapore ("CPTDSRA") prohibits the misdescriptions of goods supplied in the course of trade, confers power to the Director of Consumer Protection to seize goods that are non-compliant, prescribes requirements relating to informative marking and advertisement of goods and to their safe composition, construction or design, and for purposes connected therewith. Where an offence under this Act committed by a body corporate is proved to have been committed with the consent and connivance of, or to be attributable to any neglect on the part of, any director, manager, secretary or other similar officer of the body corporate, or any person who was purporting to act in any such capacity, he or she as well as the body corporate shall be guilty of that offence and shall be liable to be proceeded against and punished accordingly. The Act further empowers the Director of Consumer Protection to require any person carrying on a trade or business which consists of or includes the manufacture, assembly, production or import of any goods; and permits the Director of Consumer Protection to seize and detain any goods for the purpose of ascertaining, by testing or otherwise, whether an offence under the act has been committed.

Environmental Protection and Management Act 1999

The Environmental Protection and Management Act 1999 of Singapore ("EPMA") seeks to provide for the protection and management of the environment and resource conservation and regulates, amongst others, air pollution, water pollution, land pollution and noise control. Under the EPMA, any person who discharges, or causes or permits to be discharged, any trade effluent, oil, chemical, sewage or other polluting matters into any drain or land, without a written permission from the Director-General of Environmental Protection, shall be guilty of an offence and liable on conviction to a fine. The EPMA also sets out that a person must not import, manufacture, possess for sale, sell or offer for sale any hazardous substance unless the person holds a license granted by the Director-General of Environmental Protection for that purpose. Any person who is guilty of an offence relating to hazardous substances under the EPMA, for which no penalty is expressly provided, shall be liable on conviction to a fine not exceeding \$50,000 or to imprisonment for a term not exceeding 2 years or to both and, in the case of a continuing offence, to a further fine not exceeding \$2,000 for every day or part of a day during which the offence continues after conviction.

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Employment Act 1968

The Employment Act 1968 of Singapore (“**Employment Act**”) is the main legislation governing employment in Singapore. The Employment Act is administered by the Ministry of Manpower of Singapore (“**MOM**”) and sets out the basic terms and conditions of employment and responsibility of employers as well as employees.

Part IV of the Employment Act contains provisions relating to, *inter alia*, working hours, overtime, rest days, holidays, annual leave, payment of retrenchment benefit, priority of retirement benefit, annual wage supplement and other conditions of work or service and apply to: (a) workmen earning a salary not exceeding \$4,500 a month; and (b) employees (excluding workmen) earning a salary not exceeding \$2,600 a month. Part X of the Employment Act provides that paid public holidays and sick leave apply to all employees who are covered by the Employment Act regardless of salary levels.

Following the amendments to the Employment Act in effect from 1 April 2016, all employers must issue key employment terms (“**KETs**”) in writing to employees covered under the Employment Act. Such employees include employees who: (a) enter into a contract of service with the company on or after 1 April 2016; (b) are covered by the Employment Act; and (c) are employed for a continuous period of 14 days or more.

Employment of Foreign Manpower Act 1990

The Employment of Foreign Manpower Act 1990 of Singapore (“**EFMA**”) governs the employment of foreign employees in Singapore. Under Section 5(1) of the EFMA, no person shall employ a foreign employee unless the foreign employee has a valid work pass issued by the MOM. Any person who contravenes Section 5(1) of the EFMA, shall be guilty of an offence and shall (a) be liable on conviction to a fine of not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and (b) on a second or subsequent conviction – (i) in the case of an individual, be punished with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or (ii) in any other case, be punished with a fine of not less than S\$20,000 and not more than S\$60,000.

Workplace Safety and Health Act 2006

The Workplace Safety and Health Act 2006 of Singapore (“**WSHA**”) and the regulations thereunder govern the safety, health and welfare of persons at work in workplaces. Among other things, the WSHA imposes a duty on employers to take, so far as it is reasonably practicable, such measures as are necessary to ensure the safety and health of their employees at work. These measures pursuant to section 12 of WSHA include:

- providing and maintaining for those persons a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work;

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- ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by those persons;
- ensuring that those persons are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace, or near their workplace and under the control of the employer;
- developing and implementing procedures for dealing with emergencies that may arise while those persons are at work; and
- ensuring that those persons at work have adequate instruction, information, training and supervision as is necessary for them to perform their work.

Additional duties are imposed on employers under the Workplace Safety and Health (General Provisions) Regulations. Some of these duties include taking all reasonably practicable measures to protect workers from exposure to any infectious agents or biohazardous material which may constitute a risk to his health.

Personal Data Protection Act 2012

The Personal Data Protection Act 2012 of Singapore (“**PDPA**”) governs the collection, use and disclosure of personal data by organisations. For the purposes of the PDPA, “personal data” refers to data, whether true or not, about an individual who can be identified using that data, or from that data and other information to which the organisation has or is likely to have access to.

The PDPA imposes the following obligations on organisations collecting, using or disclosing personal data of individuals (“**relevant persons**”) are summarised as follows: (i) obligations of obtaining consent, giving notification and access and correction rights to the relevant persons, purpose limitation in respect of use of, and retention limitation and transfer limitation in respect of personal data collected, ensuring accuracy and protection of data collected and openness in making information available on its privacy policies and procedures relating to protection of personal data.

Corporate Income Tax

Corporate taxpayers (both resident and non-resident) are subject to Singapore income tax on income accrued in or derived from Singapore (i.e. Singapore-sourced) and, subject to certain exceptions, on income received in Singapore from outside Singapore (i.e. foreign-sourced income received or deemed received in Singapore) unless specifically exempt from income tax.

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Foreign-sourced income in the form of branch profits, dividends and service fee income received or deemed received in Singapore by a Singapore tax resident company on or after 1 June 2003 are exempted from Singapore tax provided that the following qualifying conditions are met:

- such income is subject to tax of a similar character to income tax under the law of the territory from which such income is received;
- at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received is at least 15.0%; and
- the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the specified foreign income.

The prevailing corporate income tax rate in Singapore is 17.0%, which applies to both local and foreign companies. With effect from the year of assessment 2020, 75% of the first S\$10,000, and 50% of the next S\$190,000 of a company's chargeable income (otherwise subject to normal taxation) is exempt from corporate tax. The remaining chargeable income that exceeds S\$200,000 will be fully taxable at the prevailing corporate tax rate.

A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore. Control and management is defined as the making of decisions on strategic matters, such as those concerning the company's policy and strategy. Generally, the location of the company's board of directors meetings where strategic decisions are made determines where the control and management is exercised. The place of incorporation of a company is not necessarily indicative of the tax residency of a company.

Goods & Services Tax

Goods and Services Tax or GST is a broad-based consumption tax levied on the import of goods (collected by Singapore Customs), as well as nearly all supplies of goods and services in Singapore. The prevailing goods and services tax rate in Singapore is 9.0%.

Other Taxes

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

There is also no tax on capital gains in Singapore. Thus, any gains derived from the disposal of our Shares acquired for long-term investment will not be taxable in Singapore.

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LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN THAILAND

Foreign Business Act B.E. 2542 (1999)

The Foreign Business Act B.E. 2542 (1999), as amended (the “**FBA**”), is the primary legislation governing foreign investment in Thailand. The FBA restricts or prohibits a “Foreigner” from engaging in certain prescribed business activities unless a foreign business license or foreign business certificate is obtained from the Ministry of Commerce.

Based on the current shareholding structure of VYTEC Thailand, VYTEC Thailand is classified as a “Foreigner” under the FBA, as 100% of its shares are held by foreign shareholders.

Under the FBA, restricted business activities are set out in the lists annexed to the FBA. However, manufacturing activities (excluding the provision of services) are not classified as restricted businesses under the FBA. As VYTEC Thailand is engaged in the manufacture and sale of its products, without providing original equipment manufacturing (OEM) service, its business activities fall within the scope of “manufacturing” as interpreted by the Ministry of Commerce under its official ruling issued in December 2025. In addition, it does not provide after-sales services or otherwise engage in service-related business operations in Thailand. Therefore, based on the foregoing, its businesses are not restricted under the FBA.

Land Code B.E. 2497 (1954)

The Land Code B.E. 2497 (1954), as amended (“**Land Code**”) is the primary legislation governing land ownership in Thailand.

The Land Code restricts land ownership by foreign entities (as defined under Section 97 of the Land Code), unless such ownership is permitted pursuant to other applicable privileges or regulations.

In this regard, VYTEC Thailand has obtained (i) the Letter of the Thailand’s Board of Investment No. NorRor. 1311/2345 together with the Board of Investment Certificate No. 67-1053-1-00-1-2, pursuant to which it is entitled to own Land Plot Nos. 8298, 8299, and 19664, and (ii) the Letter of the Thailand’s Board of Investment No. NorRor. 1310/1932 and the Board of Investment Certificate No. 68-0499-2-00-0-0, pursuant to which it is entitled to own Land Plot Nos. 58657 and 58658.

Accordingly, VYTEC Thailand is entitled to own such land in Thailand notwithstanding the limitations prescribed under the Land Code.

REGULATORY OVERVIEW

Investment Promotion Act B.E. 2520 (1977)

Pursuant to the Investment Promotion Act B.E. 2520 (1977), as amended (the “**Investment Promotion Act**”), the Board of Investment of Thailand (the “**BOI**”) may issue notifications specifying the types, sizes and conditions of business activities eligible for investment promotion. Generally, the investment promotion privileges granted by the BOI may include: (a) tax incentives up to the amount specified in the BOI certificate, such as exemptions from import duties on machinery and on raw or essential materials used in production, and exemptions from corporate income tax on the net profits as well as dividends derived from the promoted activity for a certain period of time and under a capped amount as specified in the BOI certificate, and (b) non-tax incentives, such as ability to own land, permission to remit funds abroad in foreign currency, permission to bring foreign skilled workers and experts into Thailand for the promoted activities, and permission to own land for the purposes of carrying on the promoted business, subject to the applicable criteria and conditions prescribed by the BOI.

In this regard, VYTEC Thailand’s business activities can be categorized as manufacturing activities relating to furniture or parts thereof (type 3.6 of BOI activities) and plastic products for industrial goods and parts thereof (type 6.4.1 of BOI activities), and it has obtained, among other, a Board of Investment Certificate No. 67-1053-1-00-1-2, pursuant to which it receives investment promotion privileges for its manufacturing operations in Thailand, is entitled to hold lands, and is entitled to an exemption from corporate income tax on the net profits derived from the promoted activity for a period of three years from the date on which income is first generated from such promoted activity (depending on the products), for an amount as specified in the BOI certificate.

Factory Act B.E. 2535 (1992)

The operation of VYTEC Thailand’s factories in Thailand is regulated under the Factory Act B.E. 2535 (1992) (as amended) (the “**Factory Act**”). The Factory Act regulates and controls the operation, expansion and safety of factories in Thailand and the levels of industrial pollution released through factory activities. A factory as defined in the Factory Act means buildings, premises, or vehicles using machine with total power from 50 horsepower, or equivalent of 50 horsepower, or more or which employ 50 workers or more, with or without machinery to engage in factory operation. Generally, either (i) a factory licence or approval from the Department of Industrial Works, Ministry of Industry of Thailand, or (ii) a prior notice, is required before the operation of a factory, as the case may be, depending on the type of such factory.

Certain types of factories do not require licences or governmental approval. The extent of governmental regulations that apply to each factory varies according to the type of the factory, perceived amount of environmental impact and the level of environmental protection deemed necessary.

REGULATORY OVERVIEW

Product Liability Act B.E. 2551 (2008)

Under the Product Liability Act B.E. 2551 (2008) (the “**PLA**”), Entrepreneurs (which refers to, *inter alia*, (i) manufacturer or hirer, (ii) importer, or (iii) seller) are jointly liable for damages caused by unsafe products, regardless of intent or negligence. An “unsafe product” includes products with manufacturing or design defects, or those lacking adequate instructions, warnings, or usage or preservation information.

The injured person needs only to prove that he or she suffers from damages caused by the Entrepreneur’s products and the usage or preservation of such products by its nature without needing to prove which Entrepreneur causes such damage.

As a manufacturer of vinyl and SPC floorboard products, VYTEC Thailand may be deemed an entrepreneur under the PLA and may therefore be subject to liability for damages arising from unsafe products if such products are found to be defective or inadequately labelled.

An Entrepreneur may however avoid liability by proving that: (i) the product is not unsafe, (ii) the injured person knew of the product’s unsafety, or (iii) damages resulted from incorrect use or preservation despite clear instructions and warnings being provided on the product.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to 2010 when our predecessor company, Zhejiang Kingdom Plastics Co., Ltd.* (浙江晶通塑膠有限公司) (“**Kingdom Plastics**”) was established under the laws of the PRC by Mr. Dai and Ms. Zhang through Hangzhou Kingdom Imp & Exp. Since our establishment, Mr. Dai and Ms. Zhang have been working together to lead the overall operations and management of our Group. For details of the background of Mr. Dai and Ms. Zhang, see the section headed “Directors and Senior Management” in this document.

Since then, we have been dedicated to the research and development, manufacturing and sales of green and sustainable multi-use decoration panel products. Our business has been globally oriented since our establishment. We strive for a global business presence and after years of development, our products have reached more than 60 countries and regions worldwide, enabling us to serve a broad international customer base.

KEY MILESTONES

The following table summarizes the key development milestones since the commencement of our business.

Year	Milestone
2010	In June 2010, our predecessor company, Kingdom Plastics was established. In 2010, our Company established our export-oriented production base in Tongxiang, Jiaxing City.
2014	We were recognized as a “National High-tech Enterprise” (國家高新技術企業). We established Decoflooring in Bonn, Germany and an overseas warehouse in Germany.
2017	Phase I of our new production base was completed. We entered into a university-enterprise cooperation with the College of Materials Science and Engineering of Zhejiang University of Technology (浙江工業大學材料學院).
2018	Our industry-first digitally printed SPC wall panels commenced trial production.
2019	Phase II of our production base was completed.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestone
2020	The construction of Phase III of our domestic production base in Tongxiang, Jiaxing City was completed.
2022	Our Company commenced the construction of Phase IV of our domestic production base.
2023	VYTEC Thailand, our subsidiary in Thailand, was incorporated.
2024	Phase IV of our domestic production base in Tongxiang, Jiaxing City was completed. Our predecessor company was converted into a joint stock company with limited liability under the laws of the PRC.
2025	We established a research institute in Huabin Industrial Park, Songjiang District, Shanghai. We were recognized as a “Key Corporation Enterprise” (重點合作企業) by the Career Center of Zhejiang University of Technology* (浙江工業大學就業指導中心).

OUR MAJOR SUBSIDIARIES

Our business is substantially operated through our major subsidiaries in the PRC, Germany and Thailand. The corporate details of these subsidiaries are set forth below:

Name of company	Place of establishment/ incorporation	Principal business activities	Date of establishment/ incorporation and commencement of business
Zhejiang Kingsun	PRC	Production and sale of flooring products and building materials	November 30, 2016
Decoflooring	Germany	Import and sales of flooring assortments, interior construction products, and decorative items	August 22, 2014
VYTEC Thailand	Thailand	Production and sale of flooring products and building materials	June 12, 2023

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

See “— Our Structure Immediately Prior to the [REDACTED]” in this section and Note 1 to the Accountants’ Report set out in Appendix I to this document for information on our other subsidiaries. For changes in the registered capital of our subsidiaries, see “Statutory and General Information — A. Further Information about Our Group — 3. Changes in the Share Capital of Our Subsidiaries” in Appendix VI to this document.

CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR COMPANY

(1) Establishment of our predecessor, Kingdom Plastics, in June 2010

On June 23, 2010, our predecessor company, Kingdom Plastics, was established in the PRC as a limited liability company with an initial registered capital of RMB6.0 million, which was fully paid-up by its sole shareholder, Hangzhou Kingdom Imp & Exp.

As of the date of establishment of our predecessor company, Hangzhou Kingdom Imp & Exp was owned by Mr. Dai as to 51% and Ms. Zhang as to 49%. For details of the background and experience of Mr. Dai and Ms. Zhang, see the section headed “Directors and Senior Management” in this document.

(2) Capital injections in Kingdom Plastics from 2013 to 2024

From 2013 to 2024, our predecessor company, Kingdom Plastics had undergone several rounds of capital injections, the details of which are set out below.

On February 18, 2013 and November 12, 2015, Kingdom Plastics passed shareholder’s resolutions to increase its registered capital from RMB6.0 million to RMB15.0 million, and RMB15.0 million to RMB30.0 million, respectively. The said increases in registered capital were all contributed by Hangzhou Kingdom Imp & Exp in cash. The said capital injections were completed on February 26, 2013 and November 17, 2015 when the capital injections was registered with the local administration for market regulation, respectively.

On January 28, 2021, Kingdom Plastics passed a shareholder’s resolution to increase its registered capital from RMB30.0 million to RMB80.0 million. The said increase in registered capital was contributed by Hangzhou Kingdom Imp & Exp through capitalization of undistributed profits in the amount of RMB50.0 million. The said capital injection was completed on March 8, 2021 when the capital injection was registered with the local administration for market regulation.

On March 26, 2024, Kingdom Plastics passed a shareholder’s resolution to increase its registered capital from RMB80.0 million to RMB81.0 million. The said increase in registered capital was contributed by Hangzhou Kingdom Imp & Exp by way of transfer of its entire equity interest in Zhejiang Kingsun to Kingdom Plastics. The said capital injection was completed on March 27, 2024 when the capital injection was registered with the local administration for market regulation, and the transfer of the entire equity interest in Zhejiang Kingsun to Kingdom Plastics was completed on April 9, 2024 when the equity transfer was registered with the local administration for market regulation. Upon completion of the said

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

capital injection and transfer of equity interest in Zhejiang Kingsun, Hangzhou Kingdom Imp & Exp remained the sole shareholder of Kingdom Plastics, and Zhejiang Kingsun became the wholly-owned subsidiary of Kingdom Plastics.

On April 25, 2024, Kingdom Plastics passed a shareholder’s resolution to increase its registered capital from RMB81.0 million to RMB81.001 million. The increase in registered capital was contributed by Zhejiang Jinghongda, a wholly-owned subsidiary of Hangzhou Kingdom Imp & Exp, in cash. The said capital injection was completed on April 28, 2024 when the capital injection was registered with the local administration for market regulation.

Set forth below is a table showing the shareholding structure of Kingdom Plastics upon completion of the above capital injections:

Shareholders of Kingdom Plastics	Registered Capital (RMB)	Approximate Shareholding
Hangzhou Kingdom Imp & Exp	81,000,000	99.9988%
Zhejiang Jinghongda	1,000	0.0012%
Total	<u>81,001,000</u>	<u>100%</u>

(3) Conversion into a joint stock company (the “Conversion”)

In anticipation of the proposed [REDACTED], pursuant to a promoters’ agreement dated October 9, 2024 and the shareholders’ resolutions passed on June 13, 2024 and October 9, 2024 by all of our then shareholders, Kingdom Plastics was converted from a limited liability company into a joint stock company with limited liability. The conversion was made with reference to the Company’s net asset value as of April 30, 2024, among which, RMB40,000,000 was converted into 40,000,000 Shares with a nominal value of RMB1.00 each and the remaining RMB943,330,600 was converted into capital reserve.

Upon completion of registration with the Jiaxing Administration for Industry and Commerce (嘉興市市場監督管理局) on November 27, 2024, Kingdom Plastics was converted into a joint stock company with limited liability and was re-named as Zhejiang Kingdom New Material Co., Ltd. (浙江晶通新材料股份有限公司). Upon completion of the Conversion, the shareholding structure of our Company was as follows:

Shareholders of our Company	No. of Shares	Approximate Shareholding
Hangzhou Kingdom Imp & Exp	39,999,506	99.9988%
Zhejiang Jinghongda	494	0.0012%
Total	<u>40,000,000</u>	<u>100%</u>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(4) Capital injections in our Company after the Conversion

On December 2, 2024, our Company passed a shareholders’ resolution pursuant to which its registered capital was increased from RMB40.0 million to RMB90.0 million, with the total number of issued Shares increasing from 40,000,000 to 90,000,000. Of the newly issued Shares, Mr. Dai subscribed for 30,000,000 Shares at a nominal value of RMB1.00 per Share for a cash consideration of RMB30.0 million and Ms. Zhang subscribed for 20,000,000 Shares at a nominal value of RMB1.00 per Share for a cash consideration of RMB20.0 million. The said capital injection was completed on the even date when the capital injection has been registered with the local administration for market regulation.

On November 16, 2025, pursuant to a shareholders’ resolution, and in order to establish the pool of Shares for our Incentive Plan (as defined below in “— Incentive Platforms” in this section), the registered share capital of the Company was increased from RMB90.0 million to RMB92.46 million, and the number of issued Shares was increased from 90,000,000 Shares to 92,460,000 Shares. Of the newly issued Shares, (i) 1,520,000 Shares were allotted to Hangzhou Jinghe, one of our Incentive Platforms (as defined below in “— Incentive Platforms” in this section), for a cash consideration of RMB4.56 million, and (ii) 940,000 Shares were allotted to Hangzhou Jingju, one of our Incentive Platforms, for a cash consideration of RMB2.82 million. The said capital increase was completed on December 16, 2025 when the capital increase was registered with the local administration for market regulation. For further details of Hangzhou Jinghe and Hangzhou Jingju and our Incentive Plan, see “— Incentive Platforms” in this section below and “Statutory and General Information — Further Information about our Group — Share Incentive Plan” in Appendix VI to this document.

On March 25, 2026, our Company passed a shareholders’ resolution pursuant to which its registered capital was increased from RMB92.46 million to RMB95.10 million, with the total number of issued Shares increasing from 92,460,000 to 95,101,714. Zhejiang VC, one of our [REDACTED] Investors, subscribed for 2,641,714 newly issued Shares for a cash consideration of RMB100 million. The said capital increase was completed on April 3, 2026 when the capital increase has been registered with the local administration for market regulation. For further details, see “— [REDACTED] Investments” in this section below.

On April 28, 2026, our Company passed a shareholders’ resolution pursuant to which its registered capital was increased from RMB95.10 million to RMB99.06 million, with the total number of issued Shares increasing from 95,101,714 to 99,064,285. Zhejiang Construction, one of our [REDACTED] Investors, subscribed for 3,962,571 newly issued Shares for a cash consideration of RMB150 million. The said capital increase was completed on May 13, 2026 when the capital increase has been registered with the local administration for market regulation. For further details, see “— [REDACTED] Investments” in this section below.

Set forth below is a table showing the shareholding structure of our Company upon completion of this capital injection on May 13, 2026:

Shareholders of our Company	No. of Shares	Approximate Shareholding
Hangzhou Kingdom Imp & Exp	39,999,506	40.38%
Mr. Dai	30,000,000	30.28%
Ms. Zhang	20,000,000	20.19%
Hangzhou Jinghe.	1,520,000	1.53%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholders of our Company	No. of Shares	Approximate Shareholding
Hangzhou Jingju	940,000	0.95%
Zhejiang Jinghongda	494	0.00%
Zhejiang VC	2,641,714	2.67%
Zhejiang Construction	3,962,571	4.00%
Total	99,064,285	100%

ACTING-IN-CONCERT AGREEMENT

In order to formalize the joint influence by our founders, Mr. Dai and Ms. Zhang, entered into an acting-in-concert agreement on March 20, 2026, pursuant to which they agreed to, for a period of 36 months commencing from the date of agreement, communicate thoroughly to reach a consensus as to how to exercise their voting rights in our Company and act in concert by aligning their votes at the relevant Shareholders’ meetings and directors’ meeting. In the event that they could not reach a consensus as to how to exercise their voting rights, Ms. Zhang agreed to follow the directions of Mr. Dai.

[REDACTED] INVESTMENTS

Principal terms of the [REDACTED] Investments

The table below summarizes the principal terms of the [REDACTED] Investments:

Investor	Zhejiang VC	Zhejiang Construction
Investment agreements	1. The Capital Increase Agreement in relation to Zhejiang Kingdom New Material Group Co., Ltd. (《有關浙江晶通新材料集團股份有限公司之增資協議》) dated March 23, 2026 (the “Capital Increase Agreement”); and 2. The Shareholders’ Agreement in relation to Zhejiang Kingdom New Material Group Co., Ltd. (《有關浙江晶通新材料集團股份有限公司之股東協議》) dated April 30, 2026 (the “Shareholders’ Agreement”).	1. The Capital Increase Agreement in relation to Zhejiang Kingdom New Material Group Co., Ltd. (《有關浙江晶通新材料集團股份有限公司之增資協議》) dated April 30, 2026; and 2. The Shareholders’ Agreement.
Amount of registered capital or number of Shares acquired/subscribed for (as the case may be)	2,641,714 Shares	3,962,571 Shares

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Investor	Zhejiang VC	Zhejiang Construction
Approximate shareholding in our Company upon [REDACTED] (assuming the [REDACTED] is not exercised)	[REDACTED]	[REDACTED]
Approximate amount of consideration paid	RMB100,000,000	RMB150,000,000
Basis of consideration .	The considerations for the [REDACTED] Investments were determined based on arm’s length negotiations between our Company and the [REDACTED] Investors with reference to the timing of the investment, market value and business prospects of our Company.	
Date of payment of the consideration in full .	March 30, 2026	May 9, 2026
Approximate investment cost per Share (RMB)	37.85	37.85
Approximate discount to the [REDACTED] price ¹	[REDACTED]	[REDACTED]
Lock-up period	Pursuant to the applicable PRC laws and the Articles, the Shares which have been issued by the Company prior to the [REDACTED] (including the Shares held by the [REDACTED] Investor) shall not be transferred within one year from the [REDACTED].	
Use of [REDACTED] .	Our Company shall use the [REDACTED] from the [REDACTED] Investments for the Company’s daily business operations. As of the Latest Practicable Date, the [REDACTED] from the [REDACTED] Investments had not been utilized.	
Strategic benefits to our Company	Our Directors are of the view that our Company could benefit from the [REDACTED] Investments as such investments demonstrated the [REDACTED] Investors’ confidence in our business operations and served as an endorsement of our Company’s performance, strengths and prospects, as well as provided our Company with additional working capital to fund its daily business operations.	

Note:

- 1 Calculated on the basis of the [REDACTED] of HK\$[REDACTED], the mid-point of the proposed range of the [REDACTED].

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Special rights of the [REDACTED] Investors

Pursuant to the Shareholders’ Agreement, both [REDACTED] Investors were granted various special rights, including but not limited to repurchase and redemption rights (collectively, the “**Divestment Rights**”), anti-dilution rights, pre-emptive rights, tag-along rights, and liquidation preference rights, share transfer restrictions, most-favourable treatment rights, director nomination and other appointment rights, information and inspection rights, and other rights. In addition, Zhejiang Construction was granted rights of first refusal (collectively, the “**Special Rights**”).

The Divestment Rights have been automatically terminated on the day prior to the submission of a [REDACTED] application to the Stock Exchange. Furthermore, all other Special Rights will be automatically terminated on the [REDACTED]. However, in the event that: (i) the Company withdraws its [REDACTED] application from the Stock Exchange; (ii) the Stock Exchange, the SFC, or the CSRC does not accept, rejects, or disapproves the Company’s [REDACTED] application; or (iii) the Company fails to complete an [REDACTED] by December 31, 2027, all the Special Rights shall be resumed automatically, and shall be deemed to have been effective from the outset.

Background and independence of the [REDACTED] Investors

Zhejiang VC

Zhejiang VC is a limited liability company established in the PRC on June 7, 1993, and is one of the earliest venture capital institutions in China, focusing on technology venture investments. Zhejiang VC is a wholly-owned subsidiary of Zhejiang Fuzhe Technology Co., Ltd. (浙江富浙科技有限公司), which is in turn a wholly-owned subsidiary of the Zhejiang Provincial State-owned Capital Operation Co., Ltd. (浙江省國有資本運營有限公司), which is a state-owned enterprise ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Zhejiang Provincial People’s Government (浙江省人民政府國有資產監督管理委員會) (“**Zhejiang SASAC**”).

Zhejiang Construction

Zhejiang Construction is a limited partnership established in the PRC on April 27, 2026, which is principally engaged in enterprise management and equity investment-related activities. As of the Latest Practicable Date, Zhejiang Zhejian Industrial Investment Consulting Management Co., Ltd. (浙江浙建產投諮詢管理有限公司) (“**Zhejiang Zhejian Industrial Investment Consulting**”) and Zhejiang Zhecai Innovation and Entrepreneurship Investment Co., Ltd. (浙江浙財創新創業投資有限公司) (“**Zhecai Innovation**”) are the general partners of Zhejiang Construction, each holding approximately 0.067% partnership interests in Zhejiang Construction. Zhejiang Zhejian Industrial Investment Consulting is the executive general partner of Zhejiang Construction, who is responsible for managing and executing the affairs of Zhejiang Construction on behalf of all partners and is ultimately controlled by Zhejiang SASAC. Zhecai Innovation is owned as to 40% by each of Zhejiang Zhecai Capital Management Co., Ltd.* (浙江浙財資本管理有限公司) (“**Zhejiang Zhecai**”), Yiwu Huishang Zijin Capital Management Co., Ltd.* (義烏惠商紫荊資本管理有限公司) (“**Yiwu Huishang**”). Zhejiang Zhecai is ultimately controlled by the Department of Finance of Zhejiang Province (浙江省財政廳). Yiwu Huishang is owned by 6 Independent Third Parties and none of them owns more than 20% shares of Yiwu Huishang. The limited partners of Zhejiang Construction

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

are Zhejiang Zhejian Industrial Investment Development Co., Ltd. (浙江浙建產投發展有限公司) (“**Zhejiang Zhejian Industrial Investment Development**”) and Zhecai Runtong (Tongxiang) Enterprise Management Partnership (Limited Partnership) (浙財潤桐(桐鄉)企業管理合夥企業(有限合夥)) (“**Zhecai Runtong**”), holding approximately 66.56% and 33.31% partnership interests in Zhejiang Construction, respectively. Zhejiang Zhejian Industrial Investment Development is ultimately controlled by Zhejiang SASAC. The general partner of Zhecai Runtong is Zhecai Innovation.

To the best knowledge of our Directors, the [REDACTED] Investors are Independent Third Parties.

Sole Sponsor’s confirmation

On the basis that (i) [REDACTED] will take place more than 120 clear days after the completion of the [REDACTED] Investments, and (ii) the special rights granted to the [REDACTED] Investors either have already been suspended prior to the submission of a [REDACTED] application to the Stock Exchange or will be terminated on the [REDACTED], the Sole Sponsor confirms that the [REDACTED] Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and as of the Latest Practicable Date, our Group did not have any major acquisitions, disposals or mergers.

Business Combination in 2024

In preparation for [REDACTED], in 2024, our Company acquired certain business and equity interests from parties within our group of Controlling Shareholders, including 100% equity interests in Zhejiang Kingsun and 100% equity interests in Decoflooring. The aforesaid acquisitions were business combinations under common control of the Controlling Shareholders and the financial statements of the targets were consolidated into the financial statements of our Group from the beginning of the Track Record Period, and therefore do not constitute acquisitions of material subsidiary or business which are required to be disclosed under Rule 4.05A of the Listing Rules.

INCENTIVE PLATFORMS

In recognition of the contributions of the employees of our Group, and to incentivize them to further promote our development, we have adopted an equity incentive arrangement (the “**Share Incentive Plan**”) implemented through two limited partnerships established in the PRC as our incentive platforms (collectively, the “**Incentive Platforms**”), namely Hangzhou Jinghe and Hangzhou Jingju. Under this arrangement, eligible participants subscribe for partnership interests in the Incentive Platforms with their own funds and thereby indirectly hold our Shares. For details of the Share Incentive Plan, see “— Statutory and General Information — Further Information about our Group — Share Incentive Plan” to this document.

To establish a pool for the Share Incentive Plan, we have issued: (i) 1,520,000 Shares (representing approximately 1.53% of our total issued share capital as at the Latest Practicable Date) to Hangzhou Jinghe and (ii) 940,000 Shares (representing approximately 0.95% of our

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

total issued share capital as at the Latest Practicable Date) to Hangzhou Jingju. For details, see “— Corporate Development and Shareholding Changes of our Company — (4) Capital injections in our Company after the Conversion” in this section above.

As of the Latest Practicable Date, the particulars of the Incentive Platforms including partnership structure, the interests of Directors, senior management, or their associates, the corresponding approximate percentages of their partnership and economic interests, and the voting rights arrangement, are summarized below. Unless otherwise stated, the partnership interest percentages align with the economic interests.

Platform	General partner		Limited partners		
	Name/Identity	Partnership interests	Name/Identity	Position in the Group	Partnership interests
Hangzhou Jinghe . . .	Mr. Dai	53.29%	Mr. Tang Nianfeng	Executive Director of our Company	16.45%
			Mr. Shan Zhongshun	Chief financial officer, secretary to the Board and senior management of our Group	9.87%
			Mr. Zhou Guoqiang	Financial director	6.58%
			Ms. Zhang Ying	Manager of overseas sales department	9.87%
			Ms. Shen Qin	Manager of the finance department	1.97%
			Ms. Zheng Libo ¹	Vice executive officer of Hangzhou branch office	1.97%
Hangzhou Jingju . . .	An employee of our Group who is not a Director, senior management or connected person of our Company ³	31.92%	11 other current employees of the Group who are not Directors, senior management or connected person of our Company ²		68.08%

Notes:

- Ms. Zheng Libo is a close associate of Mr. Tang Nianfeng, an executive Director of our Company.
- Save for two employees who each holds approximately 10.64% interests in Hangzhou Jingju, no employees who are limited partners of Hangzhou Jingju holds more than 10% interests in Hangzhou Jingju.
- Such employee is a sales manager of the Company and has been serving the Company since September 5, 2008.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR [REDACTED]

Our Company has applied for the Conversion of Unlisted Shares into H Shares, which involves [REDACTED] Shares held by eight Shareholders. The table below is a summary of the shareholding structure of our Company as of the Latest Practicable Date and following the completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares (assuming the [REDACTED] is not exercised):

Name of Shareholders	As of the Latest Practicable Date		Immediately upon completion of the [REDACTED] ⁽¹⁾		
	Aggregate number of Shares	Shareholding percentage	Number of Shares		Aggregate Shareholding percentage
			Unlisted Shares	H Shares	
Hangzhou Kingdom Imp & Exp	39,999,506	40.38%	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Dai	30,000,000	30.28%	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Zhang	20,000,000	20.19%	[REDACTED]	[REDACTED]	[REDACTED]
Hangzhou Jinghe	1,520,000	1.53%	[REDACTED]	[REDACTED]	[REDACTED]
Hangzhou Jingju	940,000	0.95%	[REDACTED]	[REDACTED]	[REDACTED]
Zhejiang Jinghongda . . .	494	0.00%	[REDACTED]	[REDACTED]	[REDACTED]
Zhejiang VC	2,641,714	2.67%	[REDACTED]	[REDACTED]	[REDACTED]
Zhejiang Construction . .	3,962,571	4.00%	[REDACTED]	[REDACTED]	[REDACTED]
Investors from the [REDACTED]			[REDACTED]	[REDACTED]	[REDACTED]
Total	99,064,285	100%	[REDACTED]	[REDACTED]	100%

Note:

(1) Assuming that the [REDACTED] is not exercised.

PUBLIC FLOAT

Pursuant to Rule 8.08(1) (as amended and replaced by Rule 19A.13A) of the Listing Rules, the [REDACTED] of our Shares upon [REDACTED] is expected to be not exceeding HK\$6,000,000,000 based on, irrespective of the low-end, mid-point or high-end of the indicative [REDACTED], and therefore the minimum prescribed public float percentage applicable to our Shares is 25% in each case.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Immediately upon completion of the [REDACTED] (assuming the Conversion of Unlisted Shares into H Shares is completed and the [REDACTED] is not exercised), our Company will have [REDACTED] H Shares, among which:

- (1) among the [REDACTED] H Shares:
 - a. the [REDACTED] H Shares held by the Controlling Shareholders (being Mr. Dai, Ms. Zhang, Hangzhou Kingdom Imp & Exp, Zhejiang Jinghongda and Hangzhou Jinghe) to be converted from Unlisted Shares pursuant to the Conversion of Unlisted Shares into H Shares of the Company and [REDACTED] on the Stock Exchange (representing approximately [REDACTED]% of our total issued Shares upon [REDACTED]) will not be counted towards the public float for the purpose of Rule 19A.13A(1) of the Listing Rules after the [REDACTED] as such Shares are held by our core connected persons of our Company or their respective close associates;
 - b. the [REDACTED] H Shares to be converted from Unlisted Shares pursuant to the Conversion of Unlisted Shares into H Shares of the Company and [REDACTED] on the Stock Exchange (representing approximately [REDACTED]% of our total issued Shares upon [REDACTED]) will be counted towards the public float for the purpose of Rule 19A.13A(1) of the Listing Rules. These H Shares are held by Hangzhou Jingju and the [REDACTED] Investors, and none of the partners of Hangzhou Jingju or the [REDACTED] Investors will be core connected persons of our Company upon [REDACTED] nor are they accustomed to take instructions from the Company’s core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by the Company’s core connected persons; and
- (2) [REDACTED] H Shares will be issued pursuant to the [REDACTED].

In light of the above, immediately following the completion of the [REDACTED], the total number of H Shares expected to be held by the public represents approximately [REDACTED]% of the total issued share capital of our Company, thereby satisfying the public float requirement under Rule 19A.13A(1) of the Listing Rules.

FREE FLOAT

Rule 19A.13C(1) of the Listing Rules provides that, where a new applicant is a PRC issuer with no other listed shares at the time of listing, this will normally mean that the portion of H Shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 10% of the total number of issued shares in the class to which H Shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK\$50,000,000; or (b) have an expected market value at the time of listing of not less than HK\$600,000,000.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Pursuant to the applicable PRC law, within the 12 months following the [REDACTED], all existing Shareholders cannot dispose of any of the Shares held by them. As such, H Shares held by the existing Shareholders as of the date of this document shall not be counted towards the free float of the H Shares of the Company at the time of [REDACTED]. Immediately following the completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, (assuming that the [REDACTED] is not exercised), we expect [REDACTED] Shares, representing [REDACTED]% of the enlarged total number of our issued Shares, will be held by the public and will not be subject to any disposal restrictions at the time of [REDACTED], which is higher than 10% of the total number of issued Shares as required under Rule 19A.13C(1)(a) of the Listing Rules. Therefore, our Company believes that it will satisfy the free float requirements under Rule 19A.13C(1) of the Listing Rules.

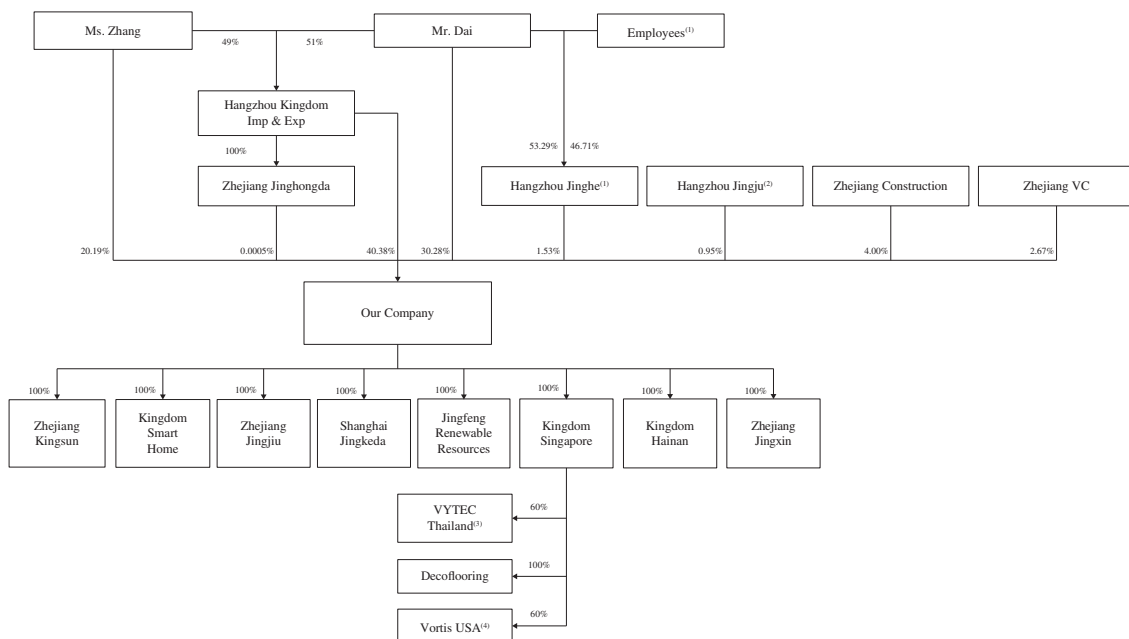
PRC LEGAL COMPLIANCE

Our PRC Legal Advisors have confirmed that each of the incorporation, capital increase, capital reduction and transfer of our PRC subsidiaries have been legally completed and the requisite government approvals or filings in all material respects, as applicable, have been obtained in accordance with PRC laws and regulations.

CORPORATE STRUCTURE

Our structure immediately prior to the [REDACTED]

The following chart sets forth our Group’s corporate and shareholding structure immediately prior to the [REDACTED]:



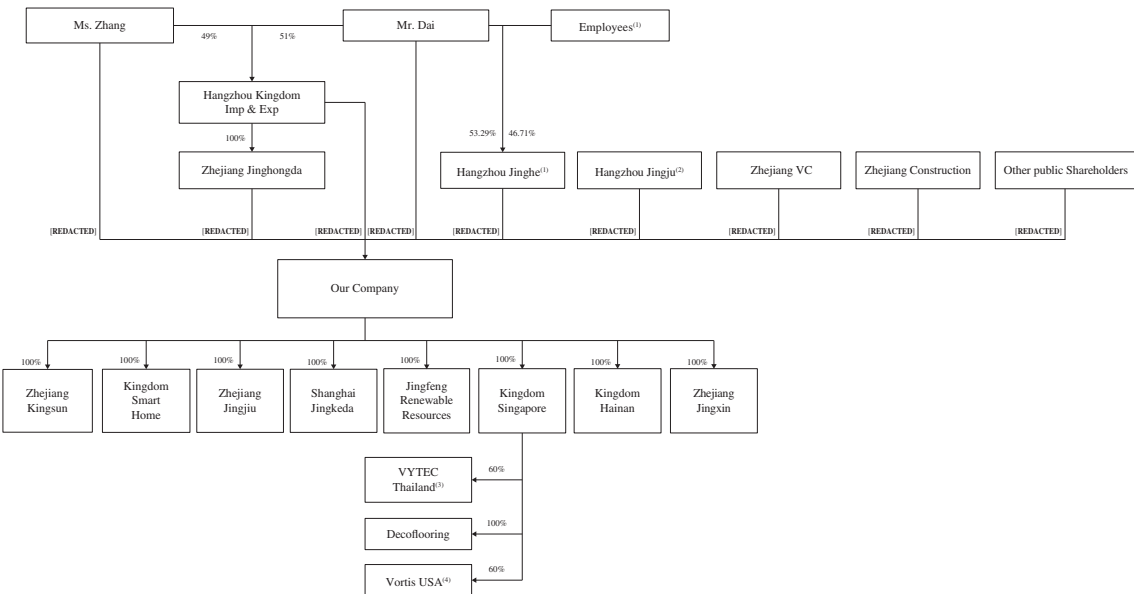
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

- (1) Hangzhou Jinghe is one of our Incentive Platforms. Mr. Dai is the general partner of Hangzhou Jinghe, one of our Incentive Platforms while the employees are the limited partners of Hangzhou Jinghe. As of the Latest Practicable Date, each of Mr. Tang Nianfeng, Mr. Shan Zhongshun, Mr. Zhou Guoqiang, Ms. Zhang Ying, Ms. Shen Qin, and Ms. Zheng Libo (collectively, the “**Employees**”) holds approximately 16.45%, 9.87%, 6.58%, 9.87%, 1.97% and 1.97% of the partnership interests in Hangzhou Jinghe. For further details, see “— Incentive Platforms” in this section above.
- (2) Hangzhou Jingju is one of our Incentive Platforms. For further details, see “— Incentive Platforms” in this section above.
- (3) As of the Latest Practicable Date, VYTEC Thailand is owned as to 60% by Kingdom Singapore, 25% by Yosegrow, 10% by Enduring Innovation and 5% by Eight Choice. To the best of the Directors’ knowledge, information and belief, as at the Latest Practicable Date, Yosegrow and Enduring Innovation (other than their respective shareholdings in VYTEC Thailand), Eight Choice and their ultimate beneficial owners are Independent Third Parties. For further details, see the paragraph headed “Substantial Shareholders — Interests in our Company’s subsidiaries” in Appendix VI to this document.
- (4) Upon its incorporation in December 2024 and as of the Latest Practicable Date, Vortis USA is owned as to 60% by Kingdom Singapore, 25% by Yosegrow, 10% by Enduring Innovation and 5% by B2B National Trading. To the best of the Directors’ knowledge, information and belief, as at the Latest Practicable Date, Yosegrow and Enduring Innovation (other than their respective shareholdings in VYTEC Thailand), B2B National Trading, and their respective ultimate beneficial owners are Independent Third Parties. For further details, see the paragraph headed “Substantial Shareholders — Interests in our Company’s subsidiaries” in Appendix VI to this document.

Our structure immediately following the [REDACTED]

The following chart sets forth our Group’s corporate and shareholding structure immediately after completion of the [REDACTED], assuming that the [REDACTED] is not exercised.



Note: See notes under the table in “— Corporate Structure — Our Structure Immediately Prior to the [REDACTED]”.

BUSINESS

OUR MISSION

To develop innovative low-carbon materials and serve global customers in a more sustainable future.

OUR VISION

To become a global leader in advanced sustainable materials through digital innovation and operational efficiency.

OVERVIEW

Who We Are

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.

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. The following sets forth our key business highlights:

 Ranked No. 1 in total export value from Chinese Mainland Based on total export value from Chinese Mainland in 2025, the Company ranked first among all suppliers in the PVC decoration materials market	 Ranked No. 1 in total export value to Europe Based on total export value to Europe in 2025, the Company ranked first among all Chinese suppliers ¹ in the PVC decoration materials market	 Extensive international footprint across Europe, North America, and beyond Key markets include Germany, France, the Netherlands, the United States, the United Kingdom, and Switzerland.
 Premium quality serving top-tier customers A major supplier for Europe, serving eight out of top ten European home improvement retail groups ²	 Industry-first technologies with continuous product innovation Pioneered digital printing, excimer and fully halogen-free PETG flooring technologies, launching an average of 300+ new self-developed flooring products and 100+ new self-developed wall panel products annually	 Global supply chain layout China + Southeast Asia + Europe, with annual production capacity of tens of millions square meters
 Recognized with prestigious industry honors for consecutive years Top Ten Brands in Resilient Flooring Industry, Leading Brand in the Wall Panel Industry, German iF Product Design Award, Zhejiang Export Famous Brand	 Sustained business growth Revenue CAGR of 20.2% from 2023 to 2025; SPC Revenue CAGR of 17.9% from 2023 to 2025	 Pioneer of green sustainability Reducing carbon emissions in the production of SPC products, compared to traditional ceramic tiles

1. Chinese suppliers refer to suppliers headquartered in Chinese Mainland, including both domestic and overseas production facilities.
2. This refers to the top ten home improvement retail groups in Europe in terms of retail sales value in 2025.

BUSINESS

Our Market Position

Our business has been globally oriented since our establishment. We are a major supplier for Europe, serving eight out of the top ten European home improvement retail groups, and our products have been available in more than 60 countries and regions worldwide, including Germany, France, the Netherlands, the United States, the United Kingdom, and Switzerland. 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 suppliers¹ in terms of total export value to Europe in the PVC decoration materials market in 2025. In addition, as of the Latest Practicable Date, we have received multiple industry recognitions on an annual basis, including “Top Ten Brands in the Resilient Flooring Industry in China” since 2018, “Leading Brand in the Wall Panel Industry in China” since 2022, and “Zhejiang Export Brand” since 2018.

Our Products

Throughout fifteen years of development, we have continuously focused on addressing the distinct needs of consumers and driving product R&D innovation, and have achieved several rounds of product iterations and formed four major product lines: (i) SPC flooring and wall panels, (ii) LVT flooring panels and (iii) EPC flooring and wall panels, along with (iv) other innovative products including PETG flooring panels.

Our products provide distinct functional advantages over traditional decoration materials, including naturalistic aesthetics, fire resistance, antibacterial properties, low carbon and formaldehyde-free composition, sound insulation, wear resistance, pest and mold resistance, and ease of installation. Our diverse product portfolio is suitable for a wide range of residential, commercial, and public spaces, including homes, hotels, shopping malls, office buildings, schools, libraries and eldercare facilities. With a broad selection of colors, patterns, and embossing, our products are designed to meet customers’ various customized preferences. 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.

We were among the first in the industry to adopt digital printing technology, allowing our products to more closely replicate the appearance and texture of natural materials, thereby enhancing the overall customer experience. We were also one of the early movers in introducing halogen-free PETG flooring products, which do not release toxic substances during combustion, further improving product safety. In addition, we were one of the first companies to obtain Global Recycled Standard (“GRS”) certificates, the Scientific Certification Systems (“SCS”) Global Services, the Blue Angel ecolabel (“Blue Angel”), and the Environmental Product Declaration (“EPD”) in compliance with EU requirements, facilitating the use of recycled PVC materials in decoration and renovation panels.

¹ Chinese suppliers refer to suppliers headquartered in Chinese Mainland, including both domestic and overseas production facilities.

BUSINESS

Our Growth Opportunity

We will continue to consolidate our core European market while further expanding our penetration in other regions. While maintaining and strengthening our leading market position in Europe, we plan to accelerate our expansion in North America and emerging markets, targeting mainstream sales channels in the United States and simultaneously expanding to markets such as South America, Australia, and Southeast Asia to build a globally balanced footprint.

Our overseas wall panel business is expected to become a key driver of our second growth curve. Our wall panels serve as a superior, cost-effective alternative to traditional tiles, stone, and natural wood. We will further apply digital printing technology in wall panels to introduce differentiated designs and surface textures, creating unique decorative patterns distinctive to our brand. In addition, we will strengthen intellectual property coverage in wall panel formulations, installation processes, manufacturing techniques, and proprietary designs. Our goal is to develop wall panels into a second principal product line alongside our flooring business. We will intensify the promotion of our wall panel products abroad, expand our existing product portfolio, and tailor offerings to diverse scenarios, including bathrooms, kitchens, living rooms, and commercial spaces such as office buildings and shopping malls, with the aim of becoming a global leader in the wall panel market.

China will become our strategic market focus driven by government-led urban renovation initiatives. In 2025, the renovation market for existing residential properties accounted for approximately 65% of the total home improvement market in Chinese Mainland, underpinned by the large-scale government initiative for the renovation of old urban residential communities as well as growing demand of residential, commercial and public space sectors. Our quick-installation solutions reduce construction periods, minimize disruption and enable faster project delivery. Leveraging the opportunities presented by the government initiative for renovation of old urban residential communities, we will promote our domestic “Zero Wood Intelligent Manufacturing (零木智造)” brand to address the upgrading and improvement needs of our domestic customer base.

Our Financial Performance

We have achieved solid financial performance during the Track Record Period. Our total revenue increased by 38.9% from RMB1,597.8 million in 2023 to RMB2,219.4 million in 2024, and further increased by 3.9% to RMB2,306.7 million in 2025.

Our net profit increased by 46.5% from RMB229.8 million in 2023 to RMB336.7 million in 2024, and further increased by 7.1% to RMB360.5 million in 2025.

BUSINESS

Our Commitment to Sustainable Development

Guided by our mission of developing innovative low-carbon materials and serving global customers in a more sustainable future, we have established a globalized production footprint supported by stringent international environmental certification standards. This enables us to set an industry benchmark that balances supply chain resilience with environmental sustainability.

Our products have obtained a number of internationally recognized certifications and comply with widely adopted technical standards, including FloorScore certification for indoor air quality in the United States, compliance with the American Society for Testing and Materials International standards, CE Marking in accordance with applicable EU regulatory requirements, joint indoor product health and quality certification by TÜV Germany and France’s indoor air quality A+ rating. These certifications and compliance exceed the quality requirements for PVC flooring under EU standard EN-ISO-10582. In addition, we have worked with leading global third-party certification bodies to obtain Health Product Declarations and Environmental Product Declarations, through which we publicly disclose the raw materials used in our production processes and the environmental impacts associated with our products.

Compared with traditional ceramic materials, the production of one square meter of our new polymer stone plastic decoration composite materials reduces much more carbon emissions.

OUR STRENGTHS

Our established leading position in the new polymer stone plastic decoration composite materials market

As an industry-leading provider of new polymer stone plastic decoration composite materials, we have established a strong competitive position in the international market, supported by our global footprint, continuous innovation and commitment to green and circular development. 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, and we ranked first among all suppliers in terms of total export value from Chinese Mainland in the PVC decoration materials market in 2025. Europe represents one of the most important markets globally for our products and is also a key strategic market for our business development. According to Frost & Sullivan, we ranked first among all Chinese suppliers¹ in terms of total export value to Europe in the PVC decoration materials market in 2025.

¹ Chinese suppliers refer to suppliers headquartered in Chinese Mainland, including both domestic and overseas production facilities.

BUSINESS

Our leading position is supported by a combination of our business scale, product performance and global market penetration. We have built a broad product portfolio that integrates functional performance, aesthetic design and installation efficiency, enabling substitution for traditional materials for application scenarios across residential, commercial and public spaces. Supported by our manufacturing footprint in China and Thailand and our planned expansion into Europe, we have established scalable production capacity and stable supply capabilities to serve global customers. We have also established a broad and diversified customer base comprising retailers, brand owners and industrial customers across the global market.

Our long-standing relationship with high-quality major customers

We are committed to establishing long-term, trust-based strategic partnerships with our major customers. Our major customers include a number of internationally well-known industry leaders. We are a major supplier for Europe, serving eight out of the top ten European home improvement retail groups in terms of sales value in 2025. Customer A, one of the largest home improvement retailers in Europe, which has been cooperating with us since 2014, accounted for 20.1%, 19.0% and 14.9% of our total revenue in 2023, 2024, and 2025, respectively. Customer B, one of the largest home improvement retailers in Germany, which has worked with us since 2018, accounted for 10.9%, 10.5% and 12.7% of our total revenue in 2023, 2024, and 2025, respectively. Customer C, one of the largest flooring brand owners in the Netherlands, which has collaborated with us since 2014, accounted for 6.3%, 6.0% and 5.1% of our total revenue in 2023, 2024, and 2025, respectively. Customer E, one of the largest flooring brand owners in the Netherlands, which has collaborated with us since 2018, accounted for 4.0% and 4.5% of our total revenue in 2023 and 2024, respectively. We have maintained long-term and stable cooperative relationships with our major customers and have become one of their major suppliers. Over the past five years, our retention rate for our top 30% customers has reached 100%, significantly higher than the industry average, according to Frost & Sullivan. The high level of mutual trust and recognition between us and our major customers provides a strong foundation for our long-term, sustainable and steady growth.

Our strong technological innovation capabilities and continuous expansion into new application areas

We have established a multi-tier research and development framework that is enterprise-led, demand-oriented and deeply integrated with industry, academia and research institutions. Within this framework, our technology research and development center at the Group headquarters focuses on rapid product development to meet customer needs. Our research institute in Shanghai undertakes forward-looking technology exploration and technical reserves, while our product development center is responsible for end-to-end product development execution. As of December 31, 2025, we employed 126 research and development personnel. Our core research personnel generally possess more than 10 years of industry experience. Since 2022, our laboratories have obtained accreditation from the China National Accreditation Service for Conformity Assessment for three consecutive years. In addition, we actively collaborate with leading domestic universities to carry out joint research on new technologies, continuously exploring the application of new polymer composite materials in the decoration materials sector.

BUSINESS

We were among the first in the industry to introduce digital printing technology and excimer technology, and we were an early mover in launching fully halogen-free PETG flooring products. We are one of the leading companies to obtain GRS certifications from SCS Global Services. As of December 31, 2025, we owned more than 72 core technologies related to stone plastic composite materials and obtained over 115 registered patents globally, including 45 invention patents. 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. We also actively participate in the formulation of one national standard and six group standards, further reinforcing our technological leadership in the industry.

We continue to invest in R&D innovation to expand the application of polymer composite materials into new fields. We have developed a high-performance polymer alloy thermoplastic panel project for use in domestically manufactured large aircrafts, with products achieving industry-leading performance in impact resistance, mechanical strength and flame retardancy. This project has received special funding support under Zhejiang Province’s “Pioneer Plan.” In addition, we were among the first in the industry to launch flame-retardant, low-smoke flooring products that meet marine application requirements. Looking ahead, we plan to continue expanding our product deployment in aviation, high-speed rail and urban rail transit, and marine applications, while exploring additional application scenarios to diversify our business directions and broaden our revenue growth drivers.

Our well-established global supply chain

We adhere to a “service-centric, prompt response” principle and have proactively established a production and warehousing network covering China, Southeast Asia and Europe, and extending globally, ensuring supply stability, agile delivery, and cost optimization. Our supply chain is anchored by our production base at our headquarters in Tongxiang, Zhejiang, China, the strategic production hub in Thailand, the sales team and warehouses in Germany established in 2014. We plan to further establish a localized manufacturing facility in Europe and set up forward warehouses in the United States. This network forms an efficient supply chain spanning Asia and other key global markets reducing the reliance on a single production region.

Our core manufacturing base in Tongxiang, Zhejiang, China, comprises four modern factories with a gross floor area of approximately 262.9 thousand square meters with an annual production capacity of 51 million square meters in 2025. Located in the heart of the Yangtze River Delta, the base benefits from highly convenient transportation, approximately two hours from both Shanghai Port and Ningbo Port, providing strong logistical advantages to efficiently serve both domestic and global markets.

BUSINESS

Our Thailand production base is located in Chonburi Province, the core of Thailand’s Eastern Economic Corridor. The current Thailand production base covers a land area of approximately 89,700 square meters with an annual production capacity of 15.0 million square meters in 2025, while the expansion plan on the current production base is to add an annual production capacity of 12.0 million square meters. This production base is within proximity to Laem Chabang Deepwater Port and Suvarnabhumi International Airport, serving as a key strategic hub for North America, Europe, and other overseas markets while benefiting from regional free trade agreements.

We have established an overseas forward warehouse of a gross floor area of approximately 17,215 square meters in Germany. We have also established a localized sales and service team in Germany to serve the European market and have complemented this presence with overseas warehousing capabilities. Under this model, we provide customers with 24-hour rapid response services, with product delivery timelines of typically no more than 15 days, significantly enhancing communication efficiency and delivery performance. This has strengthened customer engagement and cooperation while reinforcing our global sales network and market presence.

We invest approximately RMB62.6 million annually on average in production line automation upgrades. By the end of 2024, we have completed the construction for an intelligent warehouse of a gross floor area of total approximately 64,131 square meters, improving outbound efficiency by approximately 67%. Currently, approximately 50% of our orders are produced through fully automated production lines. This significantly reduces quality fluctuations caused by human intervention, achieving both efficiency and quality improvement, laying a solid foundation for the automated manufacturing facility. By seamlessly integrating a global manufacturing footprint with cutting-edge digital and automated capabilities, we have forged a future-ready supply chain that consistently drives operational excellence, ensures superior product quality, and underpins our sustainable long-term growth.

Strong product performance, broad application scenarios and cost efficiency

Compared with traditional decoration and renovation materials, our products offer advantages including environmental friendliness, antibacterial properties, low-carbon and recyclable characteristics, ease of installation, sound insulation and noise reduction, fire resistance, high impact resistance, abrasion and scratch resistance, water and slip resistance, resistance to insects and mold, dimensional stability and compatibility with underfloor heating systems. As a result, our products exhibit strong substitutability for traditional materials such as wooden flooring, stone and ceramic tiles in both flooring and wall panel applications.

Our products are widely used in residential, commercial and public spaces. In residential settings, our products align well with homeowners’ requirements for aesthetics and quality, and are therefore commonly applied across various household areas, including bedrooms, bathrooms, kitchens, living rooms and staircases, covering both flooring and wall applications. In commercial applications, our products are widely used for interior flooring and walls in various commercial buildings, leveraging their ease of set-up, which enables quick installation and frequent reconfiguration, and therefore significantly reduces labor and time costs. In public

BUSINESS

facilities, our products offer health-oriented, quiet, comfortable and slip-resistant characteristics, making them suitable for high-traffic environments such as sports venues, hospitals, libraries and schools. Their environmentally friendly attributes are particularly well-suited for settings with stringent health and formaldehyde-free requirements, including schools, hospitals and elderly care institutions.

Our products generally offer more favorable cost-effectiveness compared to solid wood flooring and ceramic tiles of comparable quality, both in terms of the products themselves and installation costs. In terms of installation, ceramic tiles typically require complex cement mortar laying and grouting processes, while wooden flooring requires additional moisture-proof layers and keels. In contrast, our products predominantly adopt a click-lock installation system, which enables easy self-installation and significantly shortens installation time and reduces labor costs. These advantages are particularly pronounced in Europe and North America, where labor costs are relatively higher.

Our strong commitment to environmental, social and governance principles

We actively implement environmental, social, and governance (“ESG”) responsibilities, integrating green principles into our supply chain and product innovation, and are committed to sustainable development through green factory initiatives.

We are actively establishing a comprehensive system for the recycling and reuse of materials, specifically focusing on the reclamation and utilization of flooring and wall panels to achieve product circularity and mitigate the adverse environmental impact of materials. Concurrently, we are diligently exploring the application of recyclable materials to produce lower-carbon and environmentally friendly and recycled PVC products. Our ongoing research into novel low-carbon material technologies is aimed at introducing “net-zero carbon” products to address diverse customer requirements. Furthermore, we are investing in the research and development of biodegradable materials. By utilizing biodegradable polymer composites as base materials for our products, we aim to provide sustainable solutions that address end-of-life disposal challenges and introduce an innovative sustainability concept to the industry.

We target “resource efficiency and environmental friendliness” and have established a multi-dimensional green production system. In production optimization, clean production audits are fully implemented, and process innovation and raw material optimization reduce pollutants at the source, with emissions in key production processes much lower than industry averages.

We have obtained energy management system certification and established a three-tier “company-department-team” energy control mechanism, enabling real-time monitoring and precise energy management. High-energy-consuming motors have been replaced with high-efficiency equipment, improving production energy efficiency significantly compared with pre-upgrade levels. Energy consumption per unit of output remains better than advanced industry benchmarks, laying a solid foundation for green transformation.

BUSINESS

Our visionary management team with international perspective and our strong human resource management

Our strong performance and leading market position are driven by the forward-looking strategic vision, exceptional leadership, and outstanding execution capabilities of our management team. Under the leadership of Mr. Dai Huibin, the chairman of the Board, the chief executive officer and executive Director of our Company, our management team has built a strong track record of identifying and capitalizing on market opportunities, in particular within the European market, where we have established long-term and stable business relationships with a number of internationally recognized customers and industry participants. Our management team has also maintained a consistent focus on product innovation and proprietary product development to address the evolving and diversified requirements of our customers. Core members of our management team possess extensive experience in new materials and exhibit outstanding managerial capabilities.

We have established a global recruitment framework that complies with employee hiring and employment requirements across different jurisdictions. We adhere to applicable local labor and employment laws to ensure compliant operations in all regions where we operate. At the same time, we promote and facilitate cultural integration within our cross-border teams, supporting our business units in building effective mechanisms for cross-regional resource coordination and communication. Leveraging AI-enabled and digitalized human resources management tools, we enhance the internationalization of talent management within our management team and strengthen our capabilities in managing a globally diversified workforce.

OUR STRATEGIES

Strengthen international presence and accelerate growth in key products

We will continue to strengthen our core presence in Europe, leveraging our established local sales team and regional warehouse network in Germany to further increase market penetration and further extend our market reach by establishing our future production base in Hungary. At the same time, we will accelerate our expansion in North America and emerging markets by replicating the successful localized operation model established in Europe. We have built a local service team in Atlanta, the United States, and plan to build our U.S. warehouse to further increase our market share in the United States and facilitate a rapid entry into mainstream channels, while simultaneously extending our reach to our domestic market in Chinese Mainland to achieve a globally balanced presence.

In the domestic market, we will uphold our “Quality Housing” philosophy and leverage our “Zero Wood Intelligent Manufacturing (零木智造)” brand. This approach will enable us to capitalize on urban renewal and existing housing renovation policies, specifically addressing the demands for upgrading aging residential stock.

BUSINESS

Expand product portfolio and strengthen new product development

Building on our existing product lines and in response to the increasingly diverse application scenarios, we plan to expand the scope of our products and enhance overall cost-performance, leveraging advanced high-speed digital printing technology to achieve realistic design effects. We aim to further enrich our product variety and enhance product performance to better meet market demand, with particular focus on wall panels, recyclable materials, outdoor products, and aviation and rail transit applications.

Our wall panels serve as a superior, cost-effective alternative to traditional tiles, stone, and natural wood. We will intensify the development of wall panel products by increasing R&D investment to advance the wall panel system toward lighter weight, easier installation, noise reduction, and low-carbon recycling. We will further apply digital printing technology in wall panels to introduce differentiated designs and surface textures, creating unique decorative patterns distinctive to our brand. We will also strengthen patent coverage in formulations, installation processes, and other technical areas, enriching our existing product matrix. We will expand the optimization and promotion of recycled PVC and future rPET products, with the intention of developing them into a significant part of our business. We will establish a full-cycle production system for recycled PVC and rPET materials, ensuring minimal carbon emissions for all recycled products. We will enhance the development and production of outdoor products, including outdoor flooring, wall panels, handrails, and grating systems, aiming for steady growth in revenue from our outdoor product line. We will establish dedicated research institute projects to optimize our products for aviation and rail transit applications, aiming to meet the relevant testing and certification requirements across multiple use cases.

Continue to invest in emerging technologies to enhance R&D and innovation

In response to industry development trends and evolving customer needs, we continue to invest in multiple emerging technology areas to reinforce our foundation of research and innovation.

In the field of green and low-carbon materials, we are actively exploring the use of recycled and biodegradable polymer composites in new polymer stone plastic decoration flooring, including recyclable products and biodegradable materials such as polylactic acid and polybutylene adipate terephthalate. These efforts aim to address end-of-life disposal challenges, reduce environmental impact, and support the development of “net-zero carbon” products to meet evolving customer and sustainability needs.

BUSINESS

To meet customer demands for easy installation, product safety, usage durability, and comfort, we are developing technologies in porous sound-absorbing materials, flame-retardant and smoke-suppressing materials, polymer micro-expansion techniques, and high-hardness coatings. These innovations aim to enhance product performance in noise reduction, fire resistance, light weight, scratch and wear resistance. This not only improves user experience and strengthens customer loyalty but also expands application scenarios for SPC products, opening new markets and supporting business growth. In terms of product aesthetics, we continue to explore the potential of digital printing technology. This enhances the realism, refinement, and variety of our designs, providing customers with a unique aesthetic experience and promoting the replacement of traditional flooring materials such as wood and ceramic tiles.

At the beginning of 2025, we established a research institute in Shanghai, focusing on recyclable, biodegradable and functional polymer composites. The institute is staffed by experienced R&D teams and equipped with world-class analytical instruments, enabling in-depth analysis of material properties. It also serves as a platform for industry-academia collaboration in the future, establishing a full-chain innovation system from “frontier exploration — technology development — industrial enablement” to support our sustainable growth.

Establish an integrated global supply network with intelligent and sustainable manufacturing

Amid the accelerated global transition of manufacturing toward intelligence and flexibility, we focus on building an end-to-end intelligent supply system through a global footprint. By leveraging our coordinated network across China, Thailand, and Europe, we achieve deep alignment between customer demand and regional markets.

We aspire to become an industry leader in intelligent manufacturing and intend to continue increasing our investments in digitalization and automation, with a view to establish a more automated manufacturing facility within five years. Our strategy is underpinned by an AI-driven manufacturing cloud platform, which integrates key data across orders, capacity, and logistics. This comprehensive integration, encompassing ERP, MES, and WMS systems across all three of our bases, enables intelligent end-to-end process monitoring and optimization. Through advanced AI algorithms, we analyze regional orders, production capacity, and logistics cycles to automatically generate optimized production plans. This strategic framework not only enhances our delivery efficiency in major European and American markets but also establishes our core competitiveness in ‘capacity deployment — quality assurance — global responsiveness.’ Furthermore, we are actively advancing the implementation of large AI models, with concrete plans to establish dedicated server infrastructure to support these initiatives.

In response to the accelerating global carbon neutrality agenda and the green transformation of manufacturing, we are committed to upgrading our production models through clean and zero-waste manufacturing practices, optimizing our energy structure by expanding photovoltaic capacity and exploring new energy sources with a target of substantial green energy utilization by 2035, and integrating digitalization to establish intelligent monitoring systems and foster a green supply chain with partners for coordinated carbon reduction.

BUSINESS

Advance talent development to empower our business strategies

Our human resources strategy is closely aligned with our overall group strategy and driven by business needs. Through professional and efficient human resources management and services, we aim to empower both the organization and our employees, support the achievement of strategic objectives, and enable long-term sustainable development.

We place strong emphasis on talent development and retention, recognizing talent as a core source of our long-term competitiveness. In preparation for future growth, we focus on building a cohesive and aligned senior management team, a capable middle management team with strong execution capabilities, and professional talent with innovation-driven expertise. Our management team pursues high-quality development by balancing scale expansion with improvements in productivity and profitability on a per-employee basis, thereby supporting sustainable and efficient growth. We adopt a value creation and value sharing approach to employee incentives, aligning individual interests with the Company’s overall business objectives to foster organizational cohesion and internal motivation. We adhere to the principle that higher performance targets correspond to higher rewards and provide market-competitive remuneration upon the achievement of such targets. For our core management team, we have designed incentive mechanisms linked to business performance and strategic objectives, including short-term annual performance-based incentives as well as medium- to long-term equity-based incentive schemes aligned with long-term strategic goals.

In addition, we are committed to building a positive and responsible organization that fulfills our social responsibilities and enhances our employer brand. We continuously improve our employee union framework and environmental, health and safety systems to safeguard employees’ lawful rights and physical and mental well-being. Guided by our mission and vision, we strive to attract, develop and retain high-caliber professionals through competitive compensation and appropriate equity incentives, with the objective of achieving mutual growth for both the Company and its employees. We aim to provide a supportive platform for individual career development while cultivating a strong talent pipeline to support the Company’s long-term growth.¶

OUR BUSINESS MODEL

We are an industry-leading provider of new polymer composite materials, specializing in the research and development, manufacturing and sales of green and sustainable multi-use flooring and wall 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.

We design, manufacture and sell a variety of flooring and wall panel products primarily through ODM and OEM business model, catering to the diverse needs of global customers across residential, commercial and public space sectors. These models leverage our robust technical capabilities, advanced production infrastructure, and deep industry expertise to deliver customized, high-quality products, while enabling customers to strengthen their brand presence and respond efficiently to market dynamics.

BUSINESS

Under the ODM model, we collaborate closely with customers to turn their product visions into market-ready flooring and wall panel products. Customers provide general concepts and request for product design, such as preferred color tones, patterns, dimensional needs or functional requirements. Combining these requests and our insights into industry trends, our team design and develop customized prototypes for customers’ evaluation. Customers may request adjustments to refine the design. Once the final design and specifications are approved, customers place purchase orders with us. We then initiate production and package the finished products with our customers’ brand or neutral packaging. The following diagram illustrates our ODM business operations.



Under the OEM model, we focus on manufacturing products strictly in line with customers’ pre-defined standards. Following an internal feasibility review, we produce counter samples for customer approval prior to commencing mass production. The finished products are subsequently packaged with our customers’ brand or in neutral packaging.

Leveraging on our knowledge and market resources accumulated through years of experience under the ODM and OEM model, we also offer products under our own overseas brand “Vortis”, and our brand in Chinese Mainland “Zero Wood Intelligent Manufacturing (零木智造)”. In 2025, we started to sell products under our overseas brand “Vortis” through a distributor in the United States, and such sale contributed less than 0.5% of our revenue in 2025. Our distributor is an independent third party and we have a principal-agent relationship pursuant to a consignment arrangement. Our revenue under this arrangement is recognized at the time of sale to end customers. We believe our distributorship arrangement is an effective way to promote our own brand and extend our market reach. There was no distributor movement recorded during the Track Record Period, as we have engaged only one distributor.

The following table sets out the principal terms of our distributorship agreement:

Product return	We generally do not accept product returns, except in respect of defective or damaged products, which we might accept at our discretion.
Warranty	We usually do not provide warranty service to end customers. The distributor bears the risk from the time of delivery until the point of sale, and is required to maintain relevant insurance.
Term	The term is for three years, and automatically renewed for one-year terms unless either party gives 60 days’ prior written notice of non-renewal.
Inventory	For inventory remaining unsold for more than 180 days, the distributor may request us to repurchase or accept return of such stock, with all related costs borne by the distributor.

BUSINESS

Payment and credit	Payment is due within 75 days of the date of sale to the end customer, and is settled on a monthly basis.
Resale price	We generally do not control the prices at which our distributors resell our products to end customers.
Minimum sales target	The distributor shall use commercially reasonable efforts to achieve a minimum annual sales target of three million square feet of our products, subject to adjustment by mutual written agreement from time to time based on market conditions.

Based on the foregoing, we believe the risk of channel stuffing is remote and we do not believe that our business relationship with our distributor will raise any concern in relation to inventory risk, channel stuffing or cannibalization. According to Frost & Sullivan, our distributorship is in line with the industry norm.

We mainly provide (i) SPC flooring and wall panels, (ii) LVT flooring panels and (iii) EPC flooring and wall panel products and (iv) other products. The following table sets forth a breakdown of our total revenue by product line for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>						
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 products 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
	<i>(thousand m²)</i>	<i>(RMB per m²)</i>	<i>(thousand m²)</i>	<i>(RMB per m²)</i>	<i>(thousand m²)</i>	<i>(RMB per m²)</i>
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

BUSINESS

The sales volume of our SPC flooring and wall panel products increased from 18.1 million m² in 2023 to 25.3 million m² in 2024, primarily attributable to new customer development and the introduction of 458 new models of SPC flooring and wall panel products in 2024, along with new customer development, and remained stable at 25.5 million m² in 2025.

The sales volume of our LVT flooring products increased from 8.2 million m² in 2023 to 11.2 million m² in 2024, primarily due to an increase of new customers particularly in the United Kingdom, and the continuous introduction of new products to our existing customer base in the Netherlands and Germany, and remained stable at 11.4 million m² in 2025.

The sales volume of our EPC flooring and wall panel products increased from 0.5 million m² in 2023 to 0.9 million m² in 2024, and further increased significantly to 1.6 million m² in 2025, primarily due to the growth in sales in Europe and North America driven by the introduction of new products to our existing customer base. The average selling price of our EPC flooring and wall panel products increased from RMB109.5 per m² in 2023 to RMB119.5 per m² in 2024 as a result of the introduction of new high-end products, and decreased to RMB113.0 per m² in 2025.

Based on the delivery destinations of our products requested by our customers, we export to over 60 countries and regions worldwide during the Track Record Period. The following table sets forth a breakdown of our total revenue by geographical region, based on delivery destinations of our products requested by our customers, for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>						
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 United Kingdom.
- (2) Mainly include South Africa, Australia, Chile and Brazil.

BUSINESS

OUR PRODUCTS

We provide flooring and wall panel products made of a variety of new polymer stone plastic composites recyclable materials. We also provide flooring and wall panel accessories.

Our products are flooring and wall panel used for residential, commercial and public spaces. The materials differ in their composition, performance characteristics and intended applications. By offering multiple material categories, we are able to address a wide spectrum of customer requirements, including resistance, structural stability, acoustic performance, environmental profile, installation methods and surface design. The following table sets forth key features of our flooring and wall panel products:

	Thickness	Installation method	Main application scenarios	Halogen-free
SPC	3.2-8mm	click-lock	Residential and commercial	/
LVT	2-5mm	glued	Residential, commercial, and public	/
EPC	5-15mm	click-lock	Residential and commercial	/
PETG	2.5-6mm	click-lock or glued	Residential and commercial	halogen-free

The following diagrams illustrate the application scenarios of our products:



Residential Spaces – Home (SPC)

BUSINESS



Commercial Spaces – Hotel (SPC)



Commercial Spaces – Library (LVT)



Public Spaces – School (LVT)

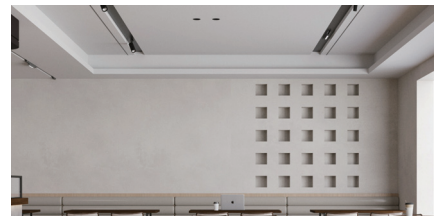


Residential Spaces – Home (EPC)

BUSINESS



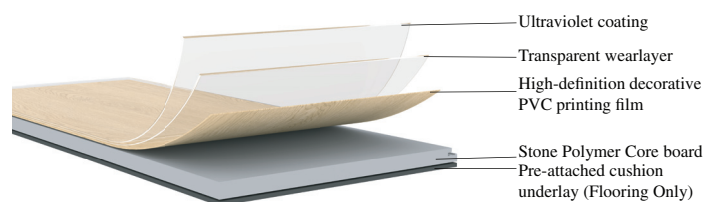
Public Spaces – Office (EPC)



Commercial Spaces – Hotel (PETG)

SPC Flooring and Wall Panel

SPC is a rigid composite material made from natural calcium carbonate and polymer resin. SPC is produced through high-temperature and high-pressure processing, followed by surface lamination with high-definition printing films to reproduce surface appearances of natural wood or stone. We also utilize recycled PVC in the production of SPC. The following diagram illustrates the product construct of our SPC flooring and wall panel products:



BUSINESS

When used under high heat, SPC flooring and wall panel products can offer higher stability, minimizing shape-shifting. SPC flooring products are typically installed through click-lock systems without adhesives, which supports efficient installation and allows for easier repositioning or adjustments in cases of installation mistakes or replacement needs. SPC wall panel products are similarly installed by direct application to the wall surface using silicone glues.

LVT Flooring

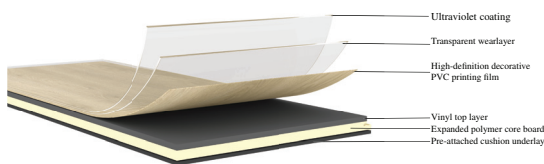
LVT flooring is a flexible vinyl-based flooring product that is composed of multiple layers of high-quality materials. It is particular suitable for both commercial and public spaces because of its soft underfoot comfort, design flexibility, long durability, and low maintenance requirements. The following diagram illustrates the product construct of our LVT flooring products:



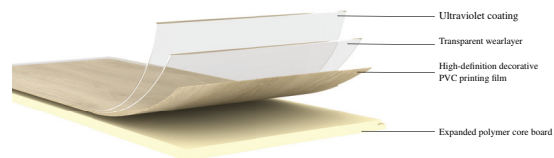
As LVT products are installed using water-based PVC flooring adhesive, they offer greater installation flexibility, including the ability to accommodate customised shapes and designs. The adhesive installation method also provides a more stable and secure bond as compared to click-lock installations, resulting in enhanced long-term durability and stability.

EPC Flooring and Wall Panel

EPC flooring and wall panel is an engineered lightweight composite product made from natural calcium carbonate, polymer resin and foaming agents, which combines an LVT surface layer, a composite core and an acoustic backing, to offer improved sound insulation and enhanced stability while maintaining the resilience typical of vinyl-based surfaces. It acts as an alternative to traditional sheet vinyl flooring due to its thicker extruded composite core that allows it to be floated over most substrates. The following diagrams illustrate the product construct of our EPC flooring and wall panel products:



(EPC flooring)



(EPC wall panel)

BUSINESS

Compared to rigid core materials, EPC flooring generally offers a softer and more resilient underfoot feel. Its construction also allows it to accommodate minor subfloor irregularities without requiring extensive surface preparation, and it performs reliably against everyday spills and moisture. EPC flooring and wall panels are built around an expanded polymer core, which make it lightweight while providing effective sound absorption. A luxury vinyl layer is incorporated into EPC flooring construction to achieve a more realistic replication of natural hardwood or slate finishes.

PETG Flooring

PETG is a non-PVC material using polymer materials that are free of plasticizers and halogenated compounds. PETG flooring products provide durability and ease of maintenance similar to vinyl-based products, while offering higher scratch resistance compared to conventional SPC products. The development of PETG material responds to the increasing market attention on environmental considerations and represents an emerging material category within the polymer-based flooring sector. The following diagram illustrates the product construct of our PETG flooring products:



Our Design Portfolio

In addition to material composition, our flooring and wall panel products are differentiated by their pattern themes and surface embossing. Pattern themes refer to the printed decorative layer that determines the visual appeal of the product, while embossing refers to the three-dimensional texture applied to the surface, which enhances the sense of realism for the texture simulated by the surface appearance of our products.

Pattern Themes

Our major pattern themes include the Forest Series (森之風), Rock Series (岩之雅), and Cloud Series (雲之頌). The Forest Series replicates the form, color, and texture of natural wood, introducing nature-inspired aesthetics into interior spaces with visual appeal comparable to solid wood flooring. The Rock Series reproduces the color, grain and characteristics of natural stone, with precisely engineered textures that deliver an appearance comparable to stone-effect flooring. The Cloud Series represents an innovative approach to craftsmanship, offering patterns that enhance architectural spaces with originality, visual dynamism and design flexibility.

BUSINESS

The following pictures display samples of available pattern themes of our products and their application scenarios:

Forest Series



Rock Series



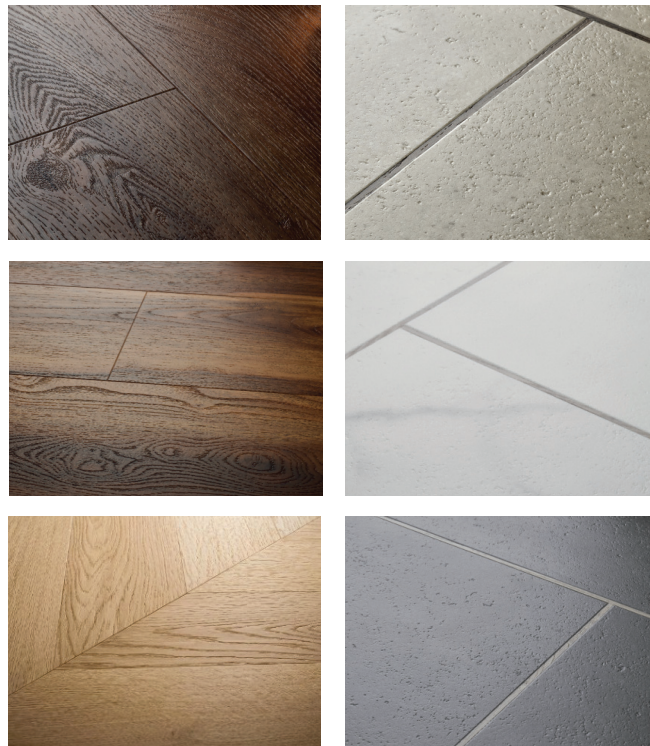
BUSINESS

Cloud Series



Embossing

Embossing process creates three-dimensional surface textures on flooring or wall panels by pressing or forming the wear layer during production. Embossing enhances tactile authenticity and contributes to the overall aesthetic performance of our products. Different embossing types are recommended for wood-based or stone-based designs to match the visual characteristics of each pattern series. The following pictures display samples of embossing appearances for our products:



BUSINESS

Through the combination of diverse pattern themes and appropriate embossing methods, we seek to deliver products with both visual and tactile authenticity across our SPC, LVT, EPC, and PETG product lines.

Installation Method

Our SPC, EPC and certain PETG flooring products are designed with tool-free click-lock systems to simplify installation by enabling an environmental-friendly and efficient installation process, which is particularly welcomed by DIY users in overseas markets. These systems use angle-angle and drop-lock designs to enable secure panel engagement. Our LVT products, by contrast, are installed by direct application onto the subfloor using water-based PVC flooring adhesive. Our wall panel products are similarly installed by direct application to the wall surface using silicone glue.

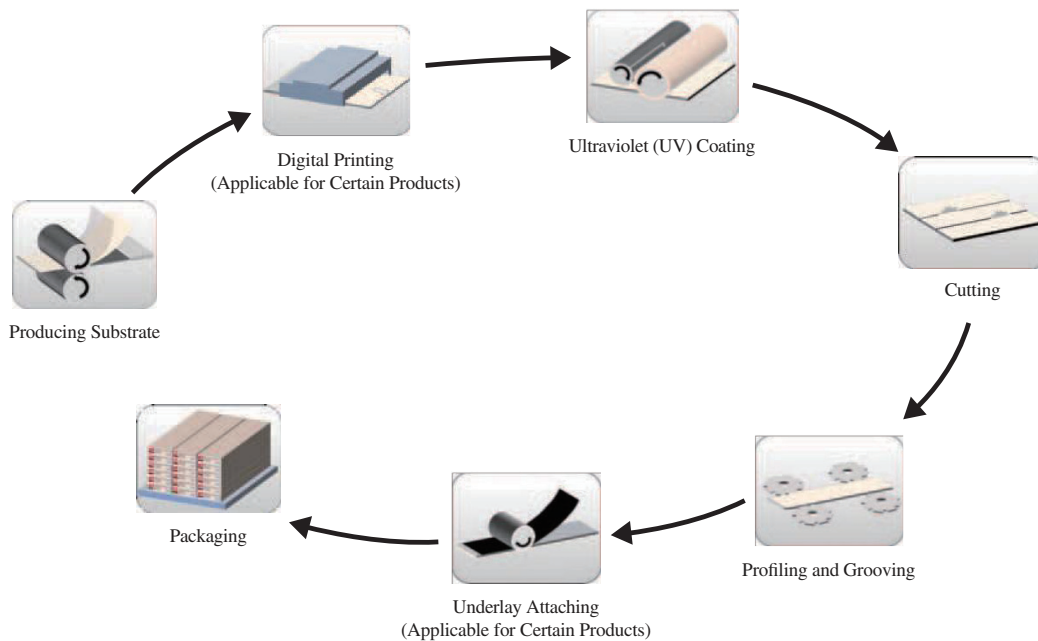
Accessories

We also provide accessories matched for our flooring and wall panel products. Our accessories, including the end caps, skirting, stair noses, reducer, T-mouldings, wall panel internal corner trims and wall panel external corner trims, among others, are made from the same recyclable materials as our flooring and wall panel products.

MANUFACTURING

Manufacturing Process and Equipment

We manufacture flooring and wall panel products through a process that involves raw material preparation, substrate formation, digital printing and surface coating, precision machining and packaging. It typically takes eight to 14 days to manufacture one sheet of our flooring or wall panel products. The diagram below illustrates the key manufacturing steps and major production equipment and machinery used for manufacturing our flooring and wall panel products:



BUSINESS

Key manufacturing step	Major equipment and machinery used	Description of the process
Producing substrate	Substrate extruding line	Raw materials such as PVC, calcium carbonate and stabilizers are proportioned according to formulation requirements and fed into the extruding line. These materials are blended, melted and extruded under controlled temperature and pressure to create a rigid and stable core layer with required mechanical properties.
↓		
Digital printing (applicable for certain products)	Digital printing line	Extruded sheets are primed and then passed through high-definition digital printing equipment. Customized decorative patterns are applied with precision. Digital printing ensures visual accuracy, low repeatability and fast transitions between design themes.
↓		
Ultraviolet (UV) coating	UV coating line	A UV-cured coating is applied to the printed surface to provide wear resistance, stain resistance and other performance features. UV coating forms a durable protective layer suitable for long-term use.
↓		
Cutting	Sawing machines	Large-format boards are cut into smaller individual panels in accordance with relevant product specifications.
↓		
Profiling and grooving	Profiling machines	Profile milling is applied to form click-lock structures along the edges of the product to facilitate installation. Where required, V-groove effects may also be machined into the edges, which are subsequently painted to enhance the visual appeal of the product.
↓		
Underlay attaching (applicable for certain products)	Laminating line	To improve acoustic performance and walking comfort, acoustic underlays such as irradiation cross-linked polyethylene foam, ethylene-vinyl acetate foam or cork are bonded to the back of the boards. Backing materials are selected based on customer requirements for sound insulation and underfoot feel.
↓		
Packaging	Automated packaging line	Produced boards enter automated packaging lines for stacking, wrapping and palletizing. Completed pallets are then transferred to storage for subsequent shipment.

Our production lines are designed for stable output, consistent quality and efficient changeovers among product lines. Certain key stages of our production process utilize imported equipment with higher precision, which supports high-resolution image output and enables printed patterns to closely replicate both the visual appearance and surface texture of natural materials.

BUSINESS

Manufacturing Technology

Our key technologies utilized in the manufacturing process are as follows:

- **AI-enabled visual inspection.** We use AI visual sensing systems for in-line inspection before products are packaged. The system identifies surface or dimensional defects and automatically removes non-conforming items, while qualified products are transferred to the automated packaging line. This approach supports consistent product quality, reduces manual inspection requirements and enhances production efficiency.
- **Digital printing.** We apply digital printing technology to our substrates for all our major product lines. After a white primer layer is applied through roller coating, the substrate passes through digital printing equipment to produce wood grain, stone patterns or other customized designs. After printing, different surface treatments are applied to produce variants, such as digital matte flooring, digital high-gloss flooring and digital wall panels.
- **Use of recycled materials and compliance with environmental standards.** In response to low-carbon and sustainability policies, we incorporate both pre-consumer and post-consumer recycled materials into our production processes. We have established a recycled material management system and obtained certifications of Global Recycled Standard (GRS) from the Scientific Certification Systems (SCS) Global Services. Our GRS-certified products incorporating recycled materials contain a recycled content level of no less than 51%, reflecting our commitment to material innovation and low-carbon manufacturing.
- **Specialized coatings and proprietary curing technology.** We have conducted extensive research into surface coating applications and developed a specialized coating and curing technology that utilizes a range of UV curing light sources, including LED, excimer, gallium, and xenon lamps of varying wavelengths, in combination with customized coating formulations. This technology enables us to achieve a broad spectrum of surface effects through multi-lamp curing configurations, producing scratch-resistant and antibacterial surface coatings.

BUSINESS

Manufacturing Facilities and Production Capacity

To better serve our major geographic markets and target customers, we have established a network comprising four domestic production bases in Tongxiang, Zhejiang Province, and one production base in Thailand, with an aggregated gross floor area of approximately 280,000 m². The following table sets forth the production capacity, production volume and utilization rates of our production bases during the Track Record Period:

For the year ended December 31,									
2023			2024			2025			
Production capacity ⁽¹⁾	Production volume ⁽²⁾	Utilization rate	Production capacity	Production volume	Utilization rate	Production capacity	Production volume	Utilization rate	
<i>(m² in thousands, except for percentages)</i>									
China Production									
Bases	37,064	29,977	80.9%	49,843	45,505	91.3%	51,035	43,906	86.03%
SPC	17,523	14,581	83.2%	29,836	26,747	89.6%	30,010	24,597	81.96%
LVT	16,876	13,820	81.9%	17,024	17,015	100.0%	18,003	17,646	98.03%
EPC	2,665	1,575	59.1%	2,983	1,743	58.5%	3,022	1,663	55.03%
Thailand									
Production									
Base	—	—	—	—	—	—	15,000	2,685	17.9%

Notes:

- (1) The production capacity of the period is calculated based on the number of operational days per year (300 days) and standard duration of operation per day (24 hours) of one substrate extruding line, multiplied by the number of production lines.
- (2) The utilization rate of the period is calculated by dividing the production volume by the designed capacity for the same year or period.

RESEARCH AND DEVELOPMENT

We consider our research and development capability to be one of our key competitive advantages, and we strive to augment this competitive advantage continuously. During the Track Record Period, we conducted research and development activities for enhancing the performance and quality of materials for our products, and improving the structural design of our products. We are dedicated to the continuous improvements of new polymer stone plastic decoration composite materials as alternative options from conventional materials.

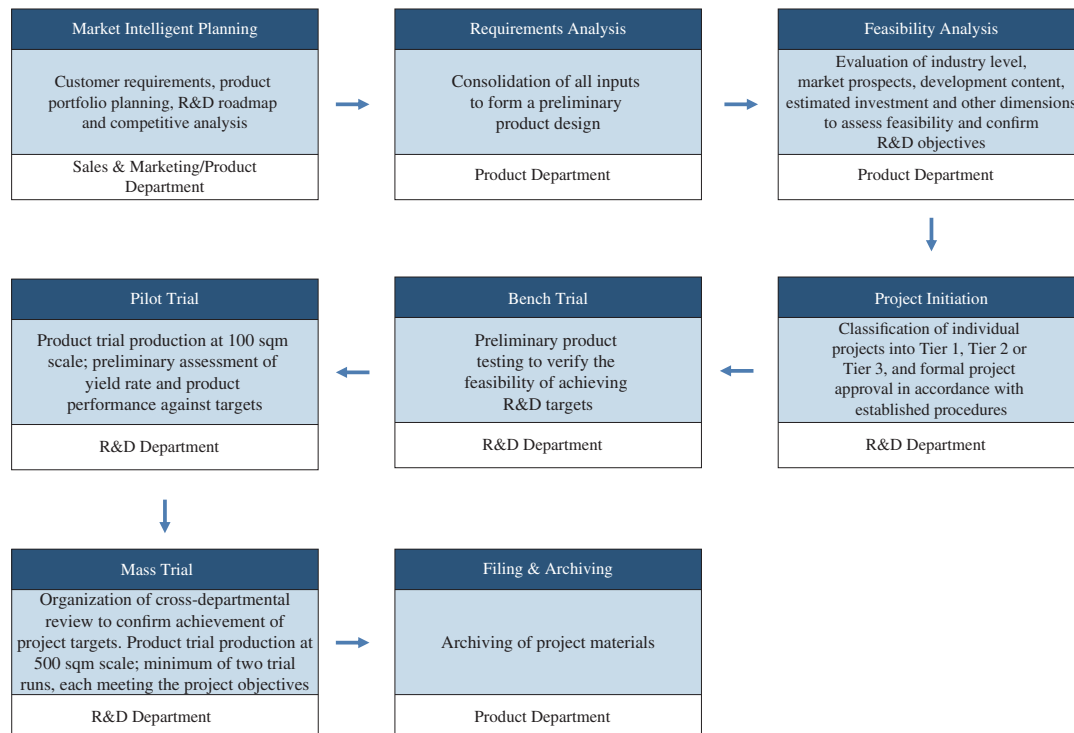
Our research and development activities are mainly carried out by dedicated R&D team, which comprised 126 staff as of December 31, 2025, including material development personnel, processing and application development personnel, design personnel and product testing personnel. Additionally, our R&D team members are responsible for establishing manufacturing standards, reviewing the overall R&D process, viability verification during trial production, and compiling research results for completed R&D projects. Our R&D staff have advanced degrees, extensive experience and in-depth expertise in developing products in our industry.

BUSINESS

In 2023, 2024 and 2025, we incurred research and development expenses of approximately RMB74.4 million, RMB85.3 million and RMB83.6 million, respectively.

Our R&D Process

From time to time, our sales and product team would propose new research and development projects based on market demand and our technological needs. Prior to taking on a research and development project, our R&D team would analyze the feasibility and estimate the costs and staff input required for the project. Such costs include but are not limited to procuring equipment and raw materials, conducting tests and providing training to our staff. In deciding whether to approve the initiation of a research and development project, our management would take into account the business development goals of the Group, feasibility of the project, expected market demands and our Group’s production capacity and resources. Approved projects will proceed through trial production phases for evaluation before the research results are compiled for record keeping and utilization in future products.



BUSINESS

Ongoing R&D Projects

We place strong emphasis on our technology development, which is critical to allowing us efficiently and effectively address the technical challenges in our industry. During the Track Record Period and up to the Latest Practicable Date, our ongoing R&D projects include the following:

Materials with Low Carbon Footprint

We are continuing to conduct formulation research to incorporate post-consumer recycled materials into our products. Products developed under this initiative are intended to meet the requirements of the Global Recycled Standard (GRS), certified by Scientific Certification Systems (SCS) Global Services, and to support a low-carbon economy in response to increasingly stringent environmental regulations worldwide.

Within the PVC flooring system, conventional plasticizers are typically petroleum-based. We are researching the use of bio-derived plasticizers in our LVT flooring products with the aim of reducing carbon intensity. In addition, we plan to extend our research to PETG flooring products to further broaden our portfolio of renewable and low-carbon materials.

Digital Printing with Advanced Decorative Features

We are advancing our technological capabilities for digital printing, including 3D printing capabilities, to enhance the range and authentic appearances of pattern designs and surface aesthetics of our flooring and wall panels. Digital printing technology allows us to print high-gloss or matte stone textures on substrates of various materials and to offer more customized visual options, while maintaining key performance properties such as water-proof and scratch resistance.

rPET Production from Recycled Materials

We are advancing the development of recycled rPET flooring products by using recycled bottle flakes as the primary resin, which are compounded with fillers and toughening modifiers to produce a substrate made entirely from recycled content. These products have gained acceptance in Europe and the United States, and we have achieved initial mass-production capability.

We are also continuing our development of halogen-free rPET materials to provide customers with an alternative to PVC flooring and wall panels. We have commenced mass production of both click-lock and non-click-lock rPET flooring products, which demonstrate competitive performance in terms of production capacity, product quality and cost efficiency.

BUSINESS

Acoustic Flooring

We are enhancing the noise-reduction performance of our products to meet a wide range of acoustic application needs. Such efforts align with the growing market demand for higher-quality housing and improved residential comfort, which places increasing emphasis on effective acoustic performance across interior materials.

Lightweight Wall Panels

Our development of lightweight wall panels is aimed at providing end users with easier installation, improved acoustic comfort, and enhanced overall product performance. We are at the forefront of lightweight wall-panel development and have commenced mass production. Lightweight wall panels are expected to be a strong driver of our future growth.

Marine-grade Flooring Products

We are advancing the development of marine-grade flooring products that meet the technical requirements of the European Union’s Marine Equipment Directive (MED), including standards relating to smoke density, smoke toxicity and flame retardancy. We have successfully developed products which met the rigorous safety standards established by the International Maritime Organization (IMO). These IMO-certified products have been commercialized in 2025 and are designed for use in marine environments, such as on vessels where higher safety and performance standards apply. Introduction of this type of products enables us to establish a competitive position in this specialized market segment.

SPC High-gloss Tiles

We are developing SPC tiles with a high-gloss surface that is comparable to the high-gloss aesthetic of conventional ceramic tiles. Through the application of specialized coatings and our proprietary coating technology, these products are designed to achieve a surface finish that is highly resistant to abrasion. This development addresses a recognized technical limitation of existing SPC flooring products, which have historically been unable to replicate the high-gloss visual effect characteristic of ceramic tiles.

R&D Collaborations

We also entered into a research collaboration project with Zhejiang University of Technology for the duration from January 2023 to December 2024 to develop high-performance polymer-alloy thermoplastic sheets for applications on domestically manufactured large aircrafts. Under this project, we funded research activities involving computer-aided simulation, structural optimization and performance enhancement of targeted materials, with the aim of achieving designs suitable for industrial-scale manufacturing. This collaboration was approved under the Zhejiang Major Provincial Science and Technology Program as a “Jianbing Project” (浙江省重大科技計劃“尖兵”項目) by the Science Technology Department of Zhejiang Province. We retain the right to file for patents generated under this collaboration.

BUSINESS

At the beginning of 2025, we established a research institute located in Shanghai. The institute focuses on research in recyclable, biodegradable and functional polymer composite, aiming to become an industry-leading innovation platform for new materials and to drive the new polymer stone plastic decoration composite industry toward greener, multifunctional material solutions. Regarding talent development, the institute plans to form an R&D team led by PhD-level scientists and supported primarily by master’s degree holders. By attracting top-tier talent, we aim to enhance our research capabilities and establish the institute as a hub for high-level expertise. In terms of laboratory infrastructure, the institute is equipped with world-class instruments, including gas chromatography–mass spectrometry, thermogravimetric analysis, Fourier transform infrared spectroscopy, and differential scanning calorimetry, enabling in-depth analysis of material properties and breakthroughs in key performance areas. The Research Institute will also serve as a platform for industry-academia collaboration, facilitating partnerships with universities and research institutes, and establishing a full-chain innovation system from “frontier exploration — technology development — industrial enablement,” providing continuous innovation momentum to support our sustainable growth.

INTELLECTUAL PROPERTY RIGHTS

We believe that our intellectual property rights are critical to our continued success. As of December 31, 2025, we owned 92 registered patents in China, including 22 invention patents, 50 utility model patents and 20 design patents. We also owned 23 invention patents overseas as of December 31, 2025. We have filed 38 patent applications as of the same date. We may need to seek or renew licenses related to certain aspects of our products, processes and services. We have taken the following key measures to protect our intellectual property rights, including: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) managing and monitoring our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, (iv) actively tracking the registration and authorization status of intellectual properties and take action in timely manner if any potential conflicts with our intellectual property rights are identified, and (v) clearly stating all rights and obligations regarding the ownership and protection of intellectual properties in the employment agreements we enter into.

CUSTOMERS AND SALES AND MARKETING

Our customers mainly consist of overseas (i) retailers, which are companies mainly engaged in the sale of our products to end customers through supermarket chains or household accessory stores, and (ii) brand owners. We also sell to a limited number of project contractors that typically takes on construction projects for hotel and commercial properties.

BUSINESS

The salient terms of agreements with our retailer customers are set out below:

Duration: Initially one year, subject to renewals.

Pricing: Prices is determined on a per-order basis.

Credit term: 60-90 days from the invoice issue date.

Delivery: The goods are to be delivered at the agreed seaport on an FOB basis.

Termination: Can be terminated by either party in case of a breach of obligation.

The salient terms of agreements with our brand-owner customers are set out below:

Duration: It remains valid indefinitely until terminated by either party in writing.

Pricing: Price is determined on a per-order basis.

Delivery: A deviated delivered at Place shipping term, whereby we are not responsible for freight charges.

Payment: Payments shall be made by commercial invoice 90 days against the vessel departure day.

BUSINESS

Our Major Customers

In 2023, 2024 and 2025, our revenue from the five largest customers was RMB738.0 million, RMB975.3 million and RMB987.5 million, respectively, accounting for 46.0%, 44.0% and 42.7% of our total revenue in the same periods, respectively. In 2023, 2024 and 2025, our revenue from the single largest customer amounted to RMB321.8 million, RMB420.7 million and RMB343.9 million, respectively, accounting for 20.1%, 19.0% and 14.9% of our total revenue in the same periods, respectively. The following tables set forth the details of our five largest customers during the Track Record Period:

Customers	Revenue amount	Percentages of total revenue	Credit term	Principal business activities	Payment method	Year of commencement of business relationship	Background
	(RMB in thousands)	(%)					
For the year ended December 31, 2023							
Customer A . .	321,766	20.1	90 days after ETD	Purchasing SPC flooring and wall panels	Telegraphic transfer	2014	A global building materials retail group headquartered in France, one of the largest home improvement retailers in Europe, engaging in the retail of home improvement, DIY and decoration products.
Customer B . .	174,761	10.9	60 days after ETD	Purchasing SPC flooring	Bank transfer	2018	A German multinational building material and home improvement retail group founded in 1970, one of the largest building material retailers in Germany, engaging in the retail of home improvement, DIY and decoration products.

BUSINESS

Customers	Revenue amount	Percentages of total revenue	Credit term	Principal business activities	Payment method	Year of commencement of business relationship	Background
	<i>(RMB in thousands)</i>	<i>(%)</i>					
Customer C . .	101,444	6.3	60 days after ETD	Purchasing PVC flooring and wall panels	Telegraphic transfer	2014	A Dutch brand owner established in 1940 with over 80 years of history, one of the largest brand owners of flooring and wall decoration materials in the Netherlands.
Customer D . .	75,690	4.7	14 days after ETD	Purchasing SPC, EPC, LVT flooring	Bank transfer	2021	A German flooring specialist retail chain established in 2005, engaging in the retail of flooring products.
Customer E . .	64,295	4.0	90 days after ETD	Purchasing PVC flooring	Telegraphic transfer	2013	A Dutch flooring brand owner established in 1960 and one of the largest flooring brand owners in the Netherlands.
Total	737,956	46.0					

BUSINESS

Customers	Revenue amount	Percentages of total revenue	Credit term	Principal business activities	Payment method	Year of commencement of business relationship	Background
	(RMB in thousands)	(%)					
<i>For the year ended December 31, 2024</i>							
Customer A . .	420,685	19.0	90 days after ETD	Purchasing SPC flooring and wall panels	Telegraphic transfer	2014	A global building materials retail group headquartered in France, one of the largest home improvement retailers in Europe, engaging in the retail of home improvement, DIY and decoration products.
Customer B . .	232,714	10.5	60 days after ETD	Purchasing SPC flooring	Bank transfer	2018	A German multinational building material and home improvement retail group founded in 1970, one of the largest building material retailers in Germany, engaging in the retail of home improvement, DIY and decoration products.
Customer C . .	132,208	6.0	60 days after ETD	Purchasing PVC flooring and wall panels	Telegraphic transfer	2014	A Dutch brand owner established in 1940 with over 80 years of history, one of the largest brand owners of flooring and wall decoration materials in the Netherlands.
Customer E . .	100,054	4.5	90 days after ETD	Purchasing PVC flooring	Telegraphic transfer	2018	A Dutch flooring brand owner established in 1960 and one of the largest flooring brand owners in the Netherlands.

BUSINESS

Customers	Revenue amount	Percentages of total revenue	Credit term	Principal business activities	Payment method	Year of commencement of business relationship	Background
	(RMB in thousands)	(%)					
Customer D . . .	89,649	4.0	14 days after ETD	Purchasing SPC, EPC, LVT flooring	Bank transfer	2021	A German flooring specialist retail chain established in 2005, engaging in the retail of flooring products.
Total	975,310	44.0					

Customers	Revenue amount	Percentages of total revenue	Credit term	Principal business activities	Payment method	Year of commencement of business relationship	Background
	(RMB in thousands)	(%)					

For the year ended December 31, 2025

Customer A . . .	343,945	14.9	90 days after ETD	Purchasing SPC Flooring	Telegraphic transfer	2014	A global building materials retail group headquartered in France, one of the largest home improvement retailer in Europe, engaging in the retail of home improvement, DIY and decoration products.
Customer B . . .	293,533	12.7	60 days after ETD	Purchasing SPC flooring	Bank transfer	2018	A German multinational building materials and home improvement retail group founded in 1970, one of the largest building materials retailer in Germany, engaging in the retail of home improvement, DIY and decoration products.

BUSINESS

Customers	Revenue amount	Percentages of total revenue	Credit term	Principal business activities	Payment method	Year of commencement of business relationship	Background
	<i>(RMB in thousands)</i>	<i>(%)</i>					
Customer D . .	123,304	5.3	14 days after ETD	Purchasing SPC, EPC, LVT flooring	Bank transfer	2021	A German flooring specialist retail chain established in 2005, engaging in the retail of flooring products.
Customer C . .	118,189	5.1	60 days after ETD	Purchasing PVC flooring and wall panels	Telegraphic transfer	2014	A Dutch brand owner established in 1940 with over 80 years of history, one of the largest brand owners of flooring and wall decoration materials in the Netherlands.
Customer F . .	108,504	4.7	14 days after delivery	Purchasing SPC flooring	Bank transfer	2019	A leading German European DIY, home improvement, building materials and garden retail chain established in 1960 with headquarters in Germany.
Total	987,475	42.7					

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each year during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders (who or which to the knowledge of the Directors or Supervisors owned more than 5% of our issued share capital) had any interest in any of our five largest customers in each year during the Track Record Period.

Marketing

As we build a global network to reach a wide range of customers, we have adopted a marketing strategy that leverages multiple channels to attract potential customers. We conduct customer visits from time to time to monitor evolving consumer preferences and market trends. We have a dedicated, on-the-ground sales team based in Germany, which provides us with localized industry insights and enables direct local service for our European customers. We also actively participate in various industry exhibitions and trade fairs to expand market reach and stay informed of industry development. Our participation includes BAU in Munich, a global exhibition for architecture, materials and systems; DOMOTEX in Hannover, Germany and in Shanghai, China, a leading international trade fair for floor coverings; the International Surface Event in Las Vegas, U.S., as well as the China Import and Export Fair.

BUSINESS

As of December 31, 2025, our sales and marketing team consisted of 109 employees with extensive industry experience and in-depth expertise of our products. Our sales and marketing team comprise regional departments that manages our sales and distribution across Europe, North America, Asia Pacific and other regions. Our global marketing initiatives and reach to customers enables us to keep abreast of the market trends and customer demands.

Pricing

We aim to offer premium quality products at competitive prices. We price our products considering a variety of factors, such as our cost base, market demand, product positioning and competitive landscape. We may offer promotional prices to valued customers based on market conditions. In order to strengthen customer cooperation and promote product sales, we may also negotiate sales rebates with selected customers based on factors including sales volume and market development, and set purchase targets and other conditions. Once these conditions are met, corresponding rebates will be provided as agreed upon. Such sale rebate terms are variable considerations.

THIRD PARTY PAYMENT

Background

During the Track Record Period, certain of our Relevant Customers settled their payments with us through the Third-Party Payment Arrangements. The Third-Party Payment Arrangements primarily include settlement by entities within the same group of the Relevant Customers, affiliates, intermediaries and independent third parties. In 2023, 2024 and 2025, there were 2, 3 and 4 Relevant Customers, respectively, and the aggregate amount settled with the Relevant Customers under the Third-Party Payment Arrangements was RMB7.2 million, RMB8.2 million and RMB15.6 million, representing approximately 0.4%, 0.4% and 0.7% of our total revenue for each of the years, respectively.

To the best knowledge of our Directors, the Third-Party Payment Arrangements were primarily due to (i) preferences for using third-party payment arrangements to obtain more favourable payment terms, such as exchange rates; (ii) preferences to route payments through entities or individuals within the same corporate group or designated companies. Our Directors confirm that the Relevant Customers and the actual payors are independent third parties. We intend to terminate these Third Party Payment Arrangements other than one of them, which we intend to continue through entering into a tripartite arrangement. We will, however, utilize such arrangements only when requested by clients, where we consider them reasonably necessary to facilitate the receipt of payments under genuine transactions and where direct remittances are not feasible. Meanwhile, we will continue to monitor and assess these arrangements and the relevant regulatory environment, and will adjust or reduce their use as appropriate to ensure ongoing compliance. According to Frost & Sullivan, the above-described Third-Party Payment Arrangements are generally in line with industry practices in cross-border transactions involving jurisdictions where direct payments are not feasible or favorable.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we had not initiated any Third-Party Payment Arrangement but only accepted payments from the third-party payors at the request of the Relevant Customers. In addition, during the Track Record Period and up to the Latest Practicable Date, we have not provided any discount, commission, rebate, or other benefits to any of the Relevant Customers or the third-party payors to facilitate or encourage the Third-Party Payment Arrangements.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date: (i) Our PRC subsidiaries are neither financial institutions nor specific non-financial institutions; (ii) When paying agents remit funds to the bank accounts of the Company and its PRC subsidiaries, relevant banks are required to conduct antimoney laundering verification; (iii) All paid funds are supported by genuine commercial backgrounds, and no act of concealing or disguising criminal proceeds and their sources exists; and (iv) The Company and its PRC subsidiaries have no intention to conceal or disguise the source and nature of criminal proceeds as specified in Article 191 of the Criminal Law of the People's Republic of China. Neither the Company nor its PRC subsidiaries are aware of any questionable fund sources, suspected criminal proceeds, illegal purposes, money laundering activities or any conduct violating applicable laws and regulations in respect of payments made by paying agents. Based on the foregoing, our PRC Legal Advisors are of the opinion that the acceptance of payments under the Third-Party Payment Arrangements does not violate any mandatory provisions of PRC laws and regulations. The risk that such payment acceptance by the Company and its PRC subsidiaries during the Track Record Period constitutes the crime of money laundering under PRC laws is remote.

During the Track Record Period and up to the Latest Practicable Date, as confirmed by the Directors, (1) we had not encountered any disputes with, nor received any refund request from, any Relevant Customer or third-party payor, and (2) we had not been subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Payment Arrangements.

Internal Control Measures for Third-Party Payment Arrangement

During the Track Record Period, we required the Relevant Customers to communicate with us the relevant information, including, among others, the reasons for the Third-Party Payment Arrangements and the identity of the third-party payors involved. To mitigate the potential risks from the Third-Party Payment Arrangements and ensure compliance, we have started to implement enhanced internal control measures, including, among others: (i) we have adopted a Third-Party Collection Policy; and (ii) where third-party payment is necessary, written delegations must be executed prior to such payment.

Our Directors are of the view that our internal control measures are sufficient and can substantially mitigate the risk that we face. In light of the above, we believe that the termination of our third party payments will not have a material adverse effect on our business operations.

BUSINESS

RAW MATERIALS AND SUPPLIERS

We procure our raw materials, mainly including PVC, Dioctyl Terephthalate (DOTP), calcium carbonate and UV coating, for our global production facilities.

We typically engage reputable supplier vendors to ensure the quality of our products. The factors that may affect our selection mainly include product quality, qualifications and credentials, market reputation and price.

We have comprehensive policies and detailed procedures in place to ensure the quality of the raw materials we purchase from suppliers. When selecting and evaluating suppliers, we conduct due diligence and consider a number of factors, including their reputations, credentials, experience, service or product availability, price and delivery time. We require our suppliers to comply with our internal supply management policies. Our quality control department is responsible for communicating with suppliers regarding quality standards, and will thoroughly inspect product samples to ensure that they meet all the technical requirements set forth in our product designs. We may conduct regular or ad hoc on-site inspections of suppliers and require suppliers to timely remedy quality issues upon notice.

We generally enter into framework agreements with our suppliers, which set forth the general terms and conditions of purchase:

- Duration: Typically one year.
- Pricing: The price is fixed for the duration of the contract.
- Payment and credit term: We shall make monthly payment typically within 30-90 days upon receiving the invoice.
- Transfer of risks: All risks related to storage, transportation, unloading, and any other matters shall be borne by the suppliers until the goods are inspected and accepted by us.
- Return arrangements: If the goods provided by the supplier do not meet the required quality standards, we are entitled to request a return or other remedial actions.
- Termination: If the supplier fails to fulfill certain obligations specified in the agreement, we are able to terminate the agreement, and the suppliers shall be liable for the loss incurred.

BUSINESS

Our Major Suppliers

Our suppliers primarily consist of raw materials providers. In 2023, 2024 and 2025, our purchases from the five largest suppliers were RMB370.9 million, RMB516.2 million and RMB481.1 million, respectively, accounting for 43.5%, 35.2% and 32.6% of our total purchase in the same periods, respectively. In 2023, 2024 and 2025, our purchases from the single largest supplier amounted to RMB147.5 million, RMB141.6 million and RMB195.2 million, respectively, accounting for 17.3%, 9.6% and 13.2% of our total purchase in the same periods, respectively. The following tables set forth the details of our top five suppliers during the Track Record Period:

Supplier	Purchase amount	Percentages of total purchase	Year of commencement of business relationship	Credit period	Payment method	Principal business activities	Background
	(RMB in thousands)	(%)					
For the year ended December 31, 2023							
Supplier A . .	147,462	17.3	2022	10% deposit, full payment before delivery	Telegraphic transfer	Purchasing PVC powder	A PRC company established in August 2022, a subsidiary of a PRC listed Fortune Global 500 enterprise, engaging in integrated smart supply chain services for bulk commodities.
Supplier B . .	64,707	7.6	2016	Payment before delivery	Telegraphic transfer	Purchasing PVC powder	A state-owned PRC listed company headquartered in Chuzhou, Anhui Province, primarily engaging in the production of chlor-alkali chemical products including PVC and caustic soda.
Supplier C . .	58,936	6.9	2010	30 days	Telegraphic transfer	Purchasing DOTP powder	A PRC company established in 1997, headquartered in Guangdong Province, primarily engaging in the production and sale of chemical products including DOTP.
Supplier D . .	54,902	6.4	2021	Payment before delivery	Telegraphic transfer	Purchasing PVC	A PRC company established in 2021, headquartered in Zhejiang Province, primarily engaging in the manufacturing of new chemical materials including PVC.

BUSINESS

Supplier	Purchase amount	Percentages of total purchase	Year of commencement of business relationship	Credit period	Payment method	Principal business activities	Background
	(RMB in thousands)	(%)					
Supplier E . . .	44,876	5.3	2012	60 days	100% bank of acceptance notes	Purchasing compound materials	A PRC company established in January 2012, primarily engaging in the research, development, production and sale of chemical products including calcium-zinc composite stabilizers and PVC wood-plastic profiles.
Total	370,883	43.5					

Supplier	Purchase amount	Percentages of total purchase	Year of commencement of business relationship	Credit period	Payment method	Principal business activities	Background
	(RMB in thousands)	(%)					

For the year ended December 31, 2024

Supplier D . . .	141,557	9.6	2021	Payment before delivery	Telegraphic transfer	Purchasing PVC powder	A PRC company established in 2021, headquartered in Zhejiang Province, primarily engaging in the manufacturing of new chemical materials including PVC.
Supplier A . . .	111,349	7.6	2022	10% deposit, full payment before delivery	Telegraphic transfer	Purchasing PVC powder	A PRC company established in August 2022, a subsidiary of a PRC listed Fortune Global 500 enterprise, engaging in integrated smart supply chain services for bulk commodities.
Supplier F . . .	103,599	7.1	2019	Payment before shipping	Bank transfer	Freight forwarding services	A leading global logistics service provider established in 1890 and headquartered in Schindellegi, Switzerland.
Supplier G . . .	87,931	6.0	2022	60 days after ETD	Telegraphic transfer	Purchasing finished products	Our associate company incorporated in Vietnam, primarily engaging in the production and sale of SPC, LVT and EPC flooring and wall panel products.

BUSINESS

Supplier	Purchase amount	Percentages of total purchase	Year of commencement of business relationship	Credit period	Payment method	Principal business activities	Background
	(RMB in thousands)	(%)					
Supplier C	71,757	4.9	2010	30 days	Telegraphic transfer	Purchasing DOTP	A PRC company established in 1997, headquartered in Guangdong Province, primarily engaging in the production and sale of chemical products including DOTP.
Total	516,193	35.2					

Supplier	Purchase amount	Percentages of total purchase	Year of commencement of business relationship	Credit period	Payment method	Principal business activities	Background
	(RMB in thousands)	(%)					

For the year ended December 31, 2025

Supplier H	195,168	13.2	2024	Payment before delivery	Telegraphic transfer	Purchasing PVC powder	A PRC company headquartered in Zhejiang Province, the subsidiary of a PRC listed company, primarily engaging in professional risk management trading.
Supplier F	88,330	6.0	2019	Payment before shipment	Bank Transfer	Freight forwarding services	A leading global logistics service provider established in 1890 and headquartered in Schindellegi, Switzerland.
Supplier D	75,444	5.1	2021	Payment before shipping	Telegraphic transfer	Purchasing PVC powder	A PRC company established in 2021, headquartered in Zhejiang Province, primarily engaging in the manufacturing of new chemical materials including PVC.
Supplier G	73,846	5.0	2022	60 days after ETD	Telegraphic transfer	Purchasing finished products	Our associate company incorporated in Vietnam, primarily engaging in the production and sale of SPC, LVT and EPC flooring and wall panel products.

BUSINESS

Supplier	Purchase amount	Percentages of total purchase	Year of commencement of business relationship	Credit period	Payment method	Principal business activities	Background
	<i>(RMB in thousands)</i>	<i>(%)</i>					
Supplier C	48,271	3.3	2010	30 days	Telegraphic transfer	Purchasing DOTP powder	A PRC company established in 1997, headquartered in Guangdong Province, primarily engaging in the production and sale of chemical products including DOTP.
Total	481,059	32.6					

Our Directors confirm that we had not experienced any significant material fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers or delay in delivery of our orders from our suppliers during the Track Record Period. As of the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders (who or which to the knowledge of the Directors or Supervisors owned more than 5% of our issued share capital) had any interest in any of our top five suppliers.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, except for Supplier G, all of our remaining four largest suppliers in each year during the Track Record Period were Independent Third Parties. Supplier G is our associate company incorporated in Vietnam, primarily engaging in the production and sale of SPC, LVT and EPC flooring and wall panel products.

OVERLAPPING OF SUPPLIERS AND CUSTOMERS

In 2024 and 2025, Supplier G which was responsible for processing and manufacturing our orders, was also our customer. As certain designs included in our orders are exclusive to us, the color films and other raw materials required for such designs were required to be supplied directly by us to Supplier G. As a result, we entered into a reciprocal cooperative relationship with Supplier G, pursuant to which we sold such color films and raw materials to Supplier G. Such sales were solely for the purpose of processing and manufacturing our orders and did not involve any other activities.

BUSINESS

The following table sets forth the breakdown of purchase amount paid to and our revenue generated from Supplier G in each period during the Track Record Period:

Supplier/Customer	Year/Period	Purchases (RMB in thousands)	Revenue (RMB in thousands)
Supplier G	2024	87,931	23,308
	2025	73,846	12,356

During the Track Record Period, our sales to Supplier G accounted for approximately 1.1% and 0.5% of our total revenue for the years ended December 31, 2024 and 2025, respectively. All procurement arrangements with Supplier G were negotiated on an arm’s length basis.

The Directors confirm that all sales to major customers were conducted in the ordinary and usual course of business on normal commercial terms. According to Frost & Sullivan, our procurement from and sales to customers are in line with industry practices.

ORDER MANAGEMENT, LOGISTICS AND INVENTORY

We have established an integrated digital hub centered on enterprise resource planning (ERP) and manufacturing execution system (MES), deeply integrated with supplier relationship management (SRM), warehouse management system (WMS), and quality management system (QMS), forming a fully visible, real-time coordinated “supply chain control tower.” This system enables end-to-end transparency from customer orders, production, warehousing, and distribution to logistics tracking, providing strong support for informed decision-making and precise operations. As a result, production lead time for products have been shortened from 33-35 days to 21-25 days, ranking among the industry’s leading levels, according to Frost & Sullivan.

Order Management and Production Planning

We manage customer orders, production planning, inventory turnover and delivery through integrated digital management systems. These systems support coordination across manufacturing, warehousing and logistics functions, enable real-time monitoring of inventory levels and shipment status, and facilitate efficient order fulfilment.

Logistics

We primarily utilize free on board shipping terms from our warehouses for shipments of our products. For other orders, we provide direct delivery to customer-specified venues. We also engage reputable third-party logistics service providers for delivery to our customers. To the best of our knowledge, such logistics service providers are Independent Third Parties.

BUSINESS

Inventory Management

Our inventories mainly include raw materials, work in progress and finished goods. Our inventories amounted to RMB238.1 million, RMB351.7 million and RMB452.1 million as of December 31, 2023, 2024 and 2025, respectively. We regularly track our inventory to keep it at a level sufficient to fulfill customers’ orders. We also proactively assess changes in market conditions and store strategic raw materials in anticipation of potential supply shortage. Our supply management team reviews our inventory aging reports routinely with the business operation team and takes necessary actions to minimize risks of obsolescence when required.

QUALITY CONTROL

We are committed to maintaining the highest level of quality in our products. We have designed and implemented a quality management system that provides the framework for continuous improvement of products and processes. We have also implemented a management review control process to conduct regular systematic reviews of our quality management system, in order to closely monitor the implementation of our quality management system.

In recognition of our efforts on maintaining high standards of management and product quality control, we have been granted a comprehensive portfolio of accreditations. Our energy management system is accredited with GB/T 23331-2020/ISO 50001:2018 qualification, the premier international standard for energy management. We adhere to a “zero-defect” principle, with ISO 9001 as the foundation and total quality management (“TQM”) fully implemented. A detailed quality control process is established throughout the entire value chain, covering R&D, supply chain procurement, manufacturing, product delivery, and customer service. In R&D, design failure mode and effects analysis (“DFMEA”) identifies potential defects, ensuring products are production-ready. In procurement, a supplier grading system and “source inspection” guarantee 100% compliance with environmental and performance standards. In manufacturing, incoming quality control (“IQC”), in-process quality control (“IPQC”), final quality control (“FQC”), and outgoing quality control (“OQC”) ensure full-process monitoring from raw materials to finished products. Statistical process control technology is also applied to dynamically adjust parameters and minimize quality variation.

Our quality management system is certified for ISO 9001:2015 qualification, the globally adopted benchmark for consistent quality control. Our environmental management system is accredited with ISO 14001:2015, the leading standard for environmental performance. Our occupational health and safety management system is certified for ISO 45001:2018 and GB/T 45001-2020 qualifications, a widely recognized framework for managing workplace safety. Our PVC flooring products have obtained T/CECS 10252-2022 and CNCA-CGP-13:2023 certification, which represent eco-friendly product standards recognized by PRC governmental authorities, as well as certification and quality ratings recognized in the U.S., EU and other overseas markets. These recognitions demonstrate that our products meet or exceed the stringent requirements for eco-friendly material.

BUSINESS

By placing quality control, we have built a “prevention-focused, tightly controlled, continuously improving” quality management loop. This system ensures consistent product quality throughout the product lifecycle and converts customer feedback into R&D improvements, forming a virtuous cycle of quality, innovation, and customer satisfaction.

During the Track Record Period, we did not experience any material quality incidents, material compliance breaches or material client complaints in relation to the quality of our products.

WARRANTIES AND AFTER-SALES SERVICES

We usually provide a warranty period for the quality of our products since the delivery date, on the condition of proper storage, transportation, installation, and end use of the goods by the buyer. Our warranty period is at least 36 months and is determined on a per-order basis. From the expiry of the warranty period, we generally do not provide further replacement or repair.

We also provide after-sales services, such as product return and replacement, in limited occasions. We do not maintain a standardized return policy. We may accept product returns on an individual basis due to defects caused by us and bear the delivery costs of such products returned to us after conducting investigation to ascertain the cause of the defect. Other than that, we may authorize product returns or refunds on a case-by-case basis at our own discretion.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute arising from or in connection with the quality of our products, which lead to material adverse effects on the operation or financial status of our Group or the [REDACTED]. The number of returned products was insignificant and no provision for product return had to be made during the Track Record Period.

INTRA-GROUP TRANSACTIONS

Overview

In our ordinary course of business, we engaged in certain intra-group transactions among our relevant group entities. During 2023, 2024 and 2025, the intra-group transactions primarily involved (i) Asia-Pacific resin and plastic products manufacturing business, (ii) European resin and plastic products distribution business, (iii) Asia-Pacific resin and plastic materials distribution business, and (iv) Asia-Pacific resin and plastic products distribution business.

The transfer pricing review was conducted for companies involved in above intra-group transactions.

BUSINESS

Transfer Pricing Assessment

We have engaged Ernst & Young (China) Advisory Limited (the “Transfer Pricing Consultant”) to review the reasonableness of our transfer pricing arrangements for the above intra-group transactions during the Track Record Period from an arm’s length compliance perspective and to issue a transfer pricing analysis report. The review and analysis conducted by the Transfer Pricing Consultant is mainly based on the OECD Transfer Pricing Guidelines and China Transfer Pricing regulations.

The Transfer Pricing Consultant conducted a comprehensive analysis of the functions performed, risks assumed and assets employed by the relevant parties and conducted comparability analyses. The Transfer Pricing Consultant concluded that the Transactional Net Margin Method was the appropriate method. For manufacturing business, the manufacturers within the group were selected as the tested parties, and the markup on total costs deemed the most appropriate Profit Level Indicator (PLI). For distribution business, the distributors within the group were selected as the tested parties, and the operating margin as the most appropriate PLI.

After assessing our transfer pricing arrangements during the Track Record Period and up to the Latest Practicable Date, the Transfer Pricing Consultant is of the view that, during the Track Record Period and up to the Latest Practicable Date, our transfer pricing arrangements for the above intra-group transactions were consistent with the arm’s length principle.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material inquiry, audit, investigation or challenge by any relevant tax authorities in the jurisdictions where we operate in relation to our intra-group transactions. See “Risk Factors — Risks Related to Our Financial Performance — Our transfer pricing arrangements may be subject to scrutiny by the relevant tax authorities” for more information.

COMPETITION

The global new polymer stone plastic decoration composite materials market is characterized by the accelerating global expansion of Chinese suppliers. Chinese Mainland is the world’s leading exporter in this sector, accounting for approximately 45% of global export value in 2025. As products from Chinese suppliers continue to gain recognition from overseas customers, their market share is expected to rise steadily.

The Chinese PVC decoration materials export market in which we operate is highly competitive and fragmented. According to Frost & Sullivan, the top five suppliers in PVC decoration materials market by total export value from Chinese Mainland in 2025 collectively accounted for a market share of 18.8%. We ranked first among all suppliers by total export value from Chinese Mainland in 2025, with an export value of USD262.5 million and a market share of approximately 6.1%.

According to Frost & Sullivan, in the global PVC decoration materials market by total export value to Europe, the top five Chinese suppliers collectively accounted for a market share of 34.7% in 2025. Developed markets such as Europe and the United States have limited

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domestic production capacity for PVC decoration materials and rely heavily on imports. We ranked first among all Chinese suppliers¹ in terms of total export value to Europe in 2025, with an export value of USD253.3 million and a market share of approximately 14.5%.

See “Industry Overview” for more information.

EMPLOYEES

As of December 31, 2025, we had 1,229 full-time employees. The following table sets forth the number of our employees by function:

	Number of employees
Sales and marketing	109
Research and development	126
Manufacturing	647
Product and technology	71
Administration and management	140
Supply management	136
Total	1,229

Our success deeply rests on our ability to attract, retain and motivate qualified talents, and we believe that our high-quality talent pool is one of our core strengths and competitive advantages. To support our global operations and international business presence, we recruit personnel to meet both domestic and overseas staffing needs. We recruit with high standards and rigorous procedures and through various methods, including campus recruitment, online recruitment and third-party recruiters, to identify and place suitable personnel for positions across our operations in different regions.

We invest in employee training through a combination of on-the-job training, regular training sessions and structured internal training programs. These initiatives are designed to enhance professional knowledge, management capabilities and technical skill sets, and to ensure our employees remain abreast of the evolving industry trends and standards relevant to their roles. Our training framework covers various areas including new hire onboarding, role-specific skill development and leadership training, which supports our employees’ professional growth and the effective operation of our business.

We offer competitive remuneration package to our employees, which are generally based on their qualifications, industry experience, position and performance. We regularly evaluate the performance of our employees and reward the well-performed with bonus and promotion.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity, and unemployment benefit plans. We enter into employment contracts and agreements regarding confidentiality, intellectual property, and non-competition with our executive officers, managers, and employees. In

¹ Chinese Suppliers refer to suppliers headquartered in Chinese Mainland, including both domestic and overseas production facilities.

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addition, we usually enter into intellectual property and ownership agreement with our core employees, under which we have all right, title and interest relating to any and all inventions by such employee during the term of his/her employment with us.

We employ dispatched employees for certain basic positions. Before signing the dispatching contracts, we carefully examine the qualifications of the dispatching party, and articulate the rights and obligations of each party clearly in these contracts.

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for our employees as required by relevant PRC laws and regulations. We have not been subject to any administrative penalties in connection with our contribution of social insurance plans and housing provident fund during the Track Record Period. According to our PRC Legal Advisors, the risk of centralized collection, late payment fines, or material administrative penalties arising from our failure to fully contribute to the social insurance and housing provident fund contributions, or our failure to make timely contributions for all employees, is remote, provided that no material changes in applicable policies, regulations, or enforcement requirements, no collective employee complaints or reports, and no related litigation or arbitration. See “Risk Factor — Risks Related to Our Business and Industry — Certain of our practices with respect to social insurance and housing provident fund contributions may subject us to late payment fines or other administrative penalties, which may adversely affect our business and results of operations” for more information.

We have maintained a good relationship and expect to maintain an amicable relationship in the future with our employees. We had not experienced any material labor disputes or any material difficulties in recruiting employees for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

As of the Latest Practicable Date, we believe that our insurance coverage is in line with the industry practice and adequate to cover our key assets, facilities and liabilities, including but not limited to product liability insurance and export credit insurance, etc. Our Directors consider our insurance policy as a whole to be in line with the general market practice and that it complies with the relevant rules and regulations in China. See “Risk Factors — Risks Relating to Our Business and Operations — Our insurance coverage may not be sufficient to cover the risks related to our product liability, operations and losses” for more information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Corporate Governance

We consistently prioritize Environmental, Social, and Governance (ESG) development, actively fulfill corporate social responsibilities, and integrate sustainable development concepts into daily operations and long-term strategies. In terms of social responsibility, we continuously enhance employees’ sense of belonging and loyalty by improving employee welfare and optimizing working environments and benefits. Meanwhile, we consistently participate in educational public welfare initiatives and rural revitalization projects to promote shared social development. In terms of environmental management, we actively respond to the national “carbon peaking and carbon neutrality goals” by integrating green and low-carbon concepts throughout the entire industrial chain operations. Through measures such as emission

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reduction, circular economy, and clean production, we effectively reduce energy consumption and pollutant emissions. At the governance level, we have fully incorporated ESG concepts into our strategic management framework. We have enhanced governance transparency through an effective governance structure and established a monitoring and evaluation mechanism to track progress. In addition, we regularly engage independent third parties to assess our ESG performance. Moving forward, we will uphold the ESG development vision of “Leading Quality Home Living with Digital Intelligence, Creating a Better Life through Green Innovation”, implementing the strategy of “Green Circulation, Efficient and Transparent Operations, and Win-Win for All Stakeholders” to continuously drive high-quality and sustainable corporate development.

ESG Management Framework

We have established a comprehensive ESG governance structure, adopting a three-tier structure of “Board of Directors — President’s Office — ESG Executive Team”, forming an integrated “decision-making — leadership — execution” management system. The President’s Office, as our central ESG coordination department, is responsible in particular for formulating ESG strategic plans and annual targets, which are submitted to the Board of Directors for review and approval. Upon approval by the Board, the ESG Executive Team is responsible for the implementation of annual ESG work plan. This ensures clear division of responsibilities and efficient implementation, driving the full integration of ESG principles into corporate operations and management systems.

We incorporate sustainable development goals into corporate strategic planning, embedding sustainability concepts throughout the entire process — from product design and manufacturing to supply chain management. By selecting partners with environmental awareness and sustainable development capabilities, we have built a green supply chain system. Meanwhile, we have set up a dedicated sustainability department or committee to strengthen employee training, thereby improving the safeguard mechanisms. Currently, we are continuously refining the formulation of ESG management measures, providing solid support for the advancement of future ESG work through institutionalized and systematic approaches.

Anti-Corruption Governance

We place high importance on compliant operations and anti-bribery, anti-extortion, anti-fraud, and anti-money laundering efforts. We have established and continuously improved the *Kingdom Corporate Culture Handbook* (《晶通企業文化手冊》), explicitly listing compliance risk as a core management principle. Additionally, a compliance risk management system encompassing anti-bribery measures has been implemented to ensure all employees adhere to our ethical standards and legal regulations. We strictly comply with relevant laws and regulations such as the *Anti-Money Laundering Law of the People’s Republic of China* (《中華人民共和國反洗錢法》), the *Anti-Unfair Competition Law of the People’s Republic of China* (《中華人民共和國反不正當競爭法》), and the *Criminal Law of the People’s Republic of China* (《中華人民共和國刑法》). We have established a contract clause compliance review mechanism and conduct regular legal compliance inspections and assessments to ensure all business activities are lawful and compliant, effectively mitigating potential legal risks.

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We place high importance on anti-corruption and integrity management, having established a comprehensive anti-corruption prevention system. We have set up an Audit Department to spearhead the development of an anti-corruption compliance mechanism that encompasses key aspects such as legal support, employee integrity commitments, risk identification and response measures. Employees are required to sign the Integrity Agreement (《廉潔協議》) to strengthen awareness of self-discipline and integrity, thereby fortifying the defense line for compliant operations. We have established a multi-channel, anonymous reporting system, including dedicated audit and supervision email, physical complaint boxes, and hotlines, ensuring timely and secure delivery of reporting information. We pledge strict confidentiality of whistleblower identities and initiate verification procedures within three working days upon receipt of a report. The Audit Department oversees routine internal audits and special inspections. Additionally, we engage qualified third-party institutions to conduct compliance evaluations and audits, creating a dual oversight mechanism that combines internal and external supervision. This ensures the sustained effectiveness of anti-corruption measures while upholding our commitment to integrity in business operations and compliance with applicable laws and regulations.

Environmental Responsibility

We remain vigilant and fully comply with environmental laws and regulations such as the *Environmental Protection Law of the People’s Republic of China* (《中華人民共和國環境保護法》), the *Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》), and the *Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》). We continuously improve environmental management measures to make greater contributions to environmental protection and sustainable development.

Environmental Performance

Indicators	Unit	For the year ended December 31, 2023	For the year ended December 31, 2024	For the year ended December 31, 2025
Emissions				
GHG Emissions				
Total GHG Emissions	tCO2e	55,323.5	75,883.2	88,077.5
Scope 1 – Direct GHG Emissions . . .	tCO2e	4,474.1	5,346.1	5,737.8
Scope 2 – Indirect GHG Emissions . .	tCO2e	50,849.4	70,537.1	82,339.7
GHG Emission Density	tCO2e/person	80.1	88.5	76.3
Waste Gas Emissions				
Non-ethane Hydrocarbons	kg	153,753.2	209,688.0	205,546.2
CO	kg	101.9	79.0	92.7
NOx	kg	8.4	6.7	7.9

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Indicators	Unit	For the year ended December 31, 2023	For the year ended December 31, 2024	For the year ended December 31, 2025
Waste				
Total Hazardous Waste	Ton	89.5	151.5	166.0
Hazardous Waste Density	Ton/person	0.1	0.2	0.1
Total Non-Hazardous Waste	Ton	1,670.0	2,566.3	4,352.3
Non-Hazardous Waste Density	Ton/person	2.4	3.0	3.8
Use of Resources				
Water Consumption				
Total Water Consumption	Ton	117,942.0	149,355.0	151,783.0
Water Consumption Density	Ton/person	170.7	174.3	131.4
Electricity Consumption				
Total Electricity Consumption	MWh	72,230.0	100,210.0	117,000.0
Electricity Consumption Density	MWh/person	104.5	116.9	101.3

Notes:

- (1) The emission sources of waste gas include fixed sources and mobile sources. The emission caused by fixed sources is calculated according to the Handbook of the First National Pollutant Survey on the Production and Discharge Coefficient of Urban Domestic Sources and based on the monitoring of waste gas generated during actual production processes; the emission caused by mobile sources is calculated according to the Technical Guidelines for the Compilation of Air Pollutant Emission Inventories of Road Motor Vehicles (Trial).
- (2) The data of GHG emissions is presented based on carbon dioxide equivalents, and is calculated in accordance with the Guidelines for Accounting and Reporting of Corporate Greenhouse Gas Emissions: Power Generation Facilities (Revised in 2021) issued by the Ministry of Ecology and Environment of China and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories published by the Intergovernmental Panel on Climate Change (IPCC).
- (3) Direct GHG emissions are mainly produced from the consumption of gasoline and natural gas.
- (4) Indirect GHG emissions are mainly produced from the consumption of electricity and water.
- (5) The non-hazardous wastes involved in our operations mainly include packaging solid waste, domestic waste, food waste, and scrap materials in daily business activities. The hazardous wastes involved waste packaging drums and paint residue.
- (6) Information disclosed includes information of the headquarters and branches in 2023, 2024 and 2025.

PROPERTIES

PRC

As of December 31, 2025, we owned the land use rights to ten major parcels of land located in Chinese Mainland, with a total land area of approximately 157.4 thousand square meters. These parcels of land are used primarily as our offices, production facilities or warehouses. As advised by our PRC Legal Advisors, we have obtained the land use certificates for such parcels of land and legally owned the land use rights to such parcels of land. The expiration dates of the land use rights to such parcels of land ranging from January 25, 2066 to August 18, 2072.

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As of December 31, 2025, we owned 14 properties in Chinese Mainland, with a total gross floor area of approximately 274.3 thousand square meters, used primarily as production or storage facilities. As advised by our PRC Legal Advisors, we have obtained the ownership certificates for these properties. During the Track Record Period, we commenced construction of five properties serving as production auxiliary and supporting facilities not involving our core production processes, without first obtaining the requisite construction work planning permits (建設工程規劃許可證) and construction work commencement permits (建築工程施工許可證). For details of such non-compliance, see the subsection headed “— Legal Proceedings and Compliance — Compliance — PRC”.

As of December 31, 2025, we operated our businesses through six leased properties in Chinese Mainland, with a total gross floor area of approximately 10.2 thousand square meters. These properties primarily serve as our office facilities and staff dormitories. Our lease agreements in respect of the abovementioned six leased properties generally have expiration dates ranging from October 1, 2026 to December 31, 2029. We plan to renew our leases or negotiate new terms when the existing leases expire. During the Track Record Period, we did not have any issue or dispute with landlord in securing or renewing our leases which would have had material impact on our business, financial condition or results of operations. As we do not anticipate any difficulty in relocating any of the above leased properties in the event of non-renewal thereof, we consider that these leased properties are not crucial to our operations and therefore any non-renewal thereof would not have any material impact on our business, financial condition or results of operations. We have been leasing certain premises from Hangzhou Kingdom Imp & Exp, one of our Controlling Shareholders, for use as office premises for business operations, including administrative and sales functions during the Track Record Period under property lease agreement dated January 1, 2024 with a lease term of three (3) years to December 31, 2026. For details, see “Relationship with the Controlling Shareholders — Leasing of Property from one of our Controlling Shareholders (the “Lease”).” As of the Latest Practicable Date, four of our lease agreements had not been registered with the relevant PRC authorities. For details of such non-compliance, see the subsection headed “— Legal Proceedings and Compliance — Compliance — PRC”.

Overseas

In addition, we own and lease a number of overseas properties to facilitate business operation. As of the Latest Practicable Date, we owned five parcels of land and four properties in Thailand. As of the same date, we leased five properties in Germany. These overseas properties are mainly for manufacturing, warehousing and office purposes.

As of December 31, 2025, no single property interest forming part of our Group’s property activities had a carrying amount of 1% or more of our total assets and no single property interest forming part of our Group’s non-property activities had a carrying amount of 15% or more of our total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and

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Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

LICENSES, APPROVALS AND PERMITS

We are subject to regular inspections, examinations and audits by local regulators and are required to obtain various permits, licenses, approvals, and certifications from government authorities as required under the laws and regulations of jurisdictions where we operate. As of the Latest Practicable Date, we had obtained the requisite licenses, approvals and permits from applicable authorities that are material for our operations, and such licenses, permits, approvals and certificates were valid and effective.

We renew the licenses, permits, approvals and certificates from time to time to comply with the relevant laws and regulations.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, there were no material litigation, arbitration or administrative proceedings pending or threatened against us or any of the Directors which could have a material and adverse effect on our financial condition or results of operations. During the Track Record and up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings against our Company or any of the Directors which had caused a material and adverse effect on our financial condition or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, except as disclosed hereunder, we did not commit any material non-compliance of the laws and regulations, which taken as a whole, in the opinion of our Directors, is likely to have a material and adverse effect on our business, financial condition or results of operations.

PRC

Pursuant to applicable PRC laws and regulations, lease agreements are required to be registered with the competent local real estate administration authorities.

BUSINESS

As of the Latest Practicable Date, four of our lease agreements in respect of properties leased by us in the PRC had not been registered with the relevant PRC authorities. The non-registration of such lease agreements does not affect the validity of the lease agreements between us and the relevant lessors, nor does it affect our lawful possession or use of the relevant leased properties.

Under applicable PRC laws and regulations, failure to register lease agreements may result in the parties being required to complete the registration within a prescribed period and may give rise to administrative penalties, including a fine of up to RMB10,000 for each unregistered lease agreement. We are in the process of, or have taken steps to, rectify the above non-compliance where practicable. According to our PRC Legal Advisors, our failure to complete the registration of the lease filings is highly unlikely to materially or adversely affect on our business and financial condition.

During the Track Record Period, we commenced construction of five properties in the PRC serving as production auxiliary and supporting facilities not involving our core production processes, without first obtaining the requisite construction work planning permits (建設工程規劃許可證) and construction work commencement permits (建築工程施工許可證). These properties represent approximately 0.51% of the total gross floor area of our owned properties. Under the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》), the PRC Construction Law (《中華人民共和國建築法》), and the Administrative Measures for Construction Work Commencement Permits (《建築工程施工許可管理辦法》), such non-compliance may result in orders to cease construction, fines of 5% to 10% of the construction cost or 1% to 2% of the project contract price, and, in cases where the impact cannot be rectified, orders to demolish the relevant structures or confiscation of the properties. As of the Latest Practicable Date, we had not been subject to any administrative penalties in connection with the above. According to our PRC Legal Advisors, given the small scale and auxiliary nature of the properties involved, the above non-compliance will not have a material adverse effect on our production and operations and does not constitute a material legal obstacle to [REDACTED].

Thailand

Certain buildings acquired and used by our Thai Subsidiary in connection with our production facilities in Thailand did not have the requisite construction permits and certificates under the BCA at the time of acquisition, as these had not been obtained by the original owners. The use of such buildings during the period pending the issuance of the requisite permits and certificates constituted non-compliance under the BCA. Following the acquisition, our Thai subsidiary proactively engaged with the relevant local authority, and the requisite construction-related permits and certificates under the BCA have since been obtained and issued in its name. Given that all requisite construction-related permits and certificates under the BCA have been obtained, and that the relevant local authority has been aware of the pertinent circumstances throughout, according to our Thai Legal Advisors, the risk of regulatory consequences arising from the foregoing should be remote. Our Directors believe that, if such consequences were to arise, they would not materially affect our business and results of operation.

BUSINESS

In addition, the transfer of certain buildings ancillary to the factory buildings we acquired was not formally registered. The majority of such ancillary buildings have since been demolished. In respect of the remaining unregistered building, pursuant to applicable Thai laws and consistent with Thai Supreme Court judgments as of the Latest Practicable Date, our Thai Legal Advisors are of the view that the Thai Subsidiary should be deemed to have acquired ownership of such remaining building on the basis that it forms an integral part of the land on which it is situated, notwithstanding that the transfer of such building was not formally registered.

Germany

Under the German Anti-Money Laundering Act (*Geldwäschegesetz*, GwG), the beneficial owners of a German limited liability company must be recorded in the transparency register (*Transparenzregister*). This registration requirement is designed to combat money laundering, enhance transparency of corporate ownership structures, and deter the misuse of shell companies.

As of April 30, 2026, the transparency register identifies Huibin Dai as the sole beneficial owner of Decoflooring GmbH. However, an agreement dated June 10, 2014, establishes that Huibin Dai has agreed to act in concert with Shuhong Zhang on the basis of an effective shareholding ratio of 50% each, with Shuhong Zhang’s equity interest in Decoflooring GmbH being held on her behalf by Huibin Dai on a fiduciary basis. Accordingly, both Huibin Dai and Shuhong Zhang qualify as beneficial owners of Decoflooring GmbH, and the existing transparency register entry is therefore incomplete.

According to our Germany Legal Advisors, under German law, an incomplete entry in the transparency register may be sanctioned with administrative fines of up to EUR 150,000, and in some cases up to EUR 1,000,000, with the amount depending on the severity of the violation, whether the violation was intentional, and other factors. In addition to potential fines, the non-compliance and the name of the company may be published on the website of the German Federal Office of Administration (*Bundesverwaltungsamt*) for a period of five (5) years.

Since 18 May 2026, both Huibin Dai and Shuhong Zhang have been registered as beneficial owners of the Subsidiary in the transparency register. While we cannot rule out that German authorities may impose administrative sanctions for past non-compliances, our Germany Legal Advisors are of the view that deem the risk of severe administrative sanctions being imposed for this non-compliance low as the Subsidiary has taken rectification measures proactively.

BUSINESS

Singapore

Pursuant to the Income Tax Act 1947 of Singapore (“**ITA**”), Section 63(1A) of the ITA states that except as exempted at the discretion of the Minister, every individual carrying on or exercising any trade, business, profession or vocation who has not made a return under section 62 of the ITA for any year of assessment must, within three (3) months after the end of the accounting period relating to that year of assessment, or such extended time as the Comptroller may allow, furnish to the Comptroller an estimate of the individual’s chargeable income. Section 63(2) of the ITA further provides that any person who fails or neglects without reasonable excuse to furnish the estimate of the person’s chargeable income shall be guilty of an offence. Where there is failure to file the Company’s ECI pursuant to section 63(1A) of the ITA, Section 94(2) of the ITA states that any person guilty of an offence under this section for which no other penalty is provided shall be liable on conviction to a fine not exceeding \$5,000 and in default of payment to imprisonment for a term not exceeding 6 months. However, the Comptroller may compound any offence punishable under Section 94, and may before judgment stay or compound any proceedings thereunder.

As at the Latest Practicable Date, we confirmed that we have not been subject to any penalties for failing to lodge the relevant Estimated Chargeable Income (“**ECI**”) filings on time for years of assessment 2024 and 2025. Nevertheless, we are aware that we may be subjected to further penalties for not making the necessary ECI filings in time. While there remains such a possibility of penalties, in light of the fact that we filed our ECI late by seven (7) and six (6) months for the respective years of assessment, but we have since regularised such filings without any penalties being imposed, and in the absence of any aggravating circumstances, according to our Singapore Legal Advisors, the likelihood that we or any of our directors or officers would be convicted of an offence and be subject to imprisonment is considered remote.

RISK MANAGEMENT AND INTERNAL CONTROL

We have put in place a set of internal control and risk management policies and procedures to address potential operational, financial, legal and market risks identified in relation to our operations. We also periodically review these procedures to ensure their effectiveness. To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted, among other things, the following risk management measures:

- established an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see “Directors and Senior Management — Directors — Audit and Risk Committee” for more information;
- adopted policies to ensure compliance with the Listing Rules, including, but not limited to, aspects related to risk management, connected transactions and information disclosure;

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- organized training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;
- established a set of emergency procedures in the event of major quality-related issues;
- provided enhanced training programs on quality assurance and production safety; and
- distributed employee handbooks to enhance employees’ awareness of complying with laws and regulations.

AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we received a number of awards and recognitions in connection with our business. Some of the significant awards and recognitions we have received are set forth below.

Awards and Recognition	Awarding Parties	Year of Award
Top 100 National High and New Technology Enterprises in Jiaxing by Innovation Capability in 2025 (2025年嘉興市國家高新技術企業創新能力百強)	Jiaxing High-tech Enterprises Association (嘉興市高新技術企業協會)	2025
iF Design Award (德國紅點iF獎)	iF Industrial Design Forum (德國漢諾威工業設計論壇)	2024
Top Ten Brand in Resilient Flooring Industry (彈性地板行業十大品牌)	China Association of Decorative Building Materials (中國建築裝飾裝修材料協會)	2018 to 2025
Leading Brands in the Wall Panel Industry (牆板行業領軍品牌)	China Association of Decorative Building Materials (中國建築裝飾裝修材料協會)	2022 to 2025
Wall Panel Innovation Center of Resilient Flooring Industry (彈性地板行業牆板創新中心)	China Association of Decorative Building Materials (中國建築裝飾裝修材料協會)	2024
Zhejiang Manufactured High-Quality Products (浙江製造精品)	Economy and Information Technology Department of Zhejiang Province (浙江省經濟和信息化廳)	2023
Zhejiang Export Famous Brand (浙江出口名牌)	Department of Commerce of Zhejiang Province (浙江省商務廳)	2018 to 2026
IAI Global Design Award (IAI全球設計獎)	Asia Pacific Designers Federation (亞太設計師聯盟)	2021
International CMF Design Award (國際CMF設計獎)	International CMF Design Award Organizing Committee (國際CMF設計獎組委會)	2021
MUSE Design Awards (繆斯設計獎)	International Awards Associate (國際獎項協會)	2021

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Mr. Dai and Ms. Zhang co-founded our Company in 2010 and have been working together to lead the overall operation and management of our Group since our establishment. Pursuant to the Acting-in-concert Agreement, Mr. Dai and Ms. Zhang agreed to, for a period of 36 months commencing from the date of agreement, communicate thoroughly to reach a consensus as to how to exercise their voting rights in our Company and act in concert by aligning their votes at the relevant Shareholders’ meetings and directors’ meeting. In the event that they could not reach a consensus as to how to exercise their voting rights, Ms. Zhang agreed to follow the directions of Mr. Dai. See “History, Development and Corporate Structure — Acting-in-concert Agreement” for more details. As of the Latest Practicable Date, (i) Mr. Dai, our executive Director, chairman of the Board and chief executive officer, is interested in and controls approximately 30.28% of the total issued Shares of our Company in his personal capacity, and approximately 1.53% of the total issued Shares of our Company in the capacity as the general partner of Hangzhou Jinghe; (ii) Ms. Zhang, an executive Director, is interested in and controls approximately 20.19% of the total issued Shares of our Company in her personal capacity; and (iii) Mr. Dai and Ms. Zhang are interested in and control, through Hangzhou Kingdom Imp & Exp and Zhejiang Jinhongda, approximately 40.38% of the total issued Shares of our Company. Therefore, Mr. Dai, Ms. Zhang, Hangzhou Kingdom Imp & Exp and Zhejiang Jinhongda and Hangzhou Jinghe were in aggregate entitled to exercise approximately 92.38% of the voting rights in our Company as of the Latest Practicable Date.

Immediately after completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Mr. Dai and Ms. Zhang will both directly and indirectly (through Hangzhou Jinghe, Hangzhou Kingdom Imp & Exp and Zhejiang Jinhongda) in aggregate be entitled to exercise approximately [REDACTED]% of the voting rights in our Company. Accordingly, Mr. Dai, Ms. Zhang, Hangzhou Jinghe, Hangzhou Kingdom Imp & Exp and Zhejiang Jinhongda will be presumed as a group of Controlling Shareholders upon the completion of the [REDACTED].

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of seven (7) Directors comprising three (3) executive Directors and four (4) independent non-executive Directors. For more information, see the section headed “Directors and Senior Management” in this document.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have four (4) independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is/are required to promptly declare the nature of such interest to the Board of our Company in respect of such transactions. In addition, the interested Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates (as defined in the Articles) is materially interested in except for certain circumstances as set out in the Articles. For details, see the section headed “Summary of Articles of Association” in Appendix V to this document; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see “— Corporate Governance Measures” in this section below for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

We operate independently of our Controlling Shareholders. Our Company (through our subsidiaries) holds all material licences and owns all material intellectual property rights and facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently of our Controlling Shareholders. While we had minimal purchases of certain raw materials from Hangzhou Kingdom Imp & Exp during the Track Record Period (For details, see note 34 to the Accountants’ Report in Appendix I to this document), such purchases ceased on December 31, 2025 and Hangzhou Kingdom Imp & Exp has ceased such trading business since December 31, 2025. Since December 31, 2025, other than the leasing of a property to our Group as disclosed below, Hangzhou Kingdom Imp & Exp does not carry on any other business. We also have independent access to our clients and suppliers, as well as an independent management team and an established organisational structure to operate our business independently.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Leasing of Property from one of our Controlling Shareholders (the “Lease”)

We have been leasing one property from Hangzhou Kingdom Imp & Exp, one of our Controlling Shareholders, for use as office premises for business operations, including administrative and sales functions during the Track Record Period under a property lease agreement dated January 1, 2024 with a lease term of three (3) years to December 31, 2026. Subject to compliance with all applicable rules and regulations, we expect to continue leasing such property following completion of the [REDACTED] primarily for operational convenience and efficiency, in order to avoid unnecessary disruption associated with relocation and the additional time and costs involved in securing alternative premises. The Lease is recognized in our statement of financial position as right-of-use assets in accordance with IFRS 16 (Leases), constitutes a one-off connected transaction of our Company upon [REDACTED] and is classified as a one-off acquisition of capital assets under the Listing Rules.

Our Directors are of the view that the Lease will not affect our operational independence, on the basis of the following:

- (a) the risk that the ongoing Lease will be terminated and that the Company will be forced to relocate is low, given that the Lease was entered into after arm’s length negotiations between the parties and on normal commercial terms with reference to prevailing market rates for comparable properties in the same locality, and as such Hangzhou Kingdom Imp & Exp does not have the commercial incentive to terminate the Lease arbitrarily;
- (b) our Group owns all material facilities necessary to carry on our business, and the premises under the Lease are not critical to our business operations as a whole; and
- (c) in the event that the Lease is terminated or not renewed, we believe that alternative premises of similar size and quality and with comparable rental rates are readily available in the vicinity, and we would be able to secure alternative premises without material difficulty.

Based on the above, our Directors believe that we are capable of operating our business independently of our Controlling Shareholders notwithstanding the Lease.

Financial Independence

Our Group has an independent financial reporting system and makes financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. More importantly, we have been and are capable of obtaining equity and debt financing from third parties.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

There are no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates as of the Latest Practicable Date.

Based on the above, our Directors are of the view that our Directors and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders after the [REDACTED].

COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company and its subsidiaries, our Controlling Shareholders and Directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their associates have a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with a Controlling Shareholder or any of his associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and
- (g) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [REDACTED].

CONNECTED TRANSACTIONS

Prior to [REDACTED], our Company entered into certain transactions with our connected persons in our ordinary and usual course of business. Upon [REDACTED], the transactions between our Company and our connected persons as disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The following persons, with whom we have entered into certain transactions in our ordinary and usual course of business, will become our connected persons (as defined under the Listing Rules) upon [REDACTED]:

Name of our Connected Persons	Connected Relationship
Qifei Coffee Shop, Cangqian Street, Yuhang District, Hangzhou (杭州余杭區倉前街道齊飛咖啡館) (“ Qifei Coffee Shop ”)	Ms. Dai Yingqi (戴穎琪) (“ Ms. Dai ”), the sole shareholder of Qifei Coffee Shop, is the daughter of Mr. Dai, our executive Director and one of our Controlling Shareholders. Therefore, Qifei Coffee Shop is an associate of Mr. Dai and will become a connected person of our Group upon [REDACTED].
Zhejiang Hongying Trading Co., Ltd. (浙江弘英貿易有限公司) (“ Hongying Trading ”)	Hongying Trading is owned as to 67% and 33% by Ms. Zhang Ying (張英) (“ Ms. Zhang Ying ”) and Mr. Zhu Hongbin (朱紅斌) (“ Mr. Zhu ”) respectively. Ms. Zhang Ying is the elder sister of Mr. Dai while Mr. Zhu is the brother-in-law of Mr. Dai. Therefore, Hongying Trading is an associate of Mr. Dai and will become a connected person of our Group upon [REDACTED].

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of Transaction	Applicable Listing Rules	Waivers Sought	Historical Amount during the Track Record Period <i>(RMB in thousand)</i>	Proposed Annual Cap for the Year Ending December 31, <i>(RMB in thousand)</i>		
				2026	2027	2028
Fully-exempt continuing connected transaction						
<i>Product or service procurement framework agreement</i>						
Procuring catering services from Qifei Coffee Shop	14A.76	N/A	For the year ended December 31, 2023: 59 2024: 54 2025: 62	80.0	80.0	80.0
Partially-exempt continuing connected transaction (subject to annual reporting, announcement and annual review requirements)						

CONNECTED TRANSACTIONS

Nature of Transaction	Applicable Listing Rules	Waivers Sought	Historical Amount during the Track Record Period (RMB in thousand)	Proposed Annual Cap for the Year Ending December 31, (RMB in thousand)		
				2026	2027	2028
<i>Product or service procurement framework agreement</i>						
Procuring raw materials (such as iron pallets, plastic straps, covers, hardware accessories and ancillary services) from Hongying Trading	14A.35, 14A.49, 14A.71, 14A.105	Announcement	For the year ended December 31, 2023: 7,641 2024: 7,405 2025: 5,985	8,500	8,500	8,500

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

1. Procuring catering services from Qifei Coffee Shop

During the Track Record Period, our Group from time to time procured food and beverage services from Qifei Coffee Shop in the ordinary and usual course of our business. It is expected that such procurement will continue after [REDACTED], which will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules (the “Fully-exempt Continuing Connected Transaction”).

To comply with the requirements of the Listing Rules, on [●], our Company entered into a product or service procurement framework agreement with Qifei Coffee Shop (the “**Qifei’s Product or Service Procurement Framework Agreement**”), pursuant to which we will procure food and beverage products and related services from Qifei Coffee Shop. The initial term of the Qifei’s Product or Service Procurement Framework Agreement shall commence on the [REDACTED] and continue for a term of three (3) years with an annual cap of RMB80,000 for each of the three years ending December 31, 2028, subject to renewal for an additional term of three (3) years upon the mutual consent of the parties and compliance with the Listing Rules, the applicable laws and regulations and the Articles.

As all applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transaction contemplated under the Qifei’s Product or Service Procurement Framework Agreement for each of the three years ending December 31, 2028 calculated for the purpose of Chapter 14A of the Listing Rules are expected to be less than 0.1% on an annual basis, the transaction contemplated thereunder will constitute a de minimis continuing connected transaction of our Company that will be fully exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

2. Procuring raw materials from Hongying Trading

During the Track Record Period, our Group from time to time procured certain raw materials from Hongying Trading in the ordinary and usual course of our business, which will, upon [REDACTED], constitute a continuing connected transaction of our Company that is subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules (the “**Partially-exempt Continuing Connected Transaction**”).

To comply with the requirements of the Listing Rules, on [●], our Company entered into a product or service procurement framework agreement (the “**Hongying’s Product or Service Procurement Framework Agreement**”) with Hongying Trading pursuant to which we will procure certain raw materials from Hongying Trading.

Principal Terms

Pursuant to the Hongying’s Product or Service Procurement Framework Agreement, our Group agreed to procure certain raw materials such as iron pallets, plastic straps, covers and hardware accessories and ancillary services from Hongying Trading.

The initial term of the Hongying’s Product or Service Procurement Framework Agreement shall commence on the [REDACTED] and continue for a term of three (3) years, subject to renewal for an additional term of three (3) years upon the mutual consent of the parties and compliance with the Listing Rules, the applicable laws and regulations and the Articles. Specific terms and conditions regarding pricing, specifications, delivery and payment will be set out in definitive agreements or purchase orders to be entered into from time to time between relevant parties in accordance with the principles set out in the Hongying’s Product or Service Procurement Framework Agreement.

Reasons for and benefits of the Transaction

Hongying Trading has historically supplied raw materials such as iron pallets, plastic straps, covers and hardware accessories to members of the Group due to its satisfactory service quality and fair market prices. We have established a business relationship with Hongying Trading since March 2022, and Hongying Trading has been a stable and reliable supplier of our Group. In addition, the terms Hongying Trading offered to us are no less favorable than those offered by our other suppliers who are Independent Third Parties. Therefore, our procurement of raw materials and ancillary services from Hongying Trading is in the interests of our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Pricing Policies

The purchase price of the raw materials and ancillary services shall be determined on normal commercial terms and on an arm’s length basis, with reference to the prevailing market price for comparable products and services and their nature, procurement scale and/or complexity, but in any event shall not be higher than the prices of comparable products and services, which will be obtained by the Group on an annual basis, that can be procured from Independent Third Parties by the Group.

Historical Amounts

For the years ended December 31, 2023, 2024 and 2025, the historical amounts of our procurement of raw materials from Hongying Trading were approximately RMB7.6 million, RMB7.4 million and RMB6.0 million, respectively.

Annual Caps and Basis of Determination

The proposed annual caps for the transactions under the Hongying’s Product or Service Procurement Framework Agreement for the years ending December 31, 2026, 2027 and 2028 are set out below:

Proposed annual caps for the year ending December 31,		
2026	2027	2028
(RMB in thousands)		
8,500	8,500	8,500

The above annual caps are determined with reference to:

- (1) the expected increase in the procurement amount as compared to the procurement amount for the year ended December 31, 2025, taking into account our Group’s strategy of increasing its overall production capacity, in particular, in the Chinese Mainland, as well as the expected business growth of our business operations. Therefore, it is expected that the procurement amount from Hongying Trading, being a supplier in the Chinese Mainland, will increase along with the increase in our production capacity and our expected business growth;
- (2) the historical transaction amounts of our raw materials from Hongying Trading during the Track Record Period. While there is fluctuation in historical amounts from RMB7.4 million for the financial year ended December 31, 2024 to RMB6.0 million for the financial year ended December 31, 2025, which was partly due to shifting market dynamics and macroeconomic uncertainties, and customer demand cycles. This led to a decrease in production volume of our products in the Chinese Mainland and a decrease in demand for the raw materials from Hongying Trading in 2025. However, we expect our business in the Chinese Mainland will continue to grow, such cap is set to align with our business expectation; and

CONNECTED TRANSACTIONS

- (3) prices of relevant raw materials, which are inherently sensitive to fluctuations in global commodity prices, exchange rates, transportation and logistics costs, and geopolitical developments (including tariffs and trade restrictions). Recent volatility in supply chains and input costs has resulted in unpredictable unit price movements.

WAIVER APPLICATION FOR PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

In respect of the procurement of raw materials and ancillary services by our Group from Hongying Trading as disclosed in the subsection headed “— Partially exempt continuing connected transaction”, as all applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions contemplated under the Product and Service Procurement Framework Agreement for each of the three years ending December 31, 2028 calculated for the purpose of Chapter 14A of the Listing Rules are expected to exceed 0.1% but be less than 5% on an annual basis, the transactions contemplated thereunder are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules upon [REDACTED].

As the Partially-exempt Continuing Connected Transaction is expected to continue on a recurring and continuing basis and has been fully disclosed in this document, our Directors consider that compliance with the announcement requirement upon [REDACTED] would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has] granted, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Partially-exempt Continuing Connected Transaction upon [REDACTED], provided that the total amount of such transactions for each of the three years ending [December 31, 2028] shall not exceed the relevant proposed annual caps as set out in this section above.

INTERNAL CONTROL MEASURES

Our Group has an independent internal control, accounting and financial management system as well as an independent finance department which makes financial decisions according to our Group’s own business needs. In order to ensure that the terms under the relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, we will adopt the following internal control procedures:

- our various internal departments will be responsible for the control and daily management in respect of the continuing connected transactions;

CONNECTED TRANSACTIONS

- our various internal departments will be jointly responsible for evaluating the terms under the relevant framework agreements in respect of the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- our various internal departments will regularly monitor the fulfillment status of the annual caps and the transaction updates under the framework agreements; and
- our independent non-executive Directors and auditors will conduct an annual review of the continuing connected transactions under the framework agreements and provide an annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the framework agreements, on normal commercial terms and in accordance with the relevant pricing policies. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that (i) the above Fully-exempt Continuing Connected Transaction and the Partially-exempt Continuing Connected Transaction have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, which are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for such Fully-exempt Continuing Connected Transaction and Partially-exempt Continuing Connected Transaction are fair and reasonable and in the interests of our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has (i) reviewed the relevant documents and information provided by the Company in relation to the Partially-exempt Continuing Connected Transaction; (ii) obtained necessary representations and confirmations from the Company and the Directors; and (iii) participated in the due diligence and discussions with the management of the Group.

Based on the aforementioned matters, the Sole Sponsor is of the view that the aforesaid (i) Partially-exempt Continuing Connected Transaction, for which waivers have been sought, has been and will be entered into in the ordinary and usual course of our business on normal commercial terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) the proposed annual caps of the Partially-exempt Continuing Connected Transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

SHARE CAPITAL

OVERVIEW

Immediately Before the [REDACTED]

As of the Latest Practicable Date, our registered capital was RMB99,064,285, comprising 99,064,285 Unlisted Shares with a nominal value of RMB1.00 each.

Upon the Completion of the [REDACTED]

Immediately following the completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, the share capital of our Company will be as follows:

Assuming the [REDACTED] is not exercised:

Description of Shares	Number of Shares	% of the total issued share capital
Unlisted Shares	[REDACTED]	[REDACTED]
H Shares converted from Unlisted Shares ⁽¹⁾	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.0%

Assuming the [REDACTED] is exercised in full:

Description of Shares	Number of Shares	% of the total issued share capital
Unlisted Shares	[REDACTED]	[REDACTED]
H Shares converted from Unlisted Shares ⁽¹⁾	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.0%

Note: Following the completion of the [REDACTED], [REDACTED] Unlisted Shares held by our existing Shareholders will be converted into H Shares on a one-for-one basis and [REDACTED] on the Stock Exchange for trading. Filing of such conversion of Unlisted Shares into H shares [has been completed] with the CSRC on [●]. For details of the identities of the Shareholders whose Shares will be converted into H Shares upon the [REDACTED], see “History, Development and Corporate Structure — Our [REDACTED]” in this document.

SHARE CAPITAL

SHARES OF OUR COMPANY

Upon completion of the [REDACTED], depending on whether Shares are [REDACTED] on the Stock Exchange, our Company will consist of Unlisted Shares and H Shares. Unlisted Shares and H Shares are both ordinary Shares in the share capital of our Company and are regarded as the same class of Shares under the Articles of Association. However, the H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold the H Shares pursuant to relevant PRC laws and regulations or upon approval by any competent authorities.

RANKING

Unlisted Shares and the H Shares carry the same rights and will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of the H Shares are to be declared in RMB and paid by our Company in Hong Kong dollars, whereas all dividends for Unlisted Shares will be paid in RMB. Other than cash, dividends could also be paid in the form of Shares or a combination of cash and Shares.

CONVERSION OF UNLISTED SHARES INTO H SHARES

According to the regulations issued by the securities regulatory authorities of the State Council and the Articles of Association, the Unlisted Shares may be converted into H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, listing and trading of such converted Shares have been filed with the CSRC. Additionally, such conversion, trading and listing shall meet any requirement of the internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Pursuant to the filing notice of the CSRC dated [●], [REDACTED] Unlisted Shares will be converted to H Shares on a one-for-one basis and be listed for trading on the Stock Exchange upon completion of the [REDACTED].

Listing Review and Filing with the CSRC

In accordance with the Guidelines for the “Full Circulation Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境内未上市股份申请全流通业务指引》)” announced by the CSRC, H-share listed companies which apply for the conversion of shares into H shares for listing and circulation on the Stock Exchange shall file the application with the CSRC. An unlisted domestic joint stock company may apply for “full circulation” when applying for an overseas Listing.

SHARE CAPITAL

Our Company has applied for a “full circulation” filing when applying for an overseas [REDACTED] with the CSRC on [●], and submitted the application reports, authorization documents of the shareholders of unlisted shares for which an H-share “full-circulation” was applied, undertaking about the compliance of share acquisition and other documents in accordance with the requirements of CSRC.

Our Company [has received] the filing notice from the CSRC dated [●] in relation to the filing of the overseas listing and “Full Circulation,” pursuant to which:

- (i) our Company was approved to issue no more than [REDACTED] H Shares with a nominal value of RMB1.00 each, which are all ordinary Shares, and upon this issuance the Company may be [REDACTED] on the Main Board of the Stock Exchange; and
- (ii) our Company was approved to convert a total of [REDACTED] Unlisted Shares (with a nominal value of RMB1.00 each) held by certain Shareholders of our Company (the “Full Circulation Participating Shareholders”) into H Shares, and the relevant Shares may be [REDACTED] on the Stock Exchange upon completion of the conversion.

Where the [REDACTED] cannot be completed within one year upon receipt of the filing notice, and our Company will continue to conduct [REDACTED] and [REDACTED] after that, it shall update the filing materials, and the CSRC will update the public filing information accordingly.

Listing Approval by the Stock Exchange

We [have applied] to the Listing Committee for the granting of [REDACTED] of, and [REDACTED] in, our H Shares to be issued pursuant to the [REDACTED] (including any H Shares which may be issued pursuant to the exercise of the [REDACTED]) and the H Shares to be converted from [REDACTED] Unlisted Shares on the Stock Exchange.

We will perform the following procedures for the Conversion of Unlisted Shares into H Shares after receiving the approval of the Stock Exchange: (i) giving instructions to our [REDACTED] regarding relevant share certificates of the converted H Shares; and (ii) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS.

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

The PRC Company Law provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the [REDACTED] shall not be transferred within one year from the date of the [REDACTED]. Accordingly, the Shares issued by our Company prior to the [REDACTED] shall be subject to this statutory restriction and shall not be transferred for a period of one year from the [REDACTED].

SHARE CAPITAL

Pursuant to the PRC Company Law, Shares transferred by our Directors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the [REDACTED], nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors and members of senior management, a summary of which is set out in “Appendix V — Summary of Articles of Association.”

SHAREHOLDERS’ GENERAL MEETINGS

For details of circumstances under which our general Shareholders’ meeting required, see “Appendix V — Summary of Articles of Association.”

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the following persons will have interests and/or short positions in the Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company:

Name	Nature of Interest ⁽¹⁾	As of the Latest Practicable Date		Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) and the Conversion of Unlisted Shares into H Shares			
		Number of Unlisted Shares	Approximate percentage of interest in our Company	Number of Shares	Description of Shares ⁽²⁾	Approximate percentage of shareholding in the Unlisted Shares/ H Shares (as applicable) ⁽⁴⁾	Approximate percentage of shareholding in the total issued share capital of our Company ⁽⁴⁾
Hangzhou Kingdom Imp & Exp	Beneficial owner	39,999,506	40.38%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
				[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
	Interest in controlled corporation ⁽³⁾	494	0.0005%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Mr. Dai . . .	Beneficial owner	30,000,000	30.28%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
				[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
	Interest in controlled corporation ⁽⁵⁾	41,520,000	41.91%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
				[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
	Interest held jointly with another person ⁽⁷⁾	20,000,000	20.19%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Ms. Zhang . .				[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
	Beneficial owner	20,000,000	20.19%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
				[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
	Interest in controlled corporation ⁽⁶⁾	40,000,000	40.38%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
				[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
	Interest held jointly with another person ⁽⁷⁾	31,520,000	31.82%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
				[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) All interests stated are long positions.
- (2) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.
- (3) This includes [REDACTED] H Shares held by Zhejiang Jinghongda. As of the Latest Practicable Date, Zhejiang Jinghongda was wholly-owned by Hangzhou Kingdom Imp & Exp Hangzhou Kingdom Imp & Exp is deemed to be interested in all the Shares held by Zhejiang Jinghongda under the SFO.
- (4) The calculation is based on the total number of [REDACTED] Unlisted Shares and [REDACTED] H Shares in issue immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares.
- (5) This includes (i) [REDACTED] H Shares held by Zhejiang Jinghongda, (ii) [REDACTED] Shares (including [REDACTED] Unlisted Shares and [REDACTED] H Shares) held by Hangzhou Kingdom Imp & Exp, and (iii) [REDACTED] H Shares held by Hangzhou Jinghe. As of the Latest Practicable Date, Zhejiang Jinghongda was wholly-owned by Hangzhou Kingdom Imp & Exp which was in turn held as to 51% and 49% by Mr. Dai and Ms. Zhang. As of the Latest Practicable Date, Mr. Dai acted as the general partner of Hangzhou Jinghe. Mr. Dai is deemed to be interested in all the Shares held by Zhejiang Jinghongda, Hangzhou Kingdom Imp & Exp, and Hangzhou Jinghe under the SFO.
- (6) This includes (i) [REDACTED] H Shares held by Zhejiang Jinghongda and (ii) [REDACTED] Shares (including [REDACTED] Unlisted Shares and [REDACTED] H Shares) held by Hangzhou Kingdom Imp & Exp. As of the Latest Practicable Date, Zhejiang Jinghongda was wholly-owned by Hangzhou Kingdom Imp & Exp which was in turn held as to 51% and 49% by Mr. Dai and Ms. Zhang. Ms. Zhang is deemed to be interested in all the Shares held by Zhejiang Jinghongda and Hangzhou Kingdom Imp & Exp under the SFO.
- (7) On March 20, 2026, Mr. Dai and Ms. Zhang entered into Acting-in-concert Agreement. See “History, Development and Corporate Structure — Acting-in-concert Agreement” for more details.

For details of the interests in shares of other members (other than our Company) of our Group, see the paragraph headed “Substantial Shareholders — Interests in our Company’s subsidiaries” in Appendix VI to this document.

Save as otherwise disclosed herein, our Directors are not aware of any persons who will, immediately following the [REDACTED] (assuming the [REDACTED] is not exercised), have any interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board of Directors comprises seven (7) Directors, including three (3) executive Directors and four (4) independent non-executive Directors.

Our senior management is currently comprised of five (5) members who are responsible for the day-to-day management and operation of our Company.

DIRECTORS

The following table sets out information in respect of the Directors of our Company:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director
Mr. DAI Huibin (戴會斌)	57	Executive Director, chairman of the Board and chief executive officer	Formulating the overall corporate and business strategies and overseeing the daily operations and financial performance of our Group	June 2010	June 2010
Ms. ZHANG Shuhong (章樹紅)	58	Executive Director	Overseeing the human resources management, daily operations, financial performance and sales of our Group	July 2010	April 2020
Mr. TANG Nianfeng (唐年鋒)	37	Executive Director	Overseeing overseas sales of our Group	May 2011	November 2024
Dr. HUNG Ting On John (洪廷安)	65	Independent non-executive Director	Supervising and providing independent judgment to the Board	January 2026	January 2026
Dr. LIU Chunyan (劉春彥)	58	Independent non-executive Director	Supervising and providing independent judgment to the Board	January 2026	January 2026
Dr. MIAO Duoqian (苗奪謙)	62	Independent non-executive Director	Supervising and providing independent judgment to the Board	January 2026	January 2026
Dr. YANG Jintao (楊晉濤)	48	Independent non-executive Director	Supervising and providing independent judgment to the Board	January 2026	January 2026

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Dai Huibin

Mr. Dai Huibin (戴會斌), aged 57, is our founder, the chairman of our Board and an executive Director and chief executive officer of our Company with effect from the incorporation of our Company in June 2010. Mr. Dai is primarily responsible for formulating the overall corporate and business strategies and overseeing the daily operations and financial performance of our Group. Mr. Dai is also the chairman of our Strategic Committee and a member of our Nomination Committee.

Mr. Dai has over 20 years of experience in the industry from working within our Group. From November 2003 to June 2010, Mr. Dai served as the chairman of the board of directors of Hangzhou Kingdom Imp & Exp, one of our Controlling Shareholders. In June 2010, Mr. Dai co-founded our Company with Ms. Zhang, and he has been serving as the chairman of our Board and the chief executive officer of the Company since then.

Mr. Dai graduated from a programme with a major in English at the Zhejiang Radio and Television University, Yuhang Campus* (浙江省廣播電視大學余杭分校) in July 1990.

Ms. Zhang Shuhong

Ms. Zhang Shuhong (章樹紅), aged 58, is our founder and an executive Director of our Company with effect from April 2020. Ms. Zhang is primarily responsible for overseeing the human resources management, daily operations, financial performance and sales of our Group. Ms. Zhang is also a member of our Remuneration Committee, Nomination Committee and Strategic Committee.

Ms. Zhang has over 10 years of experience in the industry from working within our Group. From November 2003 to June 2010, Ms. Zhang served as the supervisor of Hangzhou Kingdom Imp & Exp, one of our Controlling Shareholders. In June 2010, Ms. Zhang co-founded our Company with Mr. Dai and she then served as the general manager of our Company from July 2010 to March 2020. Since April 2020, Ms. Zhang has been serving as our Director. Prior to joining our Group, Ms. Zhang was an English teacher at Hangzhou City Yuhang County Qiaosi Town Middle School* (杭州市余杭縣喬司鎮中學) and Yuhang City Qiaosi Town Middle School* (余杭市喬司鎮中學) from August 1990 to July 1995. Ms. Zhang obtained the qualification of a Secondary School Teacher (Grade II) in 1993. From 1995 to 1999, Ms. Zhang was an English teacher at Hangzhou Kaiyuan Middle School* (杭州開元中學).

Ms. Zhang obtained a professional diploma in English education from Zhejiang Radio and Television University, Yuhang Campus* (浙江廣播電視大學余杭分校) in July 1990.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tang Nianfeng

Mr. Tang Nianfeng (唐年鋒), aged 37, is an executive Director of our Company with effect from November 2024. Mr. Tang is primarily responsible for overseeing the overseas sales of our Group.

Mr. Tang has over 14 years of experience in the industry from working within our Group. He joined our Company in May 2011 as a sales assistant and was responsible for providing support to the sales team until February 2012. From March 2012 to February 2014, Mr. Tang served as a salesperson of our Company and was responsible for achieving sales targets and meeting sales quotas. From March 2014 to February 2016, Mr. Tang served as a sales manager of our Company and was responsible for managing and leading the sales team in achieving sales targets and was accountable for the sales team’s performance metrics. Since March 2016, Mr. Tang has been serving as the sales director of our Company, where he is responsible for developing the Company’s sales strategy and overseeing our Company’s overall sales performance and market expansion.

Mr. Tang obtained his bachelor’s degree in English from Hebei University of Engineering* (河北工程大學) in June 2011.

Independent non-executive Directors

Dr. Hung Ting On John (洪廷安), aged 65, is an independent non-executive Director of our Company with effect from January 6, 2026. Dr. Hung is primarily responsible for supervising and providing independent judgement to the Board. Dr. Hung is also the chairman of our Audit Committee and a member of our Remuneration Committee and Strategic Committee.

Dr. Hung has over 40 years of working experience in the field of audit, accounting and finance and was formerly a senior partner of Deloitte Asia Pacific stationed in Shanghai. Dr. Hung was admitted as a partner of Deloitte China in January 1999 until his retirement in May 2023, and was a member of the governing board of Deloitte China from June 2008 to May 2016 and from June 2018 to May 2020. He has extensive experience in conducting financial audits, leading IPO projects, conducting financial due diligence, advising on mergers and acquisitions and risk management. He is currently the regional chair of the Warwick Business School Alumni programme in China and Hong Kong and serves on the advisory board of Warwick Business School. Since August 2025, Dr. Hung has been serving as an independent non-executive director of PuraPharm Corporation Limited, a company listed on the Stock Exchange (stock code: 01498).

Dr. Hung was awarded a Doctor of Laws (honoris causa) in 2023 and obtained a Master of Business Administration in July 1988 from the University of Warwick in the United Kingdom. In November 1983, Dr. Hung was awarded an associateship in civil and structural engineering from the Hong Kong Polytechnic University. In 1986, he was also awarded a Scholarship for Overseas Engineering Graduates from The Confederation of British Industry. He is a fellow member of the Institute of Chartered Accountants in England and Wales. He is also a fellow member of the Australia CPA.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Liu Chunyan (劉春彥), aged 58, is an independent non-executive Director of our Company with effect from January 6, 2026. Dr. Liu is primarily responsible for supervising and providing independent judgement to the Board. Dr. Liu is also the chairman of our Remuneration Committee and Nomination Committee and a member of our Audit Committee and Strategic Committee.

Dr. Liu is an assistant professor of the faculty of law and an instructor of master’s degree candidates of civil and commercial law at Tongji University (同濟大學) and a part-time attorney and certified lawyer in Jincheng Tongda & Neal (Shanghai) Law Firm (金誠同達(上海)律師事務所). Since June 2020, Dr. Liu has been serving as an independent non-executive director of Liaoning Port Co., Ltd. (遼寧港口股份有限公司), a company listed on the Stock Exchange (stock code: 02880) and the Shanghai Stock Exchange (stock code: 601880). From December 2018 to January 2022, Dr. Liu served as an independent director of Fujian Oriental Silver Star Investment Co., Ltd. (福建東方銀星投資股份有限公司) (currently known as Fujian Haiqin Energy Group Co., Ltd. (福建海欽能源集團股份有限公司)), whose shares are listed on the Shanghai Stock Exchange, stock code: 600753), from January 2019 to March 2023, he served as an independent director of Zhejiang Yilida Ventilator Co., Ltd. (浙江億利達風機股份有限公司) (whose shares are listed on the Shenzhen Stock Exchange, stock code: 002686). From May 2021 to May 2024, he served as an independent director of Conch (Anhui) Energy Saving and Environment Protection New Material Co., Ltd. (海螺(安徽)節能環保新材料股份有限公司) (whose shares are listed on the Shenzhen Stock Exchange, stock code: 000619). Since December 2021, he has been serving as an independent director of Hangzhou Fortune Gas Cryogenic Group Co., Ltd. (杭州福斯達深冷裝備股份有限公司) (whose shares are listed on the Shanghai Stock Exchange, stock code: 603173), and since December 2014, he has been serving as an independent director of Chuangyuan Futures Co., Ltd. (創元期貨股份有限公司) (whose shares are listed on the NEEQ, stock code: 832280). From March 2022 to December 2025, Dr. Liu served as an independent director of Taizhou Bank (台州銀行).

Dr. Liu obtained a bachelor’s degree in law from Liaoning Normal University (遼寧師範大學) in July 1989, a master’s degree in law from Shanghai Jiao Tong University (上海交通大學) in January 1994 and a doctorate in management from Tongji University in May 2009.

Dr. Miao Duoqian (苗奪謙), aged 62, is an independent non-executive Director of our Company with effect from January 6, 2026. Dr. Miao is primarily responsible for supervising and providing independent judgement to the Board. Dr. Miao is also a member of our Audit Committee, Nomination Committee and Strategic Committee.

Dr. Miao has over 30 years of teaching and research experience in computer science, artificial intelligence and big data. Dr. Miao is the deputy director of the Ministry of Education Key Laboratory of Embedded Systems and Service Computing* (嵌入式系統與服務計算教育部重點實驗室), and a fellow and director of the Granular Computing and Knowledge Discovery Technical Committee of the Chinese Association for Artificial Intelligence (中國人工智能學會粒計算與知識發現專業委員會). Dr. Miao also served as the vice chairman of the Shanghai Association for Artificial Intelligence (上海市人工智能學會). From July 1985 to September 1988, Dr. Miao served as a teacher at Shanxi Textile Industry School* (山西紡織工業學校). Dr. Miao obtained the qualification to serve as a lecturer at Shanxi University (山

DIRECTORS AND SENIOR MANAGEMENT

西大學) in September 1993, and the qualification to serve as an associate professor at the same university in 1998. From September 2000 to March 2002, Dr. Miao served as a professor at the same university. From March 2002 to November 2016, Dr. Miao served as a professor, doctoral supervisor, department head and vice dean at the School of Computer Science and Technology of Tongji University (同濟大學), and he has been serving as a professor (Grade II) in the same institution since November 2016.

Dr. Miao obtained his bachelor’s degree in mathematics from Shanxi University* (山西大學) in August 1985, and his master’s degree in probability and statistics from Shanxi University* (山西大學) in July 1991. He received his doctoral degree in engineering in pattern recognition and intelligent systems from the Chinese Academy of Sciences* (中國科學院自動化研究所) in July 1997.

Dr. Yang Jintao (楊晉濤), aged 48, is an independent non-executive Director of our Company with effect from January 6, 2026. Dr. Yang is primarily responsible for supervising and providing independent judgment to the Board. Dr. Yang is also a member of our Nomination Committee and our Strategic Committee.

Dr. Yang has over 20 years of research experience in polymer processing and modification, biomaterials, nanocomposites, super-lubrication, antibacterial and stimuli-responsive functional coating materials. Dr. Yang has over 100 publications in journals and has 14 patents and patent applications in total (granted and pending), and has received the Shanghai Science and Technology Progress Award (上海市科技進步二等獎) (Second Class, ranked second), the Zhejiang Provincial Natural Science Award (浙江省自然科學獎三等獎) (Third Class, ranked second) and the China Invention Association Innovation Award (中國發明協會創新二等獎) (Second Class, ranked third).

Dr. Yang served as a lecturer from October 2005 to December 2010 and an associate professor from January 2011 to December 2025 at the School of Chemical Engineering and Materials Science at Zhejiang University of Technology (浙江工業大學化材學院). From October 2006 to November 2008, he served as a post-doctoral researcher at The Ohio State University. From April 2013 to March 2014, he served as a visiting scholar in the Department of Chemistry at the University of Michigan. From September 2022 to September 2025, Dr. Yang served as an independent director of Jinhua Chunguang Technology Co., Ltd* (金華春光橡塑科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603657).

Dr. Yang obtained his bachelor’s degree in chemical engineering from China University of Petroleum (East China) (中國石油大學(華東)) in June 2000, and his doctoral degree in chemical engineering and technology from Zhejiang University (浙江大學) in June 2005.

Save as disclosed above, none of our Directors holds any other directorships in public companies the securities of which are listed on any securities market in Hong Kong SAR or overseas during the three years immediately preceding the date of this document. See “Appendix VI — Statutory and General Information — Further Information about Our

DIRECTORS AND SENIOR MANAGEMENT

Directors and Substantial Shareholders” for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO).

None of our Directors have any interest in any business, other than our Group’s business, which competes or is likely to compete, either directly or indirectly, with our Group’s business.

Save as disclosed in this section and the Acting-in-concert agreement entered into between Mr. Dai and Ms. Zhang on March 20, 2026 as described in the section headed “History, Development and Corporate Structure — Acting-in-concert Agreement”, none of our Directors had other relationship with any Directors, senior management, substantial Shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date.

Save as disclosed in this document, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters in respect of each of our Directors which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there were no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below includes certain information in respect of the senior management of our Company (other than our executive Directors):

Name	Age	Position	Roles and responsibilities	Date of joining our Group
Mr. SHAN Zhongshun (山忠順)	39	Chief financial officer, secretary to the Board and joint company secretary	Overseeing the daily operations and capital operations (including investments and financing activities) of our Group	August 2024
Mr. ZHOU Guoqiang (周國強)	44	Financial director	Overseeing the audit and financial reporting of our Group	March 2025

Our senior management team comprises our three (3) executive Directors and two (2) other senior management members. For the biographies of our executive Directors, see “Executive Directors”.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shan Zhongshun

Mr. Shan Zhongshun (山忠順), aged 39, is the chief financial officer and a joint company secretary of our Company. He has served as the secretary to the Board of our Company since August 2024. In January 2025, he was appointed as our chief financial officer. Mr. Shan is primarily responsible for overseeing the daily operations and capital operations (including investments and financing activities) of our Group.

Prior to joining our Group, from May 2010 to July 2020, Mr. Shan served as the secretary to the board of directors, president of the labour union, deputy director of securities investment and head of capital strategy at Tianneng Power International Limited* (天能動力國際有限公司), an investment holding company listed on the Stock Exchange (stock code: 819) which is principally engaged in the manufacture and sales of motive batteries and batteries recycling, and its subsidiary. Mr. Shan then served as the secretary to the board of directors and the assistant to the chairman of the board of directors at Shuangdeng Group Co., Ltd. (雙登集團股份有限公司), a company listed on the Stock Exchange (stock code: 6960) which is principally engaged in the manufacture and sales of IDC storage batteries, from July 2020 to February 2021. Mr. Shan served as the secretary to the board of directors and the chief financial officer at Hangzhou Beidu Technology Co., Ltd.* (杭州貝嘯科技有限公司), a company principally engaged in the provision of custom tailoring services through an internet C2M (Consumer-to-Manufacturer) consumption business model, from February 2021 to September 2022. From October 2022 to July 2024, Mr. Shan served as the secretary to the board of directors of Zhejiang ODM Transmission Technology Co., Ltd* (浙江歐迪恩傳動科技股份有限公司), a company principally engaged in the manufacturing of automotive components. Mr. Shan has more than 15 years of experience in IPO listings, capital operations, financial management and market value management.

Mr. Shan obtained his bachelor’s degree in English from Shanghai International Studies University* (上海外國語大學) in July 2010, and his master’s degree in Business Administration from Zhejiang University of Finance and Economics* (浙江財經大學) in June 2023. Mr. Shan was admitted as an International Certified Public Accountant by the American Association of Chartered Accountants in October 2023. He was also admitted as a senior management accountant by the Beijing National Accounting Institute (北京國家會計學院) in September 2024. He obtained the Board Secretary Qualification certified by the Shanghai Stock Exchange (上海證券交易所) in May 2018.

Mr. Zhou Guoqiang

Mr. Zhou Guoqiang (周國強), aged 44, is the financial director of our Company. Mr. Zhou is primarily responsible for the audit and financial reporting of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Mr. Zhou served as the financial director, secretary to the board of directors and deputy general manager at Thinker Agricultural Machinery Co., Ltd.* (星光農機股份有限公司) from January 2012 to July 2018, and the deputy general manager and secretary to the board of directors at Zhejiang Huilong Chemical Fibre Co., Ltd.* (浙江匯隆新材料股份有限公司) from December 2022 to February 2025.

Mr. Zhou obtained his bachelor’s degree in finance from the Zhejiang University of Finance & Economics (浙江財經學院) in June 2004. He was also admitted as an intermediate accountant by the Huzhou Municipal Personnel Bureau of Zhejiang Province* (浙江省湖州市人事局) in May 2010.

JOINT COMPANY SECRETARIES

Ms. Chan Ching Nga (陳靜雅) has over 20 years of experience in company secretarial and corporate governance fields and is currently a Senior Manager, Entity Solutions at Computershare.

Ms. Chan obtained a master’s degree in corporate governance from The Hong Kong Polytechnic University in October 2012. She is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Mr. Shan Zhongshun (山忠順). See “— Senior Management” in the section above for details.

COMMITTEES UNDER THE BOARD OF DIRECTORS

We have established the following committees in our Board of Directors: an Audit Committee, a Remuneration Committee, a Nomination Committee and a Strategic Committee. The committees operate in accordance with the respective terms of reference established by our Board of Directors.

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises three (3) independent non-executive Directors, namely Dr. Hung Ting On John, Dr. Liu Chunyan and Dr. Miao Duoqian. Dr. Hung Ting On John, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

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Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee comprises one (1) executive Director, namely Ms. Zhang Shuhong, and two (2) independent non-executive Directors, namely Dr. Liu Chunyan and Dr. Hung Ting On John. Dr. Liu Chunyan is the chairman of the committee.

Nomination Committee

We have established a nomination committee in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to make recommendations to the Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises two (2) executive Directors, namely Mr. Dai Huibin and Ms. Zhang Shuhong, and three (3) independent non-executive Directors, namely Dr. Liu Chunyan, Dr. Miao Duoqian and Dr. Yang Jintao. Dr. Liu Chunyan is the chairman of the committee.

Strategic Committee

We have established a strategic committee with written terms of reference. The primary duties of our Strategic Committee are to formulate strategic development policies of our Group. The Strategic Committee comprises two (2) executive Directors, namely Mr. Dai Huibin and Ms. Zhang Shuhong, and four (4) independent non-executive Directors, namely Dr. Hung Ting On John, Dr. Liu Chunyan, Dr. Miao Duoqian and Dr. Yang Jintao. Mr. Dai Huibin is the chairman of the committee.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code, which set out principles of good corporate governance. For further information relating to our Company’s corporate governance measures, see “Relationship with our Controlling Shareholders — Corporate Governance Measures”.

Chairman of the Board and Chief Executive Officer

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 of the Listing Rules after the [REDACTED] save for the below.

DIRECTORS AND SENIOR MANAGEMENT

Code Provision C.2.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules recommends, but does not require, that the roles of chairman and chief executive should be separate and that such roles should not be performed by the same person. Our Company deviates from this provision because Mr. Dai performs both the roles of the chairman of the Board and the chief executive officer of our Company. As Mr. Dai has served the Group since June 2010 and has provided strategic guidance and leadership throughout the Track Record Period, our Board believes that vesting the roles of both chairman and chief executive officer in Mr. Dai has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively. Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and four (4) independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time to time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

BOARD DIVERSITY POLICY

The Board will adopt a board diversity policy (the “**Board Diversity Policy**”) prior to the [REDACTED] in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

The Nomination Committee is responsible for reviewing the diversity of the Board. After [REDACTED], the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. Our Company will take opportunities to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices. Our Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to the Board. We plan to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development. We are of the view that such strategy will offer chances for our Board to identify capable female

DIRECTORS AND SENIOR MANAGEMENT

employees to be nominated as a member of the Board in future with an aim to providing our Board with a pipeline of female candidates to achieve gender diversity in our Board in the long run. We believe that such merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole.

DIRECTORS’ REMUNERATIONS

Our Directors and senior management receive remunerations, which mainly consist of salaries, allowances and benefits in kind, bonuses, pension scheme contributions and share-based payment expenses, and are consistent with prevailing market standards.

The aggregate amounts of remunerations (including, among others, salaries, allowances and benefits in kind, bonuses, pension scheme contributions and share-based payment expenses) for our Directors for the years ended December 31, 2023, 2024 and 2025 were approximately RMB720,000, RMB2,171,000 and RMB4,147,000, respectively. None of our Directors waived or agreed to waive any remuneration during the aforesaid periods. Our Directors are of the view that the amount of remuneration would not have material adverse impact on the Group’s financial performance. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio. For further details, see “Financial Information — Dividends”.

For the years ended December 31, 2023, 2024 and 2025, the five highest paid individuals of our Group included nil, one and three Directors, respectively, whose remunerations are included in the aggregate amount of salaries, allowances and benefits in kind, bonuses, pension scheme contributions and share-based payment expenses granted to the relevant Directors set out above. For the years ended December 31, 2023, 2024 and 2025, the aggregate amount of salaries, allowances and benefits in kind, bonuses, pension scheme contributions and share-based payment expenses granted to the remaining five, four and two highest paid individuals who are not our Directors were approximately RMB6,779,000, RMB6,616,000 and RMB6,326,000, respectively. For further details on the remunerations of the five highest paid individuals during the Track Record Period, see Note 9 to the Accountants’ Report as set out in Appendix I to this document.

Save as disclosed, no other payments have been paid or are payable, in respect of the years ended December 31, 2023, 2024 and 2025 by our Company to our Directors or senior management.

After the [REDACTED], the executive Directors’ remunerations will comprise a fixed amount of approximately RMB7.2 million per year, and performance-based compensation linked to certain key performance indicators. The specific terms of the key performance indicators will be determined by the Board each year with reference to the Group’s development strategies. The independent non-executive Directors’ remunerations will be a fixed amount of approximately RMB0.8 million per year.

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COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues, sales or transfers of treasury shares and share repurchases;
- (c) where our Company proposes, to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this document; and
- (d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the [REDACTED] and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

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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.

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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.

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During the Track Record Period, our total sales volume of SPC, LVT and EPC products amounted to 26.8 million m² for the year ended December 31, 2023, 37.4 million m² for the year ended December 31, 2024 and 38.5 million m² 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

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increased during the Track Record Period from 37.1 million m² for the year ended December 31, 2023 to 49.8 million m² for the year ended December 31, 2024, and further to 51.0 million m² 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.

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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.

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(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

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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.

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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

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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.

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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	%
<i>(RMB in thousands, except for percentages)</i>						
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 (%)
<i>(RMB in thousands, except for percentages)</i>						
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.

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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.

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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.

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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	%
<i>(RMB in thousands, except for percentages)</i>						
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.

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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.

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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	%
<i>(RMB in thousands, except for percentages)</i>						
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.

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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.

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- **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

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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.

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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.

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- **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.

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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.

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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.

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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.

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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	<u>618,375</u>	<u>939,829</u>	<u>1,049,329</u>
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	<u>979,384</u>	<u>1,295,733</u>	<u>1,517,104</u>
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	<u>672,069</u>	<u>984,583</u>	<u>1,029,244</u>
Net current assets	<u>307,315</u>	<u>311,150</u>	<u>487,860</u>
Total assets less current liabilities	<u>925,690</u>	<u>1,250,980</u>	<u>1,537,189</u>
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	<u>94,335</u>	<u>128,145</u>	<u>85,871</u>
Net assets	<u>831,355</u>	<u>1,122,834</u>	<u>1,451,318</u>

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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	<u>979,384</u>	<u>1,295,733</u>	<u>1,517,104</u>	<u>1,534,652</u>
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	<u>672,069</u>	<u>984,583</u>	<u>1,029,244</u>	<u>1,035,125</u>
Net current assets	<u>307,315</u>	<u>311,150</u>	<u>487,860</u>	<u>499,527</u>

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.

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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.

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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.

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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.

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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
	<i>(RMB in thousands)</i>		
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.

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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
	<u>268,686</u>	<u>384,344</u>	<u>485,005</u>
Inventory write-down	<u>(30,626)</u>	<u>(32,642)</u>	<u>(32,911)</u>
Total	<u>238,060</u>	<u>351,702</u>	<u>452,094</u>

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.

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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

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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.

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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
	<i>(RMB in thousands)</i>		
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
	<i>(RMB in thousands)</i>		
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

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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

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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.

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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.

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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

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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.

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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.

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Our total lease liabilities decreased by 13.7% 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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

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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.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLAN

For details of our future plans, see “Business — Our Strategies.”

USE OF [REDACTED]

Assuming that the [REDACTED] is not exercised, after deducting the [REDACTED] and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED]), we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED]. We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to invest in our wall panel products, primarily through the establishment of our dedicated wall panel production base in Tongxiang, Zhejiang Province, China, with the view to enhancing our domestic wall panel product production capacity. We believe this expansion will allow us to successfully (i) enhance the digitalization and automation of our production capacity for wall panel products by establishing an automated manufacturing facility, and (ii) expand the variety of our wall panel products, as well as accessories such as baseboard, skirting board, base molding, and wall trim, to expand our product portfolio and capture new market opportunities. As of the Latest Practicable Date, we are in the process of making the relevant filing with the relevant PRC authorities regarding this investment.

Production bases	Production capacity (per year)	Construction commencement time	Estimated completion time
The production base in Tongxiang, Zhejiang Province, China	7,000,000 m ²	2027	2028

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to enhance our global supply chain capabilities through the construction of a modern, green production base in Hungary that integrates PVC flooring and wall panel manufacturing with circular recycling. This production base in Europe will be positioned as a future hub for the R&D, manufacturing and sale of high-end flooring products, primarily serving European customers and, to some extent, customers in North America.

Furthermore, this production base will be developed into a benchmark production base for the circular economy of our flooring products in Europe, achieving a closed industrial loop from the recycling of old flooring to the production of new flooring, supporting our carbon reduction goals and ESG initiatives. We plan to establish the production base in Hungary to procure advanced full-line production equipment for PVC flooring and wall panels, as well as crushing, separation, and recycling equipment for end-of-life flooring and wall panels, together with supporting

FUTURE PLANS AND USE OF [REDACTED]

software management systems including manufacturing execution systems (“MES”), with the aim to establishing a closed-loop production model that covers the full lifecycle from the recycling of used flooring and wall panels to the manufacture of new flooring and wall panels (the “floor-to-floor” model). As of the Latest Practicable Date, we are preparing for the outbound direct investment (ODI) filing regarding the construction of our production facility in Hungary.

Production bases	Production capacity (per year)	Construction commencement time	Estimated completion time
The production base in Hungary	8,000,000m ²	2028	2029

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the continuous investment in our Thailand production base which is located in Chonburi Province, Thailand. This project will focus on (i) expanding our product offering, including wall panels and digital printing products; (ii) expanding raw material storage capacity and upgrading to intelligent warehouse management; (iii) establishing showrooms and research and development center; and (iv) building office facilities. As of the Latest Practicable Date, we are preparing for the ODI filing regarding the investment in our Thailand production base.

Production bases	Production capacity (per year)	Construction commencement time	Estimated completion time
The production base in Thailand	10,000,000m ²	2027	2029

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to procure and upgrade equipment in our existing production base in Tongxiang, Zhejiang Province, China, including: (i) digital printing equipment to meet customer demand for digital printing products; (ii) optimization and upgrade of the fully integrated production line spanning AI visual inspection, saw blade slotting, packaging, and automated guided vehicle (AGV) warehousing; and (iii) establishment of an AI knowledge base and development, optimization, and upgrade of information systems, including the Laboratory Information Management System (LIMS), Supplier Relationship Management (SRM), Warehouse Management System (WMS), Electronic Human Resources (EHR), Manufacturing Execution System (MES), etc. These investments will advance our goal of building a fully digitalized, smart green factory. As of the Latest Practicable Date, we are in the process of making the relevant filing with the relevant PRC authorities regarding this investment.

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the establishment of our R&D center at our Tongxiang headquarters by establishing a new R&D research center building, introducing advanced R&D equipment and recruiting R&D specialists. In particular, the center will focus on R&D in areas including new materials and new applications, green and low-carbon high-end products, as well as intelligent manufacturing. As of the Latest Practicable Date, we have obtained the land for our R&D research center building, and submitted the relevant filing with the relevant PRC authorities regarding this investment.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for our working capital and general corporate purposes.

The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the indicative [REDACTED] stated in this document. If the [REDACTED] is exercised in full, the [REDACTED] that we will receive will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED]). In the event that the [REDACTED] is exercised in full, we intend to apply the additional [REDACTED] to the above purposes in the proportions stated above.

To the extent that our [REDACTED] are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans, and other borrowings. To the extent that the [REDACTED] from the [REDACTED] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term demand deposits with licensed banks or financial institutions so long as it is deemed to be in the best interests of our Company. We will make an appropriate announcement if there is any material change to the above proposed use of [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHEJIANG KINGDOM NEW MATERIAL GROUP CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Zhejiang Kingdom New Material Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[3] to I-86, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[3] to I-86 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[Date]

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ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing as issued by the Hong Kong Institute of Certified Public Accountants (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	5	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	5	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	7	(6,957)	(7,887)	(7,047)
Share of profits of an associate		1,261	2,050	5,735
PROFIT BEFORE TAX	6	270,495	392,391	427,922
Income tax expense	10	(40,666)	(55,734)	(67,394)
PROFIT FOR THE YEAR		<u>229,829</u>	<u>336,657</u>	<u>360,528</u>
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
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>1,550</u>	<u>2,725</u>	<u>8,088</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>1,550</u>	<u>2,725</u>	<u>8,088</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>231,379</u>	<u>339,382</u>	<u>368,616</u>

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ACCOUNTANTS’ REPORT

	<i>Note</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Profit for the year attributable to:				
Owners of the parent		230,176	339,607	369,559
Non-controlling interests		(347)	(2,950)	(9,031)
		<u>229,829</u>	<u>336,657</u>	<u>360,528</u>
Total comprehensive income attributable to:				
Owners of the parent		231,495	340,690	374,887
Non-controlling interests		(116)	(1,308)	(6,271)
		<u>231,379</u>	<u>339,382</u>	<u>368,616</u>
EARNINGS PER SHARE				
ATTRIBUTABLE TO				
ORDINARY EQUITY HOLDERS				
OF THE PARENT				
Basic and diluted (RMB yuan)	12	<u>5.83</u>	<u>7.72</u>	<u>4.09</u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	411,031	707,760	824,777
Right-of-use assets	14(a)	97,984	108,390	102,283
Intangible assets	15	2,634	2,681	4,645
Investment in an associate	16	61,497	63,130	68,227
Equity investments designated at fair value through other comprehensive income	17	200	200	—
Prepayments	20	17,611	16,910	4,975
Deferred tax assets	27	27,418	40,758	44,422
Total non-current assets		618,375	939,829	1,049,329
CURRENT ASSETS				
Inventories	18	238,060	351,702	452,094
Trade and notes receivables	19	280,437	405,207	415,819
Prepayments, other receivables and other assets	20	48,170	82,053	169,201
Time deposits	22	31,437	—	—
Cash and cash equivalents	22	272,533	280,384	345,287
Pledged short-term deposits	22	107,155	176,387	134,703
Due from related parties	34	1,592	—	—
Total current assets		979,384	1,295,733	1,517,104
CURRENT LIABILITIES				
Trade and notes payables	23	333,004	532,729	522,749
Other payables and accruals	24	162,555	265,695	257,206
Derivative financial instruments	25	—	11,050	—
Interest-bearing bank borrowings	26	130,181	137,027	213,973
Lease liabilities	14(b)	7,455	5,667	5,344
Due to related parties	34	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	1,250,979	1,537,189
NON-CURRENT LIABILITIES				
Lease liabilities	14(b)	2,186	16,494	13,203
Interest-bearing bank and other borrowings	26	50,000	71,682	34,064
Deferred government grants	24	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
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	28	80,000	—	—
Share capital	28	—	90,000	92,460
Reserves	30	740,910	999,862	1,331,291
		820,910	1,089,862	1,423,751
Non-controlling interests		10,445	32,972	27,567
Total equity		831,355	1,122,834	1,451,318

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Paid-in capital	Capital reserve*	Exchange fluctuation reserve*	Statutory surplus reserve*	Retained profits*	Total		
	RMB'000 (note 28)	RMB'000 (note 30)	RMB'000	RMB'000 (note 30)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	80,000	137,985	235	41,412	429,783	689,415	39	689,454
Profit for the year	–	–	–	–	230,176	230,176	(347)	229,829
Other comprehensive income for the year:								
Share of other comprehensive income of an associate	–	–	582	–	–	582	–	582
Exchange differences on translation of foreign operations	–	–	737	–	–	737	231	968
Total comprehensive income for the year	–	–	1,319	–	230,176	231,495	(116)	231,379
Capital injection from non-controlling shareholders	–	–	–	–	–	–	10,559	10,559
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	(37)	(37)
Transfer to statutory surplus reserve	–	–	–	7,430	(7,430)	–	–	–
Dividends declared and paid (note 11)	–	–	–	–	(100,000)	(100,000)	–	(100,000)
At 31 December 2023	<u>80,000</u>	<u>137,985</u>	<u>1,554</u>	<u>48,842</u>	<u>552,529</u>	<u>820,910</u>	<u>10,445</u>	<u>831,355</u>

Year ended 31 December 2024

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Paid-in capital	Share capital	Share premium*	Capital reserve*	Exchange fluctuation reserve*	Statutory surplus reserve*	Retained profits*	Total	
	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000 (note 30)	RMB'000	RMB'000	RMB'000
At 1 January 2024	80,000	–	–	137,985	1,554	48,842	552,529	820,910	10,445
Profit for the year	–	–	–	–	–	–	339,607	339,607	(2,950)
Other comprehensive income for the year:									
Share of other comprehensive loss of an associate	–	–	–	–	(416)	–	–	(416)	–
Exchange differences on translation of foreign operations	–	–	–	–	1,499	–	–	1,499	1,642
Total comprehensive income for the year	–	–	–	–	1,083	–	339,607	340,690	(1,308)
Increase in paid-in capital	1,001	–	–	(828)	–	–	–	173	–
Conversion into a joint stock company (note 28(c))	(81,001)	40,000	943,330	(133,855)	337	(40,501)	(728,310)	–	–
Issue of shares	–	50,000	–	–	–	–	–	50,000	–

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	Attributable to owners of the parent								Non-controlling interests	Total equity
	Paid-in capital	Share capital	Share premium*	Capital reserve*	Exchange fluctuation reserve*	Statutory surplus reserve*	Retained profits*	Total		
	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000 (note 30)	RMB'000	RMB'000	RMB'000	RMB'000
Cash payment for acquisition of a subsidiary under common control . . .	-	-	-	(21,911)	-	-	-	(21,911)	-	(21,911)
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	23,835	23,835
Transfer to statutory surplus reserve	-	-	-	-	-	36,036	(36,036)	-	-	-
Dividends declared and paid (note 11)	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
At 31 December 2024 . . .	-	90,000	943,330	(18,609)	2,974	44,377	27,790	1,089,862	32,972	1,122,834

Year ended 31 December 2025

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital	Share premium*	Capital reserve*	Share award reserve*	Exchange fluctuation reserve*	Statutory surplus reserve*	Retained profits*	Total		
	RMB'000 (note 28)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 29)	RMB'000	RMB'000 (note 30)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	90,000	943,330	(18,609)	-	2,974	44,377	27,790	1,089,862	32,972	1,122,834
Profit for the year	-	-	-	-	-	-	369,559	369,559	(9,031)	360,528
Other comprehensive income for the year:										
Share of other comprehensive loss of an associate	-	-	-	-	(638)	-	-	(638)	-	(638)
Exchange differences on translation of foreign operations	-	-	-	-	5,966	-	-	5,966	2,760	8,726
Total comprehensive income for the year	-	-	-	-	5,328	-	369,559	374,887	(6,271)	368,616
Issue of shares	2,460	4,920	-	-	-	-	-	7,380	-	7,380
Equity-settled share-based payments	-	-	-	1,622	-	-	-	1,622	-	1,622
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	866	866
Transfer to statutory surplus reserve	-	-	-	-	-	34,027	(34,027)	-	-	-
Dividends declared and paid (note 11)	-	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
At 31 December 2025 . . .	92,460	948,250	(18,609)	1,622	8,302	78,404	313,322	1,423,751	27,567	1,451,318

* These reserve accounts comprise the consolidated reserves of RMB740,910,000, RMB999,862,000 and RMB1,331,291,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		270,495	392,391	427,922
Adjustments for:				
Finance costs	7	6,957	7,887	7,047
Bank interest income		(3,611)	(8,871)	(7,529)
Interest income from loans to related parties		(92)	(22)	—
Loss/(gain) on fair value change of derivative financial instruments, net		—	11,050	(3,745)
Loss/(gain) on disposal of items of property, plant and equipment, net		2,723	1,498	(828)
Depreciation of property, plant and equipment	13	37,559	43,308	66,901
Depreciation of right-of-use assets		7,578	9,883	10,556
Amortisation of intangible assets	15	461	803	1,073
Reversal of impairment losses/(impairment losses) on financial assets, net		(1,901)	(3,197)	2,896
Gain on termination of leases, net		—	(133)	—
Equity-settled share-based payments		—	—	1,622
Write-down of inventories to net realisable values, net		10,755	2,016	269
Share of profits of an associate		(1,261)	(2,050)	(5,735)
Foreign exchange differences, net		(10,736)	440	(46,708)
		318,927	455,003	453,741
Decrease/(increase) in inventories		64,837	(115,658)	(100,661)
Decrease/(increase) in trade and notes receivables		288,643	(121,499)	21,877
Decrease/(increase) in prepayments, other receivables and other assets		27,811	(31,429)	(84,559)
Decrease/(increase) in pledged short-term deposits		(105,666)	(70,721)	41,684
Increase/(decrease) in trade and notes payables		(233,222)	202,054	(6,830)
Increase/(decrease) in deferred government grants		21,801	(1,453)	(1,365)
Increase/(decrease) in other payables and accruals		66,832	33,815	(10,136)
Increase/(decrease) in contract liabilities		3,561	(2,298)	1,234
Cash generated from operations		453,524	347,814	314,985
Bank interest received		3,611	7,936	7,529
Income tax paid		(67,922)	(75,905)	(72,657)
Net cash flows from operating activities		389,213	279,845	249,857

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	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	(138,942)	(276,977)	(152,122)
Proceeds from disposal of items of property, plant and equipment	3,737	4,749	2,796
Purchases of intangible assets	(2,018)	(850)	(3,037)
Loans to related parties	–	(500)	–
Repayment of loans to related parties	4,054	2,000	–
Repayment of interest of loans to related parties	–	114	–
Additional investment in an associate	(36,626)	–	(18,374)
Purchase of equity investments designated at fair value through other comprehensive income	(200)	–	–
Disposal of equity investments designated at fair value through other comprehensive income	–	–	200
Withdrawal/(placement) of pledged short-term deposits	(1,489)	1,489	–
Cash payment for acquisition of a subsidiary under common control	–	(21,911)	–
Placement of time deposits with original maturity of more than three months	(31,437)	–	–
Withdrawal of time deposits with original maturity of more than three months	–	31,437	–
Interest received	–	935	–
Net cash flows used in investing activities	(202,921)	(259,514)	(170,537)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	–	50,173	4,980
Loans from related parties	494	–	–
Repayment of loans from related parties	(799)	–	–
Repayment of interest of loans from related parties	–	(9)	–
Proceeds from interest-bearing bank and other borrowings	253,766	204,415	292,500
Repayment of interest-bearing bank and other borrowings	(292,893)	(176,335)	(252,500)
Principal portion of lease payments	(6,221)	(7,655)	(8,144)
Interest paid	(6,802)	(7,906)	(7,101)
Dividend paid	(100,037)	(100,000)	(50,000)
Capital injection from non-controlling shareholders	10,559	23,835	866
Payments of [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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	<i>Note</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net cash flows 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 beginning of year		237,554	272,533	280,384
Effect of foreign exchange rate changes, net		(9,380)	1,002	7,034
CASH AND CASH EQUIVALENTS AT END OF YEAR		272,533	280,384	345,287
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	22	379,688	456,771	479,990
Pledged short-term deposits	22	(107,155)	(176,387)	(134,703)
Cash and cash equivalents as stated in the consolidated statements of cash flows		272,533	280,384	345,287

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	13	224,623	214,078	191,845
Right-of-use assets	14(a)	31,615	35,345	33,429
Intangible assets	15	2,629	2,524	2,263
Investments in subsidiaries	38	35,666	291,452	327,796
Investment in an associate	16	61,497	63,130	68,227
Equity investments designated at fair value through other comprehensive income	17	200	200	–
Prepayments	20	231	1,044	933
Deferred tax assets	27	8,126	9,241	6,729
Total non-current assets		364,587	617,014	631,222
CURRENT ASSETS				
Inventories	18	91,336	115,524	126,527
Trade and notes receivables	19	159,783	249,972	221,463
Prepayments, other receivables and other assets	20	26,161	33,151	42,667

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	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Time deposits	22	31,437	–	–
Cash and cash equivalents	22	149,095	153,517	182,901
Pledged short-term deposits	22	73,734	110,089	84,215
Due from subsidiaries	39	226,349	369,396	510,061
Due from related parties	34	1,592	–	–
Total current assets		<u>759,487</u>	<u>1,031,649</u>	<u>1,167,834</u>
CURRENT LIABILITIES				
Trade and notes payable	23	223,462	328,274	302,514
Other payables and accruals	24	91,066	100,811	94,560
Derivative financial instruments	25	–	11,050	–
Interest-bearing bank borrowings	26	125,116	120,067	132,573
Due to a related party		2	–	–
Lease liabilities	14(b)	490	1,474	1,760
Due to subsidiaries	39	1,517	31,656	39,558
Tax payable		<u>2,401</u>	<u>15,833</u>	<u>14,225</u>
Total current liabilities		<u>444,054</u>	<u>609,165</u>	<u>585,190</u>
NET CURRENT ASSETS		<u>315,433</u>	<u>422,484</u>	<u>582,644</u>
TOTAL ASSETS LESS CURRENT				
LIABILITIES		<u>680,020</u>	<u>1,039,498</u>	<u>1,213,866</u>
NON-CURRENT LIABILITIES				
Lease liabilities	14(b)	–	3,672	2,387
Deferred government grants	24	–	–	816
Total non-current liabilities		–	<u>3,672</u>	<u>3,203</u>
Net assets		<u>680,020</u>	<u>1,035,826</u>	<u>1,210,663</u>
EQUITY				
Paid-in capital	28	80,000	–	–
Share capital	28	–	90,000	92,460
Reserves	30	<u>600,020</u>	<u>945,826</u>	<u>1,118,203</u>
Total equity		<u>680,020</u>	<u>1,035,826</u>	<u>1,210,663</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Zhejiang Kingdom New Material Group Co., Ltd. (hereinafter “the Company”) was registered in the People’s Republic of China (the “PRC”) as a limited company on 23 June 2010. The registered office of the Company is located at No. 38 Desheng Road, Heshan Town, Tongxiang City, Jiaxing City, Zhejiang Province, PRC. The Company was converted into a joint stock company with limited liability on 27 November 2024.

During the Relevant Periods, the Company and its subsidiaries (together, the “Group”) were principally engaged in research and development, manufacture and sale of green and sustainable multi-use decoration panel products, which include new polymer stone plastic decoration composite flooring and wall panels.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, of which the Group’s subsidiaries registered in the PRC are limited liability companies while others (incorporated in Germany, Thailand, Singapore and United States of America (“USA”)) are private limited liability companies, which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of registered/ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhejiang Kingsun Building Material Technology Co., Ltd.* (“Zhejiang Kingsun”) (浙江晶順建材科技有限公司) (note (a), (d))	PRC/Chinese mainland 30 November 2016	RMB134,560,000	100%	–	Production and sale of flooring products and building materials
Decoflooring GMBH (“Decoflooring”) (notes (b), (d))	Germany/ 22 August 2014	EUR250,000	–	100%	Import and sale of flooring assortments, interior construction products and decorative items
VYTEC Floor Co., Ltd. (“VYTEC Thailand”) (notes (c), (d))	Thailand/ 12 June 2023	THB700,000,000	–	60%	Production and sale of flooring products and building materials
Zhejiang Jingfeng Renewable Resources Recycling Co., Ltd.* (浙江晶豐再生資源回收有限公司) (“Jingfeng Renewable Resources”) (note (e))	PRC/Chinese mainland 7 December 2022	RMB10,000,000	100%	–	Collection, processing, and sales of recyclable materials
Kingdom (Hainan) New Material Co., Ltd.* (晶通(海南)新材料有限公司) (“Kingdom Hainan”) (note (e))	PRC/Chinese mainland 10 October 2025	RMB110,000,000	100%	–	Dormant (Set up for research and development as well as promotion of new materials technology)
Zhejiang Kingdom Smart Home Co., Ltd.* (浙江晶通智能家居有限公司) (“Kingdom Smart Home”) (notes (a), (d))	PRC/Chinese mainland 7 February 2021	RMB10,000,000	100%	–	Sales of flooring products and building materials
Shanghai Jingkeda New Material Development Co., Ltd.* (上海晶科達新材料開發有限公司) (“Shanghai Jingkeda”) (note (e))	PRC/Chinese mainland 13 March 2025	RMB5,000,000	100%	–	Research and development as well as promotion of new materials technology

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Name	Place and date of incorporation/ registration and place of operations	Nominal value of registered/ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhejiang Jingjiu New Material Technology Co., Ltd.* (浙江晶久新材料科技有限公司) (“Zhejiang Jingjiu”) (notes (a), (d))	PRC/Chinese mainland 27 May 2022	RMB10,000,000	100%	–	Trading
Zhejiang Jingxin New Materials Co., Ltd.* (浙江晶鑫新材料有限公司) (“Zhejiang Jingxin”) (note (e))	PRC/Chinese mainland 11 February 2026	RMB10,000,000	100%	–	Dormant (Set up for research and development as well as promotion of new materials technology)
Kingdom Innovation Pte. Ltd. (“Kingdom Singapore”) (note (e))	Singapore/ 19 October 2022	USD 200,000	100%	–	Trading
Vortis Floors LLC (formerly known as Bella Covering LLC) (“Vortis USA”) (note (e))	USA/ 12 June 2023	USD 100,000	–	60%	Import and sale of flooring assortments, interior construction products and decorative items

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 December 2023 and 2024 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Zhonghui Certified Public Accountants LLP (中匯會計師事務所(特殊普通合伙)), certified public accountants registered in the PRC.
- (b) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 prepared under Handelsgesetzbuch (“HGB”) were audited by DHPG Wirtschaftsprüfer Rechtsanwälte Steuerberater GmbH & Co. KG, certified public accountants registered in Germany.
- (c) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 prepared under Thai Financial Reporting Standards for Non-Publicly Accountable Entities (TFRS for NPAEs) (Revised B.E. 2565) were audited by DIA Audit Co., Ltd. and 10X Accounting and Audit Co., Ltd., respectively, certified public accountants registered in Thailand.
- (d) The statutory financial statements of these entities for the year ended 31 December 2025 have not been issued.
- (e) No audited financial statements have been prepared for these entities since their dates of incorporation as these entities are not required by the local government to prepare statutory accounts.
- * The English name of the subsidiaries registered in the PRC represent the best efforts made by the management of the Company to directly translate its Chinese name as it did not register any official English name.

2.1 BASIS OF PRESENTATION

On 26 March 2024, the Company passed a shareholder’s resolution to increase its registered capital from RMB80,000,000 to RMB81,000,000. The said increase in registered capital was contributed by Hangzhou Kingdom Imp & Exp Trading Corp., Ltd (“Hangzhou Kingdom Imp & Exp”), a company collectively controlled and owned by Mr. Dai Huibin and Ms. Zhang Shuhong (directors of the Company), by way of transfer of its entire equity interest in Zhejiang Kingsun to the Company. On 8 April 2024, the Group acquired the entire equity interest in Decoflooring at a cash consideration of RMB21,911,000. The aforementioned two acquisitions are collectively referred to as “the Acquisitions”.

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The Company and the two subsidiaries, Zhejiang Kingsun and Decoflooring, were under the common control of Mr. Dai Huibin and Ms. Zhang Shuhong (collectively referred to “Controlling Shareholders”), before and after the acquisitions and that control is not transitory. Accordingly, for the purpose of this report, the Historical Financial Information for the Relevant Periods has been prepared by applying the principles of merger accounting as if the Acquisitions had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2023, 2024 and 2025 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Acquisitions.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”), which comprise all standards and interpretations approved by the IASB. All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025 together with the relevant transitional provisions, have been early adopted on a consistent basis by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods

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 which have been measured at fair value at the end of each of the Relevant Periods.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. Except for those subsidiaries acquired under common control as further detailed in note 2.1 “Basis of presentation” above, the results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended IFRS Accounting Standards upon initial application. According to the preliminary assessment made by the directors, except for IFRS 18, no significant impact on the financial position or financial results of the Group is expected when these new and amended IFRS Accounting Standards become effective.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. Based on a preliminary assessment, the adoption of IFRS 18 is not expected to have any impact on the Group’s results of operations and financial position but has impact on the presentation and disclosure of the Group’s financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group/Company has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The investment in an associate is stated in the Company’s and consolidated statement of financial position at the Group’s/Company’s share of net assets under the equity method of accounting, less any impairment losses. The Group’s/Company’s share of the post-acquisition results and other comprehensive income of an associate is included

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in consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group/Company and its associate are eliminated to the extent of the Group’s/Company’s investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associate is included as part of the investment in an associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Group measures its derivative financial instruments at fair value through profit or loss and equity investments at fair value through other comprehensive income at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the reporting periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any amortisation/depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Freehold land	Not depreciated
Buildings	10-20 years
Machinery and equipment	4-10 years
Motor vehicles	4 years
Office equipment and furniture	3-5 years
Leasehold improvements	Over the shorter of the lease terms and estimated useful lives of 1 to 5 years

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

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the reporting periods.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Purchased software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life of 5 years.

Research and development expenses

All research costs are charged to profit or loss when incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Office premises and warehouses	1.5 to 6 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group’s lease liabilities are presented separately in the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premises and warehouses (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and motor vehicles that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair

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value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset (debt instrument) to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of

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the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the reporting periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the end of each reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

Also, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but

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instead recognises a loss allowance based on lifetime ECLs at the end of each of the reporting periods. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and notes payables, other payables and accruals, derivative financial instruments, amounts due to related parties and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group’s own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

After initial recognition, trade and notes payables, other payables and accruals, amounts due to related parties and interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

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Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as foreign currency options, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

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.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments, less any bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the reporting periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of products for general replacement of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of replacements, discounted to their present values as appropriate. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

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 the Group expects to be entitled in exchange for those goods or services.

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When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group 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 the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised 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 sale 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.

Other income

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

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share incentive scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a discounted cash flow method model, further details of which are given in note 29 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the reporting periods until

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the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Employee benefits

Pension schemes

The employees of the Group’s subsidiaries which operate in the Chinese mainland are required to participate in central pension schemes operated by the local municipal governments. The subsidiaries operating in the Chinese mainland are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group’s liabilities in respect of these funds are limited to the contributions payable in each reporting period.

Borrowing costs

Except for those eligible to be capitalised, all borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the Relevant Periods

If the Group receives information after the end of each reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of each reporting period, it will assess whether the information affects the amounts that it recognises in the Historical Financial Information. The Group will adjust the amounts recognised in the Historical Financial Information to reflect any adjusting events after the Relevant Periods and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the Relevant Periods, the Group will not change the amounts recognised in the Historical Financial Information, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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Foreign currencies

The Historical Financial Information is presented in RMB, as the major procurement, production and assets of the Group are derived from operations in the Chinese mainland. The Company’s functional currency is RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the reporting periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

The functional currencies of certain subsidiaries operating outside the Chinese mainland are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Gross versus net revenue recognition

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as a principal or an agent in the transaction. If the Group is acting as a principal in a transaction, the Group reports revenue on a gross basis. If the Group is acting as an agent in a transaction, the Group reports revenue on a net basis. The determination of whether the Group is acting as a principal or an agent in a transaction involves judgement and is based on an evaluation of the terms of the arrangement. The Group is considered a principal if it controls a promised good or service before transferring that good or service to the

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customer. The Group considers several factors to determine if it controls the good or service and therefore is the principal. These factors include: (a) if the Group is primarily responsible for fulfilling the promise to provide the specified good or service; (b) if the Group has inventory risk before the specified good or service has been transferred to a customer or after the transfer of control to the customer; and (c) if the Group has discretion in establishing price for the specified good or service.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

As 31 December 2023, 2024 and 2025, the Group had tax losses of RMB39,280,000, RMB51,568,000 and RMB72,815,000 carried forward, respectively. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration for volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of industrial products with volume rebates.

The Group’s expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer’s historical rebate entitlement and accumulated purchases to date.

The Group has applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected volume rebates quarterly. Estimates of expected volume rebates are sensitive to changes in circumstances and the Group’s past experience regarding rebate entitlements may not be representative of customers’ actual rebate entitlements in the future.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 19 to the Historical Financial Information.

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Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Provision of inventories

The Group’s inventories are stated at the lower of cost and net realisable value. The Group’s provision for its inventories based on estimates of the net realisable value with reference to the ageing and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed for any provision at each reporting date or when considered appropriate. Further details of the inventories are set out in note 18 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their service and products and only has one reportable operating segment. Management monitors the operating results of the Group’s operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Overseas	1,575,552	2,196,036	2,287,083
Chinese mainland	22,245	23,358	19,655
Total revenue	<u>1,597,797</u>	<u>2,219,394</u>	<u>2,306,738</u>

The revenue information above is based on the delivery destinations.

(b) Non-current assets

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese mainland	512,656	641,968	665,542
Thailand	11,578	176,324	255,666
Other regions	<u>66,523</u>	<u>80,579</u>	<u>83,699</u>
Total non-current assets	<u>590,757</u>	<u>898,871</u>	<u>1,004,907</u>

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

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Information about major customers

Revenue from major customers which accounted for 10% or more of the Group’s revenue during each of the Relevant Periods is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A*	321,766	420,685	343,945
Customer B*	174,761	232,714	293,533

* Including sales to a group of entities which are known to be under common control with the same entity.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group’s revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers	1,597,797	2,219,394	2,306,738

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Types of goods or services			
Sale of products	1,597,239	2,217,554	2,305,205
Freight service	558	1,840	1,533
Total	1,597,797	2,219,394	2,306,738

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	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Geographical markets			
Overseas	1,575,552	2,196,036	2,287,083
Chinese mainland	22,245	23,358	19,655
Total revenue	<u>1,597,797</u>	<u>2,219,394</u>	<u>2,306,738</u>
Timing of revenue recognition			
Goods transferred or services provided at a point in time	<u>1,597,797</u>	<u>2,219,394</u>	<u>2,306,738</u>

The following table shows the amounts of revenue recognised during the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sale of products	<u>7,070</u>	<u>10,631</u>	<u>8,333</u>

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Revenue from sale of products

The performance obligation is satisfied upon delivery to the agreed-upon locations in accordance with the contracts, and when the customers confirmed the acceptance of the products. Payment is normally due within three months from the date of bill of lading, delivery or shipment.

Revenue from freight service

The performance obligation is satisfied upon delivering products to the designated destination as specified in the contract when the freight service has been completed. Payment is generally due within three months from the date of bill of lading, delivery or shipment.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts expected to be recognised as revenue:			
Within one year	325,565	301,176	296,956
After one year	<u>866</u>	<u>2,317</u>	<u>–</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue related to sales of products. The amounts disclosed above do not include variable consideration which is constrained.

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An analysis of the Group’s other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Other income			
Government grants (<i>note (a)</i>)	9,214	10,741	13,121
Bank interest income	3,611	8,871	7,529
Interest income from loans to related parties	92	22	–
Others	1,925	292	1,267
Total other income	<u>14,842</u>	<u>19,926</u>	<u>21,917</u>
Gains			
Gain on disposal of items of property, plant and equipment, net	–	–	828
Gain on termination of leases, net	–	133	–
Foreign exchange gains, net	10,736	–	46,708
Gains on fair value change of derivative financial instruments, net	–	–	3,745
Total gains	<u>10,736</u>	<u>133</u>	<u>51,281</u>
Total other income and gains	<u>25,578</u>	<u>20,059</u>	<u>73,198</u>

Note:

- (a) The government grants mainly represent incentives awarded by the local governments to support the Group’s operation. Government grants are released to profit or loss either over the periods that the expenses for which they are intended to compensate are expensed, or over the expected useful life of the relevant assets, when all attaching conditions and requirements are complied with. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Cost of inventories sold ¹		1,023,344	1,396,640	1,455,834
Cost of services provided ¹		558	1,840	1,533
Depreciation of property, plant and equipment ²	13	37,559	43,308	66,901
Depreciation of right-of-use assets	14(a)	8,593	10,137	10,556
Less: amount capitalised		(1,015)	(254)	–
		<u>7,578</u>	<u>9,883</u>	<u>10,556</u>
Amortisation of intangible assets ²	15	461	803	1,073
Research and development expenses . . .		74,426	85,267	83,615
Lease payments not included in the measurement of lease liabilities	14(c)	2,345	2,258	4,171
Auditor’s remuneration		164	1,915	1,075
Foreign exchange differences, net ³		(10,736)	440	(46,708)
Loss/(gain) on fair value change of derivative financial instrument, net ³ . .		–	11,050	(3,745)

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	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Employee benefit expense (excluding directors’ and chief executive’s remuneration (<i>note 8</i>)):				
Salaries, bonuses and allowances		49,315	65,415	78,226
Share-based payments expenses		–	–	1,465
Pension scheme contributions (defined contribution scheme) ⁴		4,280	6,750	9,047
Staff welfare expenses		8,921	13,739	17,230
Total		62,516	85,904	105,968
Impairment losses/(reversal of impairment losses)	19	(3,019)	(3,271)	2,825
Impairment losses of other receivables	20	1,118	74	71
Write-down of inventories to net realisable values, net ⁵		10,755	2,016	269
Share of profits of an associate		(1,261)	(2,050)	(5,735)
Loss/(gain) on disposal of items of property, plant and equipment, net		2,723	1,498	(828)

¹ The cost of inventories sold and cost of services provided for the Relevant Periods included staff costs, depreciation of property, plant and equipment and amortisation of intangible assets, which were also included in the respective total amounts disclosed above for each type of expense.

² The depreciation of property, plant and equipment and the amortisation of intangible assets for the Relevant Periods were included in “Cost of sales”, “Administrative expenses”, “Research and development expenses”, and “Selling and distribution expenses” in consolidated profit or loss.

³ The foreign exchange differences, net and loss/(gain) on fair value change of derivative financial instrument, net is included in “Other expenses” or “Other income and gains” in consolidated profit or loss.

⁴ There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

⁵ Write-down of inventories to net realisable value for the Relevant Periods is included in “Cost of sales” in consolidated profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	<i>Note</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings		6,372	6,928	5,898
Interest expense on loans from related parties		9	–	–
Interest on lease liabilities	14(b)	576	959	1,149
Total		6,957	7,887	7,047

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8. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

The remuneration of the Company’s directors and chief executive is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	720	819	1,963
Discretionary bonuses*	—	1,331	1,972
Share-based payment expenses	—	—	157
Pension scheme contributions	—	21	55
Subtotal	720	2,171	4,147
Total	720	2,171	4,147

* During the year ended 31 December 2025, two directors were granted share awards of the Company, in respect of their services to the Group, under the share incentive scheme of the Company, further details of which are set out in note 29 to the Historical Financial Information. The fair value of such share awards, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the year ended 31 December 2025 is included in the above directors’ and chief executive’s remuneration disclosures.

(a) Independent non-executive directors

There were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods. On 6 January 2026, Dr. Hung Ting On John, Dr. Liu Chunyan, Dr. Miao Duoqian, and Dr. Yang Jintao were appointed as independent non-executive directors of the Company.

(b) The executive directors and the chief executive

	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023				
Executive directors:				
Mr. Dai Huibin*	360	—	—	360
Ms. Zhang Shuhong	360	—	—	360
Total	720	—	—	720
Year ended 31 December 2024				
Executive directors:				
Mr. Dai Huibin*	398	301	20	719
Ms. Zhang Shuhong	390	500	—	890
Mr. Tang Nianfeng**	31	530	41	562
Total	819	1,331	21	2,171

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	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2025					
Executive directors:					
Mr. Dai Huibin*	803	806	46	9	1,664
Ms. Zhang Shuhong	720	600	–	–	1,320
Mr. Tang Nianfeng**	440	566	9	148	1,163
Total	<u>1,963</u>	<u>1,972</u>	<u>55</u>	<u>157</u>	<u>4,147</u>

* Mr. Dai Huibin was the chief executive of the Company during the Relevant Periods.

** Mr. Tang Nianfeng was appointed as an executive director on 25 November 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during each of the Relevant Periods included nil, one and three directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining five, four and two highest paid employees who are neither a director nor chief executive of the Company during each of the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	3,429	2,862	1,872
Bonuses	3,329	3,745	3,995
Pension scheme contributions	21	9	9
Share-based payment expenses	–	–	450
Total	<u>6,779</u>	<u>6,616</u>	<u>6,326</u>

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees		
	Year ended 31 December		
	2023	2024	2025
HK\$500,001 to HK\$1,000,000	3	1	–
HKD\$1,000,001 to HKD\$1,500,000	1	2	1
HKD\$3,500,001 to HKD\$4,000,000	1	–	–
HKD\$4,000,001 to HKD\$4,500,000	–	1	–
HKD\$5,500,001 to HKD\$6,000,000	–	–	1
Total	<u>5</u>	<u>4</u>	<u>2</u>

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During the year ended 31 December 2025, share awards of the Group were granted to one non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in note 29 to the Historical Financial Information. The fair value of such awards, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant. The cumulative expense recognised in the Historical Financial Information in relation to these awards is included within the aggregate remuneration disclosed above.

10. INCOME TAX

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

Chinese mainland

The provision for PRC corporate income tax (“CIT”) is based on the statutory rate of 25% on the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

The 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 Relevant Periods, which will expire on 8 December 2026 and 24 December 2028, respectively.

Zhejiang Jingfeng Renewable Resources Recycling Co., Ltd. was qualified as a small and micro enterprise and was entitled to a preferential income tax rate of 20%, with the first RMB3,000,000 of annual taxable income eligible for a 75% tax reduction.

Singapore

Pursuant to the rules and regulations of Singapore, the subsidiary in Singapore was subject to 17% of its taxable income during the Relevant Periods.

Thailand

The subsidiary incorporated in Thailand was subject to corporate income tax at a rate of 20% on the taxable income during the Relevant Periods.

Germany

The 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 Relevant Periods.

United States of America

The subsidiary incorporated in USA was subject to corporate income tax at a rate of 26.19% on the taxable income during the Relevant Periods.

The major components of income tax expense of the Group during the Relevant Periods are analysed as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Charge for the year	52,877	69,455	70,007
Deferred (note 27)	(12,211)	(13,721)	(2,613)
Total tax charge for the year	<u>40,666</u>	<u>55,734</u>	<u>67,394</u>

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A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and Zhejiang Kingsun are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	270,495	392,391	427,922
Tax at the applicable tax rate of 15%	40,574	58,859	64,188
Effect of different tax rates for subsidiaries	2,595	2,375	6,162
Expenses not deductible for tax	1,380	406	1,035
Additional deductible allowance for qualified research and development expenses	(5,817)	(8,279)	(7,897)
Temporary differences not recognised	658	530	633
Tax losses not recognised	2,783	1,843	3,316
Tax losses utilised from previous years	(1,507)	—	(43)
Tax charge at the Group’s effective tax rate	40,666	55,734	67,394

11. DIVIDENDS

During the years ended 31 December 2023, 2024 and 2025, the Company declared dividends of RMB100,000,000, RMB100,000,000 and RMB50,000,000 to its shareholders, respectively, which were fully paid as of the end of each of these years.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during each of the Relevant Periods. The weighted average number of ordinary shares outstanding before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:0.4938 as upon transformation into a joint stock company on 27 November 2024 (note 28).

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<u>Earnings</u>			
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	230,176	339,607	369,559
	<u>230,176</u>	<u>339,607</u>	<u>369,559</u>
	Number of shares		
	2023	2024	2025
<u>Shares</u>			
Weighted average number of ordinary shares outstanding during the year used in the basic and diluted earnings per share calculation ('000)	39,506	43,984	90,310
	<u>39,506</u>	<u>43,984</u>	<u>90,310</u>

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13. PROPERTY, PLANT AND EQUIPMENT

The Group

		Machinery and equipment	Motor vehicles	Office equipment and furniture	Leasehold improvements	Construction in progress	Total	
	Buildings							
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
31 December 2023								
At 1 January 2023:								
Cost	147,566	259,153	11,247	17,896	1,381	18,535	455,778	
Accumulated depreciation and impairment	(27,221)	(83,171)	(5,026)	(10,362)	(858)	–	(126,638)	
Net carrying amount	<u>120,345</u>	<u>175,982</u>	<u>6,221</u>	<u>7,534</u>	<u>523</u>	<u>18,535</u>	<u>329,140</u>	
At 1 January 2023, net of accumulated depreciation and impairment								
	120,345	175,982	6,221	7,534	523	18,535	329,140	
Additions	767	1,790	1,084	1,866	3,343	117,162	126,012	
Transfers	1,951	8,749	203	–	457	(11,360)	–	
Disposals	(762)	(4,882)	(43)	(331)	(442)	–	(6,460)	
Depreciation provided during the year (note 6)	(6,604)	(24,984)	(1,952)	(3,494)	(525)	–	(37,559)	
Exchange realignment	–	–	–	(102)	–	–	(102)	
At 31 December 2023, net of accumulated depreciation and impairment.								
	<u>115,697</u>	<u>156,655</u>	<u>5,513</u>	<u>5,473</u>	<u>3,356</u>	<u>124,337</u>	<u>411,031</u>	
At 31 December 2023:								
Cost	149,522	263,412	11,669	16,974	4,849	124,337	570,763	
Accumulated depreciation and impairment	(33,825)	(106,757)	(6,156)	(11,501)	(1,493)	–	(159,732)	
Net carrying amount	<u>115,697</u>	<u>156,655</u>	<u>5,513</u>	<u>5,473</u>	<u>3,356</u>	<u>124,337</u>	<u>411,031</u>	
	Freehold land	Buildings	Machinery and equipment	Motor vehicles	Office equipment and furniture	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024								
At 1 January 2024:								
Cost	–	149,522	263,412	11,699	16,974	4,849	124,337	570,763
Accumulated depreciation and impairment	–	(33,825)	(106,757)	(6,156)	(11,501)	(1,493)	–	(159,732)
Net carrying amount.	<u>–</u>	<u>115,697</u>	<u>156,655</u>	<u>5,513</u>	<u>5,473</u>	<u>3,356</u>	<u>124,337</u>	<u>411,031</u>
At 1 January 2024, net of accumulated depreciation and impairment								
	–	115,697	156,655	5,513	5,473	3,356	124,337	411,031
Additions	18,597	–	589	2,280	913	2,661	321,260	346,300
Transfers	–	150,702	106,442	3,196	879	341	(261,560)	–
Disposals	–	–	(2,184)	(36)	–	(516)	(3,511)	(6,247)

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	Freehold land	Buildings	Machinery and equipment	Motor vehicles	Office equipment and furniture	Leasehold improvements	Construction in progress	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Depreciation provided during the year (<i>note</i> 6)	–	(11,514)	(25,406)	(2,266)	(2,246)	(1,876)	–	(43,308)
Exchange realignment . . .	–	–	–	(4)	(16)	–	4	(16)
At 31 December 2024, net of accumulated depreciation and impairment . . .	<u>18,597</u>	<u>254,885</u>	<u>236,096</u>	<u>8,683</u>	<u>5,003</u>	<u>3,966</u>	<u>180,530</u>	<u>707,760</u>
At 31 December 2024:								
Cost	18,597	300,224	362,742	16,646	18,631	7,163	180,530	904,533
Accumulated depreciation and impairment . . .	–	(45,339)	(126,646)	(7,963)	(13,628)	(3,197)	–	(196,773)
Net carrying amount	<u>18,597</u>	<u>254,885</u>	<u>236,096</u>	<u>8,683</u>	<u>5,003</u>	<u>3,966</u>	<u>180,530</u>	<u>707,760</u>

	Freehold land	Buildings	Machinery and equipment	Motor vehicles	Office equipment and furniture	Leasehold improvements	Construction in progress	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2025								
At 1 January 2025:								
Cost	18,597	300,224	362,742	16,646	18,631	7,163	180,530	904,533
Accumulated depreciation and impairment . . .	–	(45,339)	(126,646)	(7,963)	(13,628)	(3,197)	–	(196,773)
Net carrying amount	<u>18,597</u>	<u>254,885</u>	<u>236,096</u>	<u>8,683</u>	<u>5,003</u>	<u>3,966</u>	<u>180,530</u>	<u>707,760</u>
At 1 January 2025, net of accumulated depreciation and impairment . . .	18,597	254,885	236,096	8,683	5,003	3,966	180,530	707,760
Additions	18,210	–	–	–	1,042	719	157,884	177,855
Transfers	–	93,680	137,649	2,738	5,309	868	(240,244)	–
Disposals	–	(305)	(1,124)	(367)	(132)	(40)	–	(1,968)
Depreciation provided during the year (<i>note</i> 6)	–	(18,308)	(39,914)	(2,915)	(3,073)	(2,691)	–	(66,901)
Exchange realignment . . .	864	–	–	111	68	–	6,988	8,031
At 31 December 2025, net of accumulated depreciation and impairment . . .	<u>37,671</u>	<u>329,952</u>	<u>332,707</u>	<u>8,250</u>	<u>8,217</u>	<u>2,822</u>	<u>105,158</u>	<u>824,777</u>

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	Freehold land	Buildings	Machinery and equipment	Motor vehicles	Office equipment and furniture	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2025:								
Cost	37,671	393,588	481,555	17,671	24,809	8,071	105,158	1,068,523
Accumulated depreciation and impairment	—	(63,636)	(148,848)	(9,421)	(16,592)	(5,249)	—	(243,746)
Net carrying amount	<u>37,671</u>	<u>329,952</u>	<u>332,707</u>	<u>8,250</u>	<u>8,217</u>	<u>2,822</u>	<u>105,158</u>	<u>824,777</u>

Certain of the Group’s property, plant and equipment with net carrying amounts of approximately RMB212,131,000, RMB240,438,000 and RMB226,644,000 as at 31 December 2023, 2024 and 2025, respectively, were pledged to secure interest-bearing bank borrowings (note 26).

The Company

	Buildings	Machinery and equipment	Motor vehicles	Office equipment and furniture	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023:							
Cost	117,774	200,515	9,796	10,669	700	9,234	348,688
Accumulated depreciation and impairment	(20,728)	(73,404)	(4,311)	(5,667)	(419)	—	(104,529)
Net carrying amount	<u>97,046</u>	<u>127,111</u>	<u>5,485</u>	<u>5,002</u>	<u>281</u>	<u>9,234</u>	<u>244,159</u>
At 1 January 2023, net of accumulated depreciation and impairment	97,046	127,111	5,485	5,002	281	9,234	244,159
Additions	767	1,532	915	409	3,012	6,284	12,919
Transfers	—	4,927	117	—	456	(5,500)	—
Disposals	—	(3,499)	(43)	(278)	—	—	(3,820)
Depreciation provided during the year	(5,595)	(18,315)	(1,697)	(2,515)	(513)	—	(28,635)
At 31 December 2023, net of accumulated depreciation and impairment	<u>92,218</u>	<u>111,756</u>	<u>4,777</u>	<u>2,618</u>	<u>3,236</u>	<u>10,018</u>	<u>224,623</u>
At 31 December 2023:							
Cost	118,541	202,933	9,968	10,243	4,168	10,018	355,871
Accumulated depreciation and impairment	(26,323)	(91,177)	(5,191)	(7,625)	(932)	—	(131,248)
Net carrying amount	<u>92,218</u>	<u>111,756</u>	<u>4,777</u>	<u>2,618</u>	<u>3,236</u>	<u>10,018</u>	<u>224,623</u>

	Buildings	Machinery and equipment	Motor vehicles	Office equipment and furniture	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024:							
Cost	118,541	202,933	9,968	10,243	4,168	10,018	355,871
Accumulated depreciation and impairment	(26,323)	(91,177)	(5,191)	(7,625)	(932)	—	(131,248)
Net carrying amount	<u>92,218</u>	<u>111,756</u>	<u>4,777</u>	<u>2,618</u>	<u>3,236</u>	<u>10,018</u>	<u>224,623</u>

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	Buildings	Machinery and equipment	Motor vehicles	Office equipment and furniture	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024, net of accumulated depreciation and impairment	92,218	111,756	4,777	2,618	3,236	10,018	224,623
Additions	–	583	410	56	1,432	19,902	22,383
Transfers	–	7,413	1,342	345	341	(9,441)	–
Disposals	–	(2,184)	(24)	–	–	(3,511)	(5,719)
Depreciation provided during the year	(5,631)	(17,014)	(1,837)	(1,189)	(1,538)	–	(27,209)
At 31 December 2024, net of accumulated depreciation and impairment	<u>86,587</u>	<u>100,554</u>	<u>4,668</u>	<u>1,830</u>	<u>3,471</u>	<u>16,968</u>	<u>214,078</u>
At 31 December 2024:							
Cost	118,540	203,230	11,247	10,634	5,941	16,968	366,560
Accumulated depreciation and impairment	(31,953)	(102,676)	(6,579)	(8,804)	(2,470)	–	(152,482)
Net carrying amount	<u>86,587</u>	<u>100,554</u>	<u>4,668</u>	<u>1,830</u>	<u>3,471</u>	<u>16,968</u>	<u>214,078</u>
	Buildings	Machinery and equipment	Motor vehicles	Office equipment and furniture	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025:							
Cost	118,540	203,230	11,247	10,634	5,941	16,968	366,560
Accumulated depreciation and impairment	(31,953)	(102,676)	(6,579)	(8,804)	(2,470)	–	(152,482)
Net carrying amount	<u>86,587</u>	<u>100,554</u>	<u>4,668</u>	<u>1,830</u>	<u>3,471</u>	<u>16,968</u>	<u>214,078</u>
At 1 January 2025, net of accumulated depreciation and impairment	86,587	100,554	4,668	1,830	3,471	16,968	214,078
Additions	–	–	–	20	–	14,514	14,534
Transfers	140	12,807	1,888	1,492	–	(16,327)	–
Disposals	–	(10,446)	(297)	(6)	(37)	–	(10,786)
Depreciation provided during the year	(5,634)	(15,695)	(1,906)	(984)	(1,762)	–	(25,981)
At 31 December 2025, net of accumulated depreciation and impairment	<u>81,093</u>	<u>87,220</u>	<u>4,353</u>	<u>2,352</u>	<u>1,672</u>	<u>15,155</u>	<u>191,845</u>
At 31 December 2025:							
Cost	118,680	181,193	11,529	12,042	5,904	15,155	344,503
Accumulated depreciation and impairment	(37,587)	(93,973)	(7,176)	(9,690)	(4,232)	–	(152,658)
Net carrying amount	<u>81,093</u>	<u>87,220</u>	<u>4,353</u>	<u>2,352</u>	<u>1,672</u>	<u>15,155</u>	<u>191,845</u>

Certain of the Company’s property, plant and equipment with net carrying amounts of approximately RMB79,703,000, RMB74,778,000 and RMB69,443,000 as at 31 December 2023, 2024 and 2025, respectively, were pledged to secure interest-bearing bank borrowings.

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14. LEASES

The Group as a lessee

The Group has lease contracts for items of office premises, warehouses and leasehold land used in its operations. Leases of office premises and warehouses generally have lease terms between 1.5 and 6 years. Leases of leasehold land generally have lease term of 50 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

	Office premises and warehouses	Leasehold land	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2023	13,966	89,833	103,799
Additions	2,449	–	2,449
Depreciation provided during the year (note 6)	(6,679)	(1,914)	(8,593)
Exchange realignment	329	–	329
As at 31 December 2023 and 1 January 2024	10,065	87,919	97,984
Additions	23,389	–	23,389
Termination	(1,219)	–	(1,219)
Depreciation provided during the year (note 6)	(8,223)	(1,914)	(10,137)
Exchange realignment	(1,627)	–	(1,627)
As at 31 December 2024 and 1 January 2025	22,385	86,005	108,390
Additions	2,984	–	2,984
Depreciation provided during the year (note 6)	(8,642)	(1,914)	(10,556)
Exchange realignment	1,465	–	1,465
As at 31 December 2025	18,192	84,091	102,283

The Group’s leasehold land with net carrying amounts of approximately RMB87,919,000, RMB86,005,000 and RMB84,091,000 as at 31 December 2023, 2024 and 2025, respectively, were pledged to secure interest-bearing bank borrowings (note 26).

(b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Carrying amount at beginning of year . . .	13,399	9,641	22,161
New leases	2,117	23,389	2,984
Termination	–	(1,352)	–
Accretion of interest recognised during the year (note 7)	576	959	1,149
Payments	(6,797)	(8,614)	(9,293)
Exchange realignment	346	(1,862)	1,546
Carrying amount at end of year	9,641	22,161	18,547

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	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Current portion	7,455	5,667	5,344
Non-current portion	2,186	16,494	13,203
	<u> </u>	<u> </u>	<u> </u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Lease liabilities repayable:			
Within 1 year	7,455	5,667	5,344
1 to 2 years	2,186	5,149	4,732
2 to 5 years	–	11,345	8,471
Total	9,641	22,161	18,547
	<u> </u>	<u> </u>	<u> </u>

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

- (c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	576	959	1,149
Gain on termination of leases, net	–	(133)	–
Depreciation charge of right-of-use assets	7,578	9,883	10,556
Expenses relating to short-term leases and low-value leases (included in administrative expenses) (note 6)	2,345	2,258	4,171
Total amount recognised in profit or loss	10,499	12,967	15,876
	<u> </u>	<u> </u>	<u> </u>

- (d) The total cash outflow for leases is disclosed in note 31(c) to the Historical Financial Information.

The Company as a lessee

(a) Right-of-use assets

The carrying amounts of the Company’s right-of-use assets and the movements during the Relevant Periods are as follows:

	Office premises	Leasehold land	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	1,315	31,497	32,812
Depreciation provided during the year	(478)	(719)	(1,197)
As at 31 December 2023 and 1 January 2024	837	30,778	31,615
Additions	5,941	–	5,941
Depreciation provided during the year	(1,492)	(719)	(2,211)
As at 31 December 2024 and 1 January 2025	5,286	30,059	35,345
Additions	718	–	718
Depreciation provided during the year	(1,915)	(719)	(2,634)
As at 31 December 2025	4,089	29,340	33,429
	<u> </u>	<u> </u>	<u> </u>

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The Company’s leasehold land with net carrying amounts of approximately RMB30,778,000, RMB30,059,000 and RMB29,340,000 as at 31 December 2023, 2024 and 2025, respectively, were pledged to secure interest-bearing bank borrowings.

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Carrying amount at beginning of year	964	490	5,146
New leases	–	5,941	718
Accretion of interest recognised during the year	29	130	158
Payments	(503)	(1,415)	(1,875)
Carrying amount at end of year	<u>490</u>	<u>5,146</u>	<u>4,147</u>
Analysed into:			
Current portion	490	1,474	1,760
Non-current portion	<u>–</u>	<u>3,672</u>	<u>2,387</u>
Analysed into:			
Lease liabilities repayable:			
Within 1 year	490	1,474	1,760
1 to 2 years	–	1,527	908
2 to 5 years	<u>–</u>	<u>2,145</u>	<u>1,479</u>
Total	<u>490</u>	<u>5,146</u>	<u>4,147</u>

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

15. INTANGIBLE ASSETS

The Group

	Software
	RMB’000
31 December 2023	
At 1 January 2023:	
Cost	2,746
Accumulated amortisation	<u>(1,669)</u>
Net carrying amount	<u>1,077</u>
Cost at 1 January 2023, net of accumulated amortisation	1,077
Additions	2,018
Amortisation provided during the year (note 6)	<u>(461)</u>
At 31 December 2023	<u>2,634</u>
At 31 December 2023:	
Cost	3,661
Accumulated amortisation	<u>(1,027)</u>
Net carrying amount	<u>2,634</u>

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	Software
	<i>RMB'000</i>
31 December 2024	
At 1 January 2024:	
Cost	3,661
Accumulated amortisation	(1,027)
Net carrying amount	<u>2,634</u>
Cost at 1 January 2024, net of accumulated amortisation	2,634
Additions	850
Amortisation provided during the year (<i>note 6</i>)	(803)
At 31 December 2024	<u>2,681</u>
At 31 December 2024:	
Cost	4,511
Accumulated amortisation	(1,830)
Net carrying amount	<u>2,681</u>
31 December 2025	
At 1 January 2025:	
Cost	4,511
Accumulated amortisation	(1,830)
Net carrying amount	<u>2,681</u>
Cost at 1 January 2025, net of accumulated amortisation	2,681
Additions	3,037
Amortisation provided during the year (<i>note 6</i>)	(1,073)
At 31 December 2025	<u>4,645</u>
At 31 December 2025:	
Cost	7,548
Accumulated amortisation	(2,903)
Net carrying amount	<u>4,645</u>

The Company

	Software
	<i>RMB'000</i>
31 December 2023	
At 1 January 2023:	
Cost	2,746
Accumulated amortisation	(1,669)
Net carrying amount	<u>1,077</u>
Cost at 1 January 2023, net of accumulated amortisation	1,077
Additions	2,013
Amortisation provided during the year	(461)
At 31 December 2023	<u>2,629</u>
At 31 December 2023:	
Cost	3,656
Accumulated amortisation	(1,027)
Net carrying amount	<u>2,629</u>

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	Software
	<i>RMB'000</i>
31 December 2024	
At 1 January 2024:	
Cost	3,656
Accumulated amortisation	<u>(1,027)</u>
Net carrying amount	<u>2,629</u>
Cost at 1 January 2024, net of accumulated amortisation	2,629
Additions	665
Amortisation provided during the year	<u>(770)</u>
At 31 December 2024	<u>2,524</u>
At 31 December 2024:	
Cost	4,321
Accumulated amortisation	<u>(1,797)</u>
Net carrying amount	<u>2,524</u>
31 December 2025	
At 1 January 2025:	
Cost	4,321
Accumulated amortisation	<u>(1,797)</u>
Net carrying amount	<u>2,524</u>
Cost at 1 January 2025, net of accumulated amortisation	2,524
Additions	536
Amortisation provided during the year	<u>(797)</u>
At 31 December 2025	<u>2,263</u>
At 31 December 2025:	
Cost	4,857
Accumulated amortisation	<u>(2,594)</u>
Net carrying amount	<u>2,263</u>

16. INVESTMENT IN AN ASSOCIATE

The Group and the Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	58,262	59,895	64,992
Goodwill on acquisition	<u>3,235</u>	<u>3,235</u>	<u>3,235</u>
Total	<u>61,497</u>	<u>63,130</u>	<u>68,227</u>

The Group’s trade receivable and payable balances with the associate (which is not considered individually material by the Company’s directors) are disclosed in note 34(c) to the Historical Financial Information, respectively.

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The amount of share of the associate’s total comprehensive income for the year is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of the associate’s total comprehensive income for the year	1,843	1,633	5,097

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Unlisted equity investments, at fair value	200	200	–

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

In the year ended 31 December 2025, the Group sold the equity investments as the investments no longer coincided with the Group’s investment strategy.

18. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
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

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Raw materials	27,869	35,461	39,662
Work in progress	19,602	22,182	25,875
Finished goods	43,865	57,881	60,990
Total	91,336	115,524	126,527

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19. TRADE AND NOTES RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	285,888	399,901	420,824
Notes receivables	—	7,486	—
	<u>285,888</u>	<u>407,387</u>	<u>420,824</u>
Impairment	(5,451)	(2,180)	(5,005)
Net carrying amount	<u>280,437</u>	<u>405,207</u>	<u>415,819</u>

The Group’s trading terms with its customers are mainly on credit. The credit period is generally within three months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

As at 31 December 2023, 2024 and 2025, the Group was exposed to certain credit risk concentration, as 55.25%, 51.26% and 46.10% of trade receivables were due from top five customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group’s trade receivables were trade receivables of RMB8,369,000, RMB15,961,000 and RMB9,244,000 as at 31 December 2023, 2024 and 2025, respectively, due from a related party, which were repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the trade receivables of the Group as at the end of each of the Relevant Periods, based on the revenue recognition date and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
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	<u>280,437</u>	<u>397,721</u>	<u>415,819</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	8,470	5,451	2,180
(Reversal of impairment losses)/impairment losses, net (note 6)	(3,019)	(3,271)	2,825
At end of year	<u>5,451</u>	<u>2,180</u>	<u>5,005</u>

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An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by ageing). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

As at 31 December 2023

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB’000		RMB’000
Defaulted receivables	4,435	100.00%	4,435
Remaining trade receivables aged:			
Within 1 year	281,124	0.29%	823
Over 1 year	329	58.66%	193
Total	<u>285,888</u>	1.91%	<u>5,451</u>

As at 31 December 2024

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB’000		RMB’000
Defaulted receivables	1,715	100.00%	1,715
Remaining trade receivables aged:			
Within 1 year	397,898	0.08%	301
Over 1 year	288	56.94%	164
Total	<u>399,901</u>	0.55%	<u>2,180</u>

As at 31 December 2025

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB’000		RMB’000
Defaulted receivables	3,588	100.00%	3,588
Remaining trade receivables aged:			
Within 1 year	416,133	0.20%	850
Over 1 year	1,103	51.41%	567
Total	<u>420,824</u>	1.19%	<u>5,005</u>

The Group’s notes receivables were all aged within one year and were neither past due nor impaired.

At the end of each of the Relevant Periods, the Group endorsed certain notes receivables accepted by certain banks in the PRC (the “Endorsed Notes”) to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of nil, RMB8,858,000 and RMB 200,000 as at 31 December 2023, 2024 and 2025, respectively (the “Endorsement”). The Endorsed Notes had a maturity within six months as at 31 December 2023, 2024 and 2025. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes may exercise the right of recourse against any, several or all of the persons liable for the Endorsed Notes, including the Group, in disregard of the order of precedence (the “Continuing Involvement”).

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The Group has transferred substantially all risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with amounts of nil, RMB1,872,000 and RMB200,000 as at 31 December 2023, 2024 and 2025, respectively (the “Derecognised Notes”). The risk of the Group being claimed by the holders of the Derecognised Notes is remote in the absence of a default of the accepted banks. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables settled by the Endorsed Notes. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. The fair values of the Group’s Continuing Involvement in the Derecognised Notes are not significant. No gains or losses were recognised from the Continuing Involvement. The Endorsement have been made evenly throughout the year.

The Group continued to recognise the remaining Endorsed Notes with amounts of RMB6,986,000 as at 31 December 2024, because the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes. Subsequent to the Endorsement, the Group did not retain any rights on the use of such Endorsed Notes, including the sale, transfer or pledge of such Endorsed Notes to any other third parties.

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	160,672	243,504	221,989
Notes receivables	—	6,637	—
	160,672	250,141	221,989
Impairment	(889)	(169)	(526)
Net carrying amount	159,783	249,972	221,463

An ageing analysis of the trade receivables of the Company as at the end of each of the Relevant Periods, based on the date of revenue recognition and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 3 months	154,323	238,344	210,945
3 to 6 months	5,460	4,989	9,390
6 to 12 months	—	—	1,104
Over 12 months	—	2	24
Total	159,783	243,335	221,463

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At beginning of year	3,528	889	169
(Reversal of impairment losses)/impairment losses, net	(2,639)	(720)	357
At end of year	889	169	526

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Set out below is the information about the credit risk exposure on the Company’s trade receivables using a provision matrix:

As at 31 December 2023

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
Trade receivables aged:			
Within 1 year	160,499	0.45%	716
Over 1 year	173	100.00%	173
Total	160,672	0.55%	889

As at 31 December 2024

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
Trade receivables aged:			
Within 1 year	243,491	0.06%	158
Over 1 year	13	84.62%	11
Total	243,504	0.07%	169

As at 31 December 2025

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
Trade receivables aged:			
Within 1 year	221,934	0.22%	495
Over 1 year	55	56.36%	31
Total	221,989	0.24%	526

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
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 (note (a))	(1,118)	(1,192)	(1,263)
Total	65,781	98,963	174,176

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	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Current portion	48,170	82,053	169,201
Non-current portion	17,611	16,910	4,975
	<u> </u>	<u> </u>	<u> </u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advance payments to suppliers	16,687	12,523	14,867
Prepayment for property, plant and equipment . .	231	1,044	933
Deposits and other receivables	2,793	7,758	8,005
Export tax refund	7,799	14,062	16,583
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	27,510	35,387	44,863
Impairment allowance (note (a))	(1,118)	(1,192)	(1,263)
Total	<u>26,392</u>	<u>34,195</u>	<u>43,600</u>
Analysed into:			
Current portion	26,161	33,151	42,667
Non-current portion	231	1,044	933
	<u> </u>	<u> </u>	<u> </u>

Note (a): An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide for expected credit losses for other receivables under IFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

The movements in the loss allowance for impairment of other receivables are as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	13,000	1,118	1,192
Impairment losses, net (note 6)	1,118	74	71
Amount written off as uncollectible	(13,000)	—	—
At end of year	<u>1,118</u>	<u>1,192</u>	<u>1,263</u>

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	–	1,118	1,139
Impairment losses, net	1,118	74	71
At end of year	1,118	1,192	1,263

21. LOANS TO DIRECTORS

Loans to directors (included in “Due from related parties” in the statements of financial position), disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 1 January 2023	Maximum amount outstanding during the year	At 31 December 2023 and 1 January 2024	Maximum amount outstanding during the year	At 31 December 2024	Security held
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Mr. Dai Huibin	2,915	2,915	1,584	1,584	–	None
Ms. Zhang Shuhong	439	439	2	2	–	None
Total	3,354	3,354	1,586	1,586	–	

Loans were provided to Mr. Dai Huibin and Ms. Zhang Shuhong before the Relevant Periods for RMB2,915,000 and RMB439,000, respectively. The loans bore interest at 3.65% per annum and were partly repaid in February 2023 and the remaining balances were settled in May 2024.

22. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED SHORT-TERM DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Time deposits with original maturity of more than three months	31,437	–	–
Cash and other bank balances	272,533	280,384	345,287
Pledged short-term deposits	107,155	176,387	134,703
Total	411,125	456,771	479,990

The cash and bank balances (including pledged and time deposits) are denominated in the following currencies:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Denominated in:			
RMB	212,860	227,900	180,263
United States dollar (“US\$”)	73,418	108,784	153,986
European dollar (“EUR”)	109,440	108,052	144,674
Great Britain Pound (“GBP”)	–	–	39
Thai Baht (“THB”)	15,407	12,035	1,028
Total	411,125	456,771	479,990

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The RMB is not freely convertible into other currencies, however, under the Chinese mainland’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2023, 2024 and 2025, short-term deposits of RMB105,653,000, RMB176,374,000 and RMB132,356,000, respectively, had been pledged for notes payables (note 23).

As at 31 December 2023, short-term deposits of RMB1,489,000 were pledged for construction of the Group’s property, plant and equipment.

As at 31 December 2025, pledged short-term deposits of RMB2,335,000 were pledged for letter of credits.

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Time deposits with original maturity of more than three months	31,437	—	—
Cash and other bank balances	149,095	153,517	182,901
Pledged short-term deposits	73,734	110,089	84,215
Total	<u>254,266</u>	<u>263,606</u>	<u>267,116</u>

The cash and bank balances (including pledged and time deposits) are denominated in the following currencies:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Denominated in:			
RMB	155,288	144,790	106,114
US\$	47,746	63,953	104,993
EUR	51,232	54,863	55,970
GBP	—	—	39
Total	<u>254,266</u>	<u>263,606</u>	<u>267,116</u>

23. TRADE AND NOTES PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade payables	138,535	188,670	258,037
Notes payables	194,469	344,059	264,712
Total	<u>333,004</u>	<u>532,729</u>	<u>522,749</u>

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An ageing analysis of the trade and notes payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 3 months	215,017	361,691	373,695
3 to 6 months	110,583	169,159	139,862
6 to 12 months	6,629	1,338	8,240
Over 12 months	775	541	952
Total	<u>333,004</u>	<u>532,729</u>	<u>522,749</u>

Included in the trade and notes payables were trade payables of RMB17,967,000, RMB20,186,000 and RMB25,786,000 due to related parties which are repayable within 90 days, which represented credit terms similar to those offered by related parties to its major customers.

As at the end of each of the Relevant Periods, the notes payables were secured by the pledged short-term deposits of RMB105,653,000, RMB176,374,000 and RMB132,356,000, respectively, which are included in note 22 to the Historical Financial Information.

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	82,260	112,623	134,108
Notes payables	141,202	215,651	168,406
Total	<u>223,462</u>	<u>328,274</u>	<u>302,514</u>

An ageing analysis of the trade and notes payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 3 months	139,351	206,296	216,681
3 to 6 months	77,194	120,298	84,433
6 to 12 months	6,285	1,252	714
Over 12 months	632	428	686
Total	<u>223,462</u>	<u>328,274</u>	<u>302,514</u>

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24. OTHER PAYABLES AND ACCRUALS

The Group

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Contract liabilities	(a)	10,631	8,333	9,567
Payroll payable		26,234	29,982	32,911
Other payables and accruals	(b)	58,411	130,575	138,267
Provision	(c)	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		<u>204,704</u>	<u>305,664</u>	<u>295,810</u>
Analysed into:				
Current portion		162,555	265,695	257,206
Non-current portion		<u>42,149</u>	<u>39,969</u>	<u>38,604</u>

The Company

	Notes	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Contract liabilities	(a)	5,853	5,009	4,571
Payroll payable		17,573	19,810	21,762
Other payables and accruals	(b)	33,748	36,059	38,720
Provision	(c)	5,650	7,272	10,204
Investment payable to an associate		22,658	22,996	4,491
Refund liabilities		3,508	2,589	6,956
Taxes payable other than corporate income tax		2,076	7,076	7,856
Deferred government grants		–	–	816
Total		<u>91,066</u>	<u>100,811</u>	<u>95,376</u>
Analysed into:				
Current portion		91,066	100,811	94,560
Non-current portion		<u>–</u>	<u>–</u>	<u>816</u>

Notes:

(a) Details of contract liabilities are as follows:

The Group

		As at 1 January	As at 31 December		
		2023	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
Short-term advances received from customers					
Sales of products		<u>7,070</u>	<u>10,631</u>	<u>8,333</u>	<u>9,567</u>

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The contract liabilities represent short-term advances received to deliver products. The increase/decrease in contract liabilities during the Relevant Periods was mainly due to the increase/decrease in short-term advances received from customers in relation to the sales of products.

The Company

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Short-term advances received from customers</i>				
Sales of products	2,962	5,853	5,009	4,571

(b) Other payables are unsecured and non-interest-bearing.

(c) Provision

The Group

	Warranties
	RMB'000
At 1 January 2023	3,617
Additional provision	9,665
Amounts utilised during the year	(4,483)
At 31 December 2023 and 1 January 2024	8,799
Additional provision	14,213
Amounts utilised during the year	(7,807)
At 31 December 2024 and 1 January 2025	15,205
Additional provision	16,019
Amounts utilised during the year	(10,050)
At 31 December 2025	21,174

The Company

	Warranties
	RMB'000
At 1 January 2023	3,617
Additional provision	6,253
Amounts utilised during the year	(4,220)
At 31 December 2023 and 1 January 2024	5,650
Additional provision	8,384
Amounts utilised during the year	(6,762)
At 31 December 2024 and 1 January 2025	7,272
Additional provision	7,462
Amounts utilised during the year	(4,530)
At 31 December 2025	10,204

The Group provides warranties to its customers on certain of its products for replacement of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of replacement. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

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25. DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	Liabilities	Liabilities	Liabilities
	RMB'000	RMB'000	RMB'000
Options for foreign currency	–	11,050	–
	=	=	=

The options for foreign currency are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging options for foreign currency amounting to RMB11,050,000 and RMB3,745,000 were charged to profit or loss during the years ended 31 December 2024 and 2025, respectively.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	Effective interest rate	Maturity	31 December 2023
	(%)		RMB'000
Current			
Bank loans – secured	3.20%-4.10%	2024	86,181
Bank loans – unsecured	2.70%-4.50%	2024	39,000
Current portion of long-term bank loans-secured	3.20%	2024	5,000
Subtotal – current			130,181
Non-current			
Bank loans – secured	3.20%-4.65%	2029	50,000
Total			180,181

	Effective interest rate	Maturity	31 December 2024
	(%)		RMB'000
Current			
Bank loans – secured	3.20%-4.65%	2025	70,027
Bank loans – unsecured	1.35%-2.65%	2025	55,000
Current portion of long-term bank loans-secured	3.20%-4.65%	2025	12,000
Subtotal – current			137,027
Non-current			
Bank loans – secured	4.55%-4.65%	2029	37,000
Other borrowings – unsecured	1.00%	2028	34,682
Subtotal – current			71,682
Total			208,709

	Effective interest rate	Maturity	31 December 2025
	(%)		RMB'000
Current			
Bank loans – secured	1.50%-4.00%	2026	126,941
Bank loans – unsecured	1.05%-3.00%	2026	87,032
Subtotal – current			213,973
Non-current			
Other borrowings – unsecured	1.00%	2028	34,064
Total			248,037

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The carrying amounts of borrowings are denominated in the following currencies:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
RMB	155,746	174,027	213,973
US\$	24,435	34,682	34,064
Total	<u>180,181</u>	<u>208,709</u>	<u>248,037</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank loans repayable:			
Within one year	130,181	137,027	213,973
In the second year	15,600	5,000	–
In the third to fifth years, inclusive	25,800	32,000	–
Beyond five years	8,600	–	–
Subtotal	<u>180,181</u>	<u>174,027</u>	<u>213,973</u>
Other borrowings repayable to non-controlling shareholders of a subsidiary:			
In the third to fifth years, inclusive	–	34,682	34,064
Subtotal	<u>–</u>	<u>34,682</u>	<u>34,064</u>
Total	<u>180,181</u>	<u>208,709</u>	<u>248,037</u>

The Company

	Effective interest rate	Maturity	31 December 2023
	(%)		RMB'000
Current			
Bank loans – secured	3.20%-4.10%	2024	86,116
Bank loans – unsecured	2.70%-4.50%	2024	39,000
Total			<u>125,116</u>

	Effective interest rate	Maturity	31 December 2024
	(%)		RMB'000
Current			
Bank loans – secured	4.55%-4.65%	2025	65,067
Bank loans – unsecured	1.35%-2.65%	2025	55,000
Total			<u>120,067</u>

	Effective interest rate	Maturity	31 December 2025
	(%)		RMB'000
Current			
Bank loans – secured	1.50%-4.00%	2026	45,541
Bank loans – unsecured	1.05%-3.00%	2026	87,032
Total			<u>132,573</u>

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All interest-bearing bank borrowings of the Company are denominated in RMB.

Notes:

- (i) As at 31 December 2023, the Group’s bank borrowings of RMB141,181,000 were secured by the property, plant and equipment of RMB212,131,000 and right-of-use assets of RMB87,919,000, respectively, details of which are set out in notes 13 and 14 to the Historical Financial Information. Among these secured borrowings, the Group’s bank borrowings of RMB30,025,000 was guaranteed by the directors, Mr. Dai Huibin and Ms. Zhang Shuhong, up to RMB390,000,000, and RMB20,008,000 were guaranteed by Mr. Dai Huibin and Hangzhou Kingdom Imp & Exp, up to RMB35,000,000.
- (ii) As at 31 December 2024, the Group’s bank borrowings of RMB119,027,000 were secured by the property, plant and equipment of RMB240,438,000 and right-of-use assets of RMB86,005,000, respectively, details of which are set out in notes 13 and 14 to the Historical Financial Information. Among these secured borrowings, the Group’s bank borrowings of RMB30,035,000 was guaranteed by the directors, Mr. Dai Huibin and Ms. Zhang Shuhong, up to RMB390,000,000, and RMB20,019,000 were guaranteed by Mr. Dai Huibin and Hangzhou Kingdom Imp & Exp, up to RMB35,000,000.
- (iii) As at 31 December 2025, the Group’s bank borrowings of RMB126,941,000 were secured by the property, plant and equipment of RMB226,644,000 and right-of-use assets of RMB84,091,000, respectively, details of which are set out in notes 13 and 14 to the Historical Financial Information.

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27. DEFERRED TAX

The Group

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of trade and other receivables	Provision for inventories	Impairment of property, plant and equipment	Decelerated depreciation for tax purpose	Lease liabilities	Accrued liabilities in other payables and accruals	Changes in fair value of financial liabilities at fair value through profit or loss for tax purposes	Deferred government income	Unrealised profits from inter-company transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	1,277	3,368	1,309	–	2,145	1,495	–	3,270	4,287	17,151
Deferred tax (charged)/credited to profit or loss during the year (<i>note 10</i>)	(279)	581	–	164	(607)	1,340	–	3,270	7,223	11,692
Exchange realignment	1	23	–	–	96	4	–	–	256	380
At 31 December 2023 and 1 January 2024	999	3,972	1,309	164	1,634	2,839	–	6,540	11,766	29,223
Deferred tax (charged)/credited to profit or loss during the year (<i>note 10</i>)	(468)	647	(33)	96	4,547	2,641	1,657	(218)	9,460	18,329
Exchange realignment	(2)	(43)	–	–	(164)	(8)	–	–	(319)	(536)
At 31 December 2024 and 1 January 2025	529	4,576	1,276	260	6,017	5,472	1,657	6,322	20,907	47,016
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	98	(193)	(1,125)	(260)	(1,324)	3,622	(1,657)	(327)	3,303	2,137
Exchange realignment	4	154	–	–	474	21	–	–	845	1,498
At 31 December 2025	631	4,537	151	–	5,167	9,115	–	5,995	25,055	50,651

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Deferred tax liabilities

	Right-of-use assets	Share of profits of an associate	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	2,233	–	2,233
Deferred tax (credited)/charged to profit or loss during the year (note 10)	(708)	189	(519)
Exchange realignment	91	–	91
At 31 December 2023 and 1 January 2024	1,616	189	1,805
Deferred tax charged to profit or loss during the year (note 10)	4,301	307	4,608
Exchange realignment	(155)	–	(155)
At 31 December 2024 and 1 January 2025	5,762	496	6,258
Deferred tax (credited)/charged to profit or loss during the year (note 10)	(1,337)	861	(476)
Exchange realignment	447	–	447
At 31 December 2025	4,872	1,357	6,229

For presentation purposes, the deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position . .	27,418	40,758	44,422

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deductible temporary differences	4,385	7,920	12,143
Tax losses	39,280	51,568	72,815
Total	43,665	59,488	84,958

The Group had tax losses arising in the Chinese mainland of RMB38,416,000, RMB49,204,000 and RMB51,747,000 as at 31 December 2023, 2024 and 2025, respectively, that would expire in one to five years for offsetting against future taxable profits.

The Group had tax losses arising in Thailand of RMB864,000, RMB2,364,000 and RMB16,701,000 as at 31 December 2023, 2024 and 2025, respectively, that would expire in one to five years for offsetting against future taxable profits.

The Group had tax losses arising in United States of America of nil, nil and RMB4,367,000 as at 31 December 2023, 2024 and 2025, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the above items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the above items can be utilised.

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The Company

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of trade and other receivables	Provision for inventories	Impairment of property, plant and equipment	Impairment of investments in subsidiaries	Lease liabilities	Accrued liabilities in other payables and accruals	Changes in fair value of financial liabilities at fair value through profit or loss for tax purposes	Decelerated depreciation for tax purpose	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2023	529	2,368	1,309	810	145	1,402	–	–	6,563
Deferred tax (charged)/credited to profit or loss during the year	(228)	748	–	450	(71)	822	–	157	1,878
At 31 December 2023 and 1 January 2024	301	3,116	1,309	1,260	74	2,224	–	157	8,441
Deferred tax (charged)/credited to profit or loss during the year	(97)	(595)	(33)	240	698	125	1,657	93	2,088
At 31 December 2024 and 1 January 2025	204	2,521	1,276	1,500	772	2,349	1,657	250	10,529
Deferred tax credited/(charged) to profit or loss during the year	64	(328)	(1,125)	–	(150)	1,616	(1,657)	(250)	(1,830)
At 31 December 2025	268	2,193	151	1,500	622	3,965	–	–	8,699

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Deferred tax liabilities

	<u>Right-of-use assets</u>	<u>Share of profits of an associate</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	197	–	197
Deferred tax (credited)/charged to profit or loss during the year	(71)	189	118
At 31 December 2023 and 1 January 2024	126	189	315
Deferred tax charged to profit or loss during the year	666	307	973
At 31 December 2024 and 1 January 2025	792	496	1,288
Deferred tax (credited)/charged to profit or loss during the year	(179)	861	682
At 31 December 2025	613	1,357	1,970

For presentation purposes, the deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	<u>As at 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the Company’s statements of financial position . . .	8,126	9,241	6,729

28. PAID-IN CAPITAL/SHARE CAPITAL

The Group and the Company

Paid-in capital

A summary of movements in the Company’s paid-in capital is as follows:

	<u>Paid-in capital</u>
	<i>RMB'000</i>
At 1 January 2023, 31 December 2023 and 1 January 2024	80,000
Paid-in capital contributed on 26 March 2024 (<i>note a</i>)	1,000
Paid-in capital contributed on 25 April 2024 (<i>note b</i>)	1
Conversion into a joint stock company (<i>note c</i>)	(81,001)
At 31 December 2024	–

Share capital

	<u>As at 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid:			
Ordinary shares with par value of RMB1.00 each	NA	90,000	92,460

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A summary of movements in the Company’s share capital is as follows:

	Number of ordinary shares in issue	Share capital RMB'000
At 1 January 2023, 31 December 2023 and 1 January 2024 . . .	–	–
Issue of ordinary shares upon conversion into a joint stock company (<i>note c</i>)	40,000,000	40,000
New shares issued on 2 December 2024 (<i>note d</i>)	50,000,000	50,000
At 31 December 2024 and 1 January 2025	90,000,000	90,000
New shares issued on 16 November 2025 (<i>note e</i>)	2,460,000	2,460
At 31 December 2025	92,460,000	92,460

Notes:

- (a) On 26 March 2024, the Company passed a shareholder’s resolution to increase its registered capital from RMB80,000,000 to RMB81,000,000. The said increase in registered capital was contributed by Hangzhou Kingdom Imp & Exp by way of transfer of its entire equity interest in Zhejiang Kingsun to the Company.
- (b) On 25 April 2024, the Company passed a shareholder’s resolution to increase its registered capital from RMB81,000,000 to RMB81,001,000. The increase in registered capital was contributed by Zhejiang Jinghongda Technology Co., Ltd. (浙江晶弘達科技有限公司, “Zhejiang Jinghongda”), a wholly-owned subsidiary of Hangzhou Kingdom Imp & Exp, in cash of RMB173,000.
- (c) On 27 November 2024, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including paid-in capital, capital reserves, exchange fluctuation reserve, statutory surplus reserve and retained profits, amounting to RMB983,330,000 were converted into 40,000,000 ordinary shares of RMB1.00 each. The excess, amounting to RMB943,330,000, of the net assets converted over the nominal value of the ordinary shares was credited to the Company’s share premium.
- (d) On 2 December 2024, the Company issued 50,000,000 ordinary shares at par to Mr. Dai Huibin and Ms. Zhang Shuhong for a cash consideration of RMB50,000,000.
- (e) On 16 November 2025, the Company issued 2,460,000 ordinary shares at par to establish the pool of shares for the Incentive Plan for a cash consideration of RMB7,380,000, with RMB4,980,000 received in the year ended 31 December 2025. Details of the Company’s Incentive Plan are included in note 29 to the Historical Financial Information.

29. SHARE-BASED PAYMENTS

The Company operates an equity incentive arrangement (the “Incentive Plan”) for the purpose of recognition of the contributions of, the employees of the Group, and incentivising them to further promote the Group’s development. The Incentive Plan became effective on 16 November 2025 and unless otherwise cancelled or amended, will remain in force for 10 years from that date. The shares underlying the Incentive Plan were held by two direct shareholding platforms Hangzhou Jinghe Enterprise Management Partnership (Limited Partnership) (杭州晶合企業管理合夥企業(有限合夥), “Hangzhou Jinghe”) and Hangzhou Jingju Enterprise Management Partnership (Limited Partnership) (杭州晶聚企業管理合夥企業(有限合夥), “Hangzhou Jingju”), holding 1,520,000 ordinary shares and 940,000 ordinary shares of the Company, respectively. Eligible participants of the Incentive Plan include directors, senior management and other employees of the Group. During the year ended 31 December 2025, total of 2,460,000 ordinary shares of the Company were granted to certain eligible participants, which include two directors, senior management and other employees of the Group, at total consideration of RMB7,380,000.

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All of the shares granted shall be subject to both a [REDACTED]-based condition (the “[REDACTED] Condition”) as well as service and performance conditions. The [REDACTED] Condition would be satisfied when the ordinary shares of the Company are successfully listed on a recognised stock exchange.

Pursuant to the terms of the shareholding agreements, the shares will vest over the next five years in equal annual instalments of 20% each. Grantees must remain employed with the company throughout the vesting period.

The following shares granted and outstanding under the Incentive Plan during the Relevant Periods:

	Weighted average subscription price	Number of shares
	RMB	
As at 1 January 2023, 31 December 2023, 31 December 2024 and 1 January 2025	—	—
Granted during the year	3.00	2,460,000
At 31 December 2025	3.00	2,460,000

The weighted average subscription price for share awards during the Relevant Periods was RMB3.00 per share. No share awards were vested during the Relevant Periods.

The fair value of services received in return for shares granted was measured by reference to the fair value of shares granted and the subscription price paid by employees. The fair values of the shares granted, were estimated as at the grant date by using discount cash flow method, taking into account the terms and conditions upon which the Company’s ordinary shares were granted. The key assumptions used in the valuation are as follows:

	2025
The discount rate	14.00%
Terminal growth rate	2.00%
Discount for lack of marketability	12.50%

The aforesaid transactions have been accounted for as equity-settled share-based payment transactions. During the year ended 31 December 2025, the Group recognised equity-settled share-based payment expenses of RMB1,622,000.

30. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

Capital reserve

Capital reserve of the Group mainly represents the capital contributions made by the Controlling Shareholders to Zhejiang Kingsun and Decoflooring prior to the Acquisitions.

On 26 March 2024, the Company passed a shareholder’s resolution to increase its registered capital from RMB80,000,000 to RMB81,000,000. The said increase in registered capital was contributed by Hangzhou Kingdom Imp & Exp by way of transfer of its entire equity interest in Zhejiang Kingsun to the Company. Accordingly, the Group transferred RMB1,000,000 from capital reserve to paid-in capital.

On 8 April 2024, the Group acquired the entire equity interest in Decoflooring for a cash consideration of RMB21,911,000.

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On 27 November 2024, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including paid-in capital, capital reserves, exchange fluctuation reserve, statutory surplus reserve and retained profits, resulting reduction in capital reserve of RMB133,855,000.

Share premium

Share premium of the Company represent the share premium contributed by the shareholders of the Company upon its conversion into a joint stock company on 27 November 2025. In addition, share premium arises from the issue of shares at a price in excess of their par value after the Company’s conversion to a joint-stock company. The Company can allot and issue shares by capitalizing from the amount standing to the credit of the share premium account of the Company.

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserve reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

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The Company

The amounts of the Company’s reserves and the movements therein for the Relevant Periods are presented below:

	Exchange fluctuation reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	250	40,000	450,736	490,986
Profit for the year	–	–	208,452	208,452
Other comprehensive income for the year:				
Share of other comprehensive income of an associates (<i>note a</i>)	582	–	–	582
Total comprehensive income for the year	582	–	208,452	209,034
Dividends declared and paid	–	–	(100,000)	(100,000)
At 31 December 2023	832	40,000	559,188	600,020

	Share premium	Capital reserve	Exchange fluctuation reserve	Statutory surplus reserve	Retained profits/ (Accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	–	–	832	40,000	559,188	600,020
Profit for the year	–	–	–	–	271,366	271,366
Other comprehensive loss for the year:						
Share of other comprehensive loss of an associate (<i>note a</i>)	–	–	(416)	–	–	(416)
Total comprehensive income for the year	–	–	(416)	–	271,366	270,950
Increase in paid-in capital	–	133,855	–	–	–	133,855
Conversion into a joint stock company	943,330	(133,855)	337	(40,501)	(728,310)	41,001
Transfer to statutory reserves	–	–	–	27,138	(27,138)	–
Dividends declared and paid	–	–	–	–	(100,000)	(100,000)
At 31 December 2024	943,330	–	753	26,637	(24,894)	945,826

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	Share premium RMB '000	Share award reserve RMB '000	Exchange fluctuation reserve RMB '000	Statutory surplus reserve RMB '000	Retained profits/ (Accumulated losses) RMB '000	Total RMB '000
At 1 January 2025	943,330	–	753	26,637	(24,894)	945,826
Profit for the year	–	–	–	–	216,473	216,473
Other comprehensive loss for the year:						
Share of other comprehensive loss of an associate (<i>note a</i>)	–	–	(638)	–	–	(638)
Total comprehensive income for the year	–	–	(638)	–	216,473	215,835
Issue of shares	4,920	–	–	–	–	4,920
Equity-settled share-based payments	–	1,622	–	–	–	1,622
Transfer to statutory reserves	–	–	–	19,594	(19,594)	–
Dividends declared and paid	–	–	–	–	(50,000)	(50,000)
At 31 December 2025	948,250	1,622	115	46,231	121,985	1,118,203

Note a: The associate is accounted by the Company using the equity method.

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31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,117,000, RMB23,389,000 and RMB2,984,000, respectively, in respect of lease arrangements for office premises and warehouses.

On 26 March 2024, the Company passed a shareholder’s resolution to increase its registered capital from RMB80,000,000 to RMB81,000,000. The said increase in registered capital was contributed by Hangzhou Kingdom Imp & Exp by way of transfer of its entire equity interest in Zhejiang Kingsun to the Company.

(b) Changes in liabilities arising from financing activities

	Bank and other loans	Leases liabilities	Amount due to related parties (non-trade)
	RMB'000	RMB'000	RMB'000
At 1 January 2023	218,828	13,399	305
Changes from financing cash Flows	(45,353)	(6,797)	(305)
New leases	6,372	2,117	—
Interest expense accrued	—	576	9
Effect of foreign exchange rate Changes	334	346	—
At 31 December 2023 and 1 January 2024	180,181	9,641	9
Changes from financing cash Flows	21,133	(8,614)	(9)
New leases	—	23,389	—
Lease termination	—	(1,352)	—
Interest expense accrued	6,928	959	—
Effect of foreign exchange rate Changes	467	(1,862)	—
At 31 December 2024 and 1 January 2025	208,709	22,161	—
Changes from financing cash Flows	34,048	(9,293)	—
New leases	—	2,984	—
Interest expense accrued	5,898	1,149	—
Effect of foreign exchange rate Changes	(618)	1,546	—
At 31 December 2025	248,037	18,547	—

(c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statements of cash flows are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating activities	2,345	2,258	4,171
Within financing activities	6,797	8,614	9,293
Total	9,142	10,872	13,464

32. COMMITMENTS

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

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Buildings	—	—	1,819
Machinery and equipment	4,195	7,470	1,030
Total	4,195	7,470	2,849

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33. PLEDGE OF ASSETS

Details of the Group’s assets pledged for the Group’s bank borrowings are included in notes 13 and 14 to the Historical Financial Information.

34. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
An associate:				
Purchases of products	(i)	18,246	87,931	73,846
Sales of products	(ii)	12,975	23,308	12,356
Entities controlled by the directors:				
Purchases of products	(i)	731	330	221
Sales of products	(ii)	39	–	–
Sales of equipment	(ii)	142	–	248
Purchases of services	(iii)	9,217	–	–
Rental paid	(iii)	–	1,083	1,038
Entities controlled by close family members of a director:				
Purchases of products	(i)	7,641	7,405	5,985
Purchases of equipment	(i)	–	1,772	–
Sales of equipment	(ii)	–	–	341
Purchases of services	(i)	59	54	62
Directors:				
Interest income	(iv)	86	22	–
Loans from	(v)	94	–	–
Interest expenses	(v)	9	–	–
Loans to	(iv)	–	500	–
Interest income	(iv)	6	–	–
Loans from	(v)	400	–	–
Interest expenses	(v)	–*	–	–

* The amounts were less than RMB500

Notes:

- (i) The purchase prices were made according to the published prices and conditions offered by the related parties to their major customers.
- (ii) The sales prices were made according to the published prices and conditions offered to the major customers of the Group.
- (iii) The rental and service fees paid to related parties were charged with reference to prices mutually agreed between the parties.
- (iv) The loan to a close family member of a director in the year ended 31 December 2024 was unsecured, interest-bearing at 3.65% per annum and due by the end of February 2024.

Loans of RMB3,354,000 and RMB2,200,000 were provided to directors and a close family member of a director, respectively before the Relevant Periods. The loans bore interest at 3.65% per annum and were repaid in May 2024, February 2023 and January 2023, respectively.

- (v) The loans from a director and a close family member of a director were unsecured, interest-bearing at 3.65% per annum and due by the end of October 2024 and February 2023, respectively.

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- (b) Other transactions with related parties:

The guarantee amounts provided by the related parties as at 31 December 2023, 2024 and 2025 are disclosed in note 26 to the Historical Financial Information.

- (c) Outstanding balances with related parties:

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
Due from related parties (non-trade)				
Directors	(i)	1,586	—	—
A close family member of a director . . .	(i)	6	—	—
Total		1,592	—	—
Due to related parties (non-trade)				
A director	(ii)	9	—	—
A close family member of a director . . .	(ii)	—*	—	—
Total		9	—	—
Trade receivables (trade)				
An associate	(iii)	8,369	15,961	9,244
Trade payables (trade)				
An associate	(iii)	17,234	19,619	24,987
An entity controlled by close family members of a director	(iii)	733	567	799
Total		17,967	20,186	25,786

* The amounts were less than RMB500

- (i) Loans of RMB3,354,000 and RMB2,200,000 were provided to directors and a close family member of a director, respectively before the Relevant Periods. The loans bore interest at 3.65% per annum and were repaid in May 2024, February 2023 and January 2023, respectively.
- (ii) The loans from a director and a close family member of a director were unsecured, interest-bearing at 3.65% per annum and due by the end of October 2024 and February 2023, respectively.
- (iii) As at 31 December 2023, 2024 and 2025, the outstanding balances with related parties (other than the loans) were unsecured, interest-free and repayable on demand.

- (d) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	720	1,167	2,860
Bonuses	—	1,417	2,392
Share-based payment expenses	—	—	306
Pension scheme contributions	—	24	72
Total compensation paid to key management personnel	720	2,608	5,630

Further details of directors’ and chief executive’s emoluments are included in note 8 to the Historical Financial Information.

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35. FINANCIAL INSTRUMENTS BY CATEGORY

The Group

The carrying amounts of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

31 December 2023

Financial assets

	Financial amortised cost assets at	Financial assets at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000
Trade and notes receivables	280,437	—	280,437
Financial assets included in prepayments, other receivables and other assets	17,378	—	17,378
Due from related parties	1,592	—	1,592
Equity investments designated at fair value through other comprehensive income	—	200	200
Cash and cash equivalents	272,533	—	272,533
Time deposits	31,437	—	31,437
Pledged short-term deposits	107,155	—	107,155
Total	<u>710,532</u>	<u>200</u>	<u>710,732</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and notes payables	333,004
Financial liabilities included in other payables and accruals	81,069
Interest-bearing bank and other borrowings	180,181
Lease liabilities	9,641
Due to related parties	9
Total	<u>603,904</u>

31 December 2024

Financial assets

	Financial amortised cost assets at	Financial assets at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000
Trade and notes receivables	405,207	—	405,207
Financial assets included in prepayments, other receivables and other assets	32,481	—	32,481
Equity investments designated at fair value through other comprehensive income	—	200	200
Cash and cash equivalents	280,384	—	280,384
Pledged short-term deposits	176,387	—	176,387
Total	<u>894,459</u>	<u>200</u>	<u>894,659</u>

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Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Trade and notes bills payables	532,729	—	532,729
Financial liabilities included in other payables and accruals	153,571	—	153,571
Derivative financial instruments	—	11,050	11,050
Interest-bearing bank and other borrowings	208,709	—	208,709
Lease liabilities	22,161	—	22,161
Total	<u>917,170</u>	<u>11,050</u>	<u>928,220</u>

31 December 2025

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade and notes receivables	415,819
Financial assets included in prepayments, other receivables and other assets	89,597
Cash and cash equivalents	345,287
Pledged short-time deposits	134,703
Total	<u>985,406</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and notes payables	522,749
Financial liabilities included in other payables and accruals	142,758
Interest-bearing bank and other borrowings	248,037
Lease liabilities	18,547
Total	<u>932,091</u>

The Company

The carrying amounts of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

31 December 2023

Financial assets

	Financial amortised cost assets at
	RMB'000
Trade and notes receivables	159,783
Financial assets included in prepayments, other receivables and other assets	9,474
Due from subsidiaries	226,349
Due from related parties	1,592
Cash and cash equivalents	149,095

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	Financial amortised cost assets at
	<i>RMB’000</i>
Time deposits	31,437
Pledged short-term deposits	73,734
Total	<u>651,464</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB’000</i>
Trade and notes payables	223,462
Financial liabilities included in other payables and accruals	56,406
Interest-bearing bank borrowings	125,116
Lease liabilities	490
Due to subsidiaries	1,517
Due to a related party	2
Total	<u>406,993</u>

31 December 2024

Financial assets

	Financial assets at amortised cost
	<i>RMB’000</i>
Trade and notes bills receivables	249,972
Financial assets included in prepayments, other receivables and other assets	20,628
Due from subsidiaries	369,396
Cash and cash equivalents	153,517
Pledged short-term deposits	110,089
Total	<u>903,602</u>

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair at fair value through profit or loss	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and notes payables	328,274	—	328,274
Financial liabilities included in other payables and accruals	59,055	—	59,055
Interest-bearing bank borrowings	120,067	—	120,067
Lease liabilities	5,146	—	5,146
Due to subsidiaries	31,656	—	31,656
Derivative financial instruments	—	11,050	11,050
Total	<u>544,198</u>	<u>11,050</u>	<u>555,248</u>

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31 December 2025

Financial assets

	Financial assets at amortised cost
	RMB’000
Trade and notes receivables	221,463
Financial assets included in prepayments, other receivables and other assets	23,325
Due from subsidiaries	510,061
Cash and cash equivalents	182,901
Pledged short-term deposits	84,215
Total	<u>1,021,965</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB’000
Trade and notes payables	302,514
Financial liabilities included in other payables and accruals	43,211
Interest-bearing bank borrowings	132,573
Lease liabilities	4,147
Due to subsidiaries	39,558
Total	<u>522,003</u>

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged short-term deposits, trade and notes receivables, trade and notes payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, short-term interest-bearing bank and other borrowings, amounts due from related parties and amounts due to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group’s finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing bank and other borrowings as at the end of each of the Relevant Periods were assessed to be insignificant. As at the end of each of the Relevant Periods, the fair values of the non-current portion of interest-bearing bank and other borrowings were RMB50,578,000, RMB70,203,000 and RMB31,824,000, respectively.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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The Group enters into derivative financial instruments with a commercial bank. Derivative financial instruments, including options for foreign currency, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of options for foreign currency are the same as their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Equity investments designated at fair value through other comprehensive income . .	—	—	200	200
	=	=	=	=

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Equity investments designated at fair value through other comprehensive income . .	—	—	200	200
	=	=	=	=

The Group did not have any financial assets measured at fair value as at 31 December 2025.

There was no movement in fair value measurements within Level 3 during the years ended 31 December 2023 and 2024.

Liabilities measured at fair value:

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Derivative financial instruments	—	11,050	—	11,050
	=	=	=	=

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2025.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments other than derivatives, comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and other receivables, other payables and accruals and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally options for foreign currency. The purpose is to manage the currency risks arising from the Group’s operations and its sources of finance.

The main risks arising from the Group’s financial instruments are foreign currency risk, credit risk, and liquidity risk. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below. The Group’s accounting policies in relation to derivatives are set out in note 2.4.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group’s financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at each of the reporting periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group’s profit before tax (arising from US\$, EUR and THB denominated financial instruments) and the Group’s equity.

The Group

	Increase/(decrease) in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB’000	RMB’000
2023			
If the RMB weakens against the US\$	5	6,892	5,822
If the RMB strengthens against the US\$	(5)	(6,892)	(5,822)
If the RMB weakens against the EUR	5	9,430	7,372
If the RMB strengthens against the EUR	(5)	(9,430)	(7,372)
If the RMB weakens against the THB	5	1,315	1,052
If the RMB strengthens against the THB	(5)	(1,315)	(1,052)
	Increase/(decrease) in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB’000	RMB’000
2024			
If the RMB weakens against the US\$	5	8,056	6,854
If the RMB strengthens against the US\$	(5)	(8,056)	(6,854)
If the RMB weakens against the EUR	5	12,476	9,689
If the RMB strengthens against the EUR	(5)	(12,476)	(9,689)
If the RMB weakens against the THB	5	691	552
If the RMB strengthens against the THB	(5)	(691)	(552)

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	Increase/(decrease) in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
2025			
If the RMB weakens against the US\$	5	9,303	7,916
If the RMB strengthens against the US\$	(5)	(9,303)	(7,916)
If the RMB weakens against the EUR	5	13,588	10,364
If the RMB strengthens against the EUR	(5)	(13,588)	(10,364)
If the RMB weakens against the THB	5	616	493
If the RMB strengthens against the THB	(5)	(616)	(493)

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant. and the Group’s exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific verification procedures.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023, 2024 and 2025. The amounts presented are gross carrying amounts for financial assets.

The Group

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	285,888	285,888
Financial assets included in prepayments, other receivables and other assets					
– Normal**	17,401	–	–	–	17,401
– Doubtful**	–	1,095	–	–	1,095
Due from related parties					
– Normal**	1,592	–	–	–	1,592
Pledged short-term deposits					
– Not yet past due	107,155	–	–	–	107,155
Time deposits					
– Not yet past due	31,437	–	–	–	31,437
Cash and cash equivalents					
– Not yet past due	272,533	–	–	–	272,533
Total	<u>430,118</u>	<u>1,095</u>	<u>–</u>	<u>285,888</u>	<u>717,101</u>

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As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	399,901	399,901
Notes receivables	7,486	–	–	–	7,486
Financial assets included in prepayments, other receivables and other assets					
– Normal**	32,578	–	–	–	32,578
– Doubtful**	–	1,095	–	–	1,095
Pledged short-term deposits					
– Not yet past due	176,387	–	–	–	176,387
Cash and cash equivalents					
– Not yet past due	280,384	–	–	–	280,384
Total	<u>496,835</u>	<u>1,095</u>	<u>–</u>	<u>399,901</u>	<u>897,831</u>

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	420,824	420,824
Financial assets included in prepayments, other receivables and other assets					
– Normal**	89,765	–	–	–	89,765
– Doubtful**	–	1,095	–	–	1,095
Pledged short-term deposits					
– Not yet past due	134,703	–	–	–	134,703
Cash and cash equivalents					
– Not yet past due	345,287	–	–	–	345,287
Total	<u>569,755</u>	<u>1,095</u>	<u>–</u>	<u>420,824</u>	<u>991,674</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

** The credit quality of notes receivables, loans to related parties and the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables and other receivables are disclosed in note 19 and note 20 to the Historical Financial Information, respectively.

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The Company

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	160,672	160,672
Financial assets included in prepayments, other receivables and other assets					
– Normal**	9,497	–	–	–	9,497
– Doubtful**	–	1,095	–	–	1,095
Due from subsidiaries					
– Normal**	226,349	–	–	–	226,349
Due from related parties					
– Normal**	1,592	–	–	–	1,592
Pledged short-term deposits					
– Not yet past due	73,734	–	–	–	73,734
Time deposits					
– Not yet past due	31,437	–	–	–	31,437
Cash and cash equivalents					
– Not yet past due	149,095	–	–	–	149,095
Total	491,704	1,095	–	160,672	653,471

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	–	–	243,504	243,504
Notes receivables	6,637	–	–	–	6,637
Financial assets included in prepayments, other receivables and other assets					
– Normal**	20,725	–	–	–	20,725
– Doubtful**	–	1,095	–	–	1,095
Due from subsidiaries					
– Normal**	369,396	–	–	–	369,396
Pledged short-term deposits					
– Not yet past due	110,089	–	–	–	110,089
Cash and cash equivalents					
– Not yet past due	153,517	–	–	–	153,517
Total	660,364	1,095	–	243,504	904,963

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As at 31 December 2023

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due to related parties	9	–	–	–	–	9
Interest-bearing bank borrowings . .	–	29,276	105,822	20,975	38,191	194,264
Lease liabilities	–	417	7,144	2,198	–	9,759
Total	<u>121,892</u>	<u>321,883</u>	<u>112,966</u>	<u>23,173</u>	<u>38,191</u>	<u>618,105</u>

As at 31 December 2024

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes payables .	171,038	361,691	–	–	532,729
Financial liabilities included in other payables and accruals . .	2,113	151,458	–	–	153,571
Interest-bearing bank and other borrowings	–	9,146	132,459	76,884	218,489
Lease liabilities	–	716	5,120	16,672	22,508
Total	<u>173,151</u>	<u>523,011</u>	<u>137,579</u>	<u>93,556</u>	<u>927,297</u>

As at 31 December 2025

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes payables .	149,054	373,695	–	–	522,749
Financial liabilities included in other payables and accruals . .	17,109	125,649	–	–	142,758
Interest-bearing bank and other borrowings	–	18,164	199,177	34,582	251,923
Lease liabilities	–	716	4,755	13,291	18,762
Total	<u>166,163</u>	<u>518,224</u>	<u>203,932</u>	<u>47,873</u>	<u>936,192</u>

The Company

As at 31 December 2023

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes payables .	84,111	139,351	–	–	223,462
Financial liabilities included in other payables and accruals . .	240	56,166	–	–	56,406
Due to a related party . . .	–	–	–	2	2
Due to subsidiaries	1,517	–	–	–	1,517
Interest-bearing bank borrowings	–	28,682	99,076	–	127,758
Lease liabilities	–	–	503	–	503
Total	<u>85,868</u>	<u>224,199</u>	<u>99,579</u>	<u>2</u>	<u>409,648</u>

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As at 31 December 2024

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and notes payables	121,979	206,295	—	—	328,274
Financial liabilities included in other payables and accruals	265	58,790	—	—	59,055
Due to subsidiaries	31,656	—	—	—	31,656
Interest-bearing bank borrowings	—	8,477	113,665	—	122,142
Lease liabilities	—	716	911	3,849	5,476
Total	<u>153,900</u>	<u>274,278</u>	<u>114,576</u>	<u>3,849</u>	<u>546,603</u>

As at 31 December 2025

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and notes payables	85,834	216,680	—	—	302,514
Financial liabilities included in other payables and accruals	5,631	37,580	—	—	43,211
Due to subsidiaries	—	—	—	39,558	39,558
Interest-bearing bank borrowings	—	17,677	116,626	—	134,303
Lease liabilities	—	716	1,159	2,469	4,344
Total	<u>91,465</u>	<u>272,653</u>	<u>117,785</u>	<u>42,027</u>	<u>523,930</u>

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is debt divided by total equity. Debt includes interest-bearing bank and other borrowings and lease liabilities. The gearing ratios as at 31 December 2023, 2024 and 2025 were as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	180,181	208,709	248,037
Lease liabilities	<u>9,641</u>	<u>22,161</u>	<u>18,547</u>
Debt	<u>189,822</u>	<u>230,870</u>	<u>266,584</u>
Total equity	<u>831,355</u>	<u>1,122,834</u>	<u>1,451,318</u>
Gearing ratio	22.8%	20.6%	18.4%

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ACCOUNTANTS’ REPORT

38. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments, at cost	35,666	291,452	327,796

39. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

As at 31 December 2025, the amounts due from VYTEC Thailand amounting to RMB7,200,000 bore interest at 3% per annum and was repayable on 15 October 2026. The remaining amounts due from/to subsidiaries were unsecured, interest-free and repayable on demand. The carrying amounts of balances with subsidiaries approximated to their fair values.

40. EVENTS AFTER THE RELEVANT PERIODS

- (1) On 25 March 2026, the Company passed a shareholders’ resolution pursuant to which its share capital was increased from RMB92,460,000 to RMB95,102,000, as Zhejiang Venture Capital Co., Ltd. (“Zhejiang VC”), a [REDACTED] investor, subscribed 2,641,714 newly issued ordinary shares of the Company for a cash consideration of RMB100,000,000. Subsequently, on 28 April 2026, the Company passed another shareholders’ resolution to further increase its registered capital to RMB99,064,000, wherein Zhejiang Construction Industrial Investment Innovation (Tongxiang) Enterprise Management Consulting Partnership (Limited Partnership) (“Zhejiang Construction”), another [REDACTED] investor, subscribed 3,962,571 new ordinary shares of the Company for a cash consideration of RMB150,000,000. Zhejiang VC and Zhejiang Construction are collectively referred to as the [REDACTED] Investors.

Pursuant to the shareholders’ agreement, both [REDACTED] Investors were granted various special rights, including but not limited to repurchase and redemption rights (collectively, the “Divestment Rights”), anti-dilution rights, pre-emptive rights, tag-along rights, and liquidation preference rights, share transfer restrictions, most-favourable treatment rights, profit distribution rights, director nomination and other appointment rights, information and inspection rights, and veto rights. In addition, Zhejiang Construction was granted rights of first refusal (collectively, the “Special Rights”).

The Divestment Rights have been automatically terminated on the day prior to the submission of a [REDACTED] application to The Stock Exchange of Hong Kong Limited (“Stock Exchange”). Furthermore, all other Special Rights will be automatically terminated on the [REDACTED]. However, in the event that: (i) the Company withdraws its [REDACTED] application from the Stock Exchange; (ii) the Stock Exchange, the Securities and Futures Commission of Hong Kong, or the China Securities Regulatory Commission does not accept, rejects, or disapproves the Company’s [REDACTED]; or (iii) the Company fails to complete an [REDACTED] by 31 December 2027, all the Divestment Rights and Special Rights shall be resumed automatically, and shall be deemed to have been effective from the outset.

- (2) On 20 March 2026, the Company declared dividends of RMB60,000,000 to its shareholders, which were paid in March 2026.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2025.

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute legally binding precedents; however, they may be used as judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the “**Legislation Law**”), lastly amended by the NPC on March 13, 2023 and implemented on March 15, 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The ministries and commissions of the State Council, PBOC, National Audit Office of the PRC as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provisions of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection, historical and cultural protection based on the specific circumstances and actual needs of such cities, which shall be submitted to the standing committees of the people’s congresses of relevant provinces or autonomous regions for approval before implementation, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

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The people’s governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people’s governments of the provinces or autonomous regions is greater than that of the rules enacted by the people’s governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations or separate regulations which have been approved by the SCNPC but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people’s congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people’s congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees.

Pursuant to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. Pursuant to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People’s Court of the PRC (the “**Supreme People’s Court**”) has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

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PRC JUDICIAL SYSTEM

Pursuant to the Constitution and the Law of the PRC of Organization of the People’s Courts (《中華人民共和國人民法院組織法》) lastly amended by the SCNPC on October 26, 2018 and implemented on January 1, 2019, the judicial system is made up of the Supreme People’s Court, the local people’s courts, and other special people’s courts. The local people’s courts are divided into three levels, namely the basic people’s courts, the intermediate people’s courts and the higher people’s courts. The Supreme People’s Court shall be the highest judicial organ of the state, and shall supervise the administration of justice by the local people’s courts at all levels and by the special people’s courts. The people’s courts at higher levels shall supervise the judicial work of the people’s courts at lower levels.

Pursuant to the Constitution and the Law of Organization of the People’s Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) lastly amended by SCNPC on October 26, 2018 and implemented on January 1, 2019, the People’s Procuratorate is the law supervision organ of the state. The Supreme People’s Procuratorate shall be the highest procuratorial organ, and shall direct the work of the local people’s procuratorates at all levels and of the special people’s procuratorates. The people’s procuratorates at higher levels shall direct the work of those at lower levels.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”) lastly amended by the SCNPC on September 1, 2023 and implemented on January 1, 2024 sets forth the requirements for instituting a civil action, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within Chinese Mainland must comply with the Civil Procedure Law. Civil cases are generally heard by the courts in the defendants’ domicile. The court of jurisdiction in a civil action may be chosen by express agreement between parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff’s or the defendant’s domicile, the place where the contract is performed or signed, or the object of the action is located. The choice of the court cannot conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign national or enterprise has the same litigation rights and obligations as a PRC citizen or legal person when initiating or defending any proceedings at a people’s court. If a foreign country’s judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuses to comply with a judgment or order made by a people’s court or an award made by an arbitration tribunal, the other party may apply to the people’s court for

APPENDIX III

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people’s court for enforcing an effective judgment or ruling by a people’s court against a party who is not located in Chinese Mainland or whose property is not within Chinese Mainland, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people’s court according to the Chinese Mainland enforcement procedures if the Chinese Mainland has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court’s examination according to the principle of reciprocity, unless the people’s court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of Chinese Mainland, its sovereignty or security, or against social and public interest.

THE COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company established in Chinese Mainland seeking a listing on Hong Kong Stock Exchange is mainly subject to the following laws and regulations of Chinese Mainland.

The Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**Company Law**”) which was lastly amended by the SCNPC on December 29, 2023 and implemented on July 1, 2024.

The Trial Administrative Measures on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and its five interpretative guidelines which were promulgated by the CSRC on February 17, 2023 and implemented on March 31, 2023 and were applicable to the direct and indirect overseas offering and listing of PRC domestic companies’ securities.

Pursuant to the Overseas Listing Trial Measures and its interpretative guidelines, where a domestic company directly conducts offering and listing overseas, it shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidelines for Articles of Association**”), which was lastly amended by the CSRC and came into effect on March 28, 2025.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidelines for Articles of Association which are applicable to our company.

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Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within Chinese Mainland.

The promoters of a joint stock limited company incorporated by public subscription shall convene an inaugural meeting within 30 days after the share capital has been paid up and shall notify all subscribers of the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only with the presence of subscribers holding more than 50% of the voting rights. The convening and voting procedures for the inaugural meeting of a joint stock limited company incorporated by promotion shall be stipulated in the agreement of the promoters. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and the board of supervisors of a company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

Registered Shares

Pursuant to the Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or intellectual property rights, land use rights, shareholding or claims.

The joint stock limited company is required to maintain a register of shareholders, detailing the following information: (i) the name and domicile of each shareholder; (ii) the class and number of shares subscribed for by each shareholder; (iii) the serial number of shares if issued in paper form; and (iv) the date on which each shareholder acquired the shares.

Pursuant to the Overseas Listing Trial Measures, domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of fairness and justice. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

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Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with the Overseas Listing Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Increase of Share Capital

Pursuant to the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the general meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to original shareholders, if any. If no par value stock is issued, more than one-half of the proceeds from the issuance of the new stocks shall be included in the registered capital. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the document.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law: (i) to prepare a balance sheet and a property list; (ii) a company makes a resolution at the general meeting to reduce its registered capital; (iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the approval of resolution of reducing registered capital; (iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice; (v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

Repurchase of Shares

Pursuant to the Company Law, a company shall not purchase its own shares. Except for any following circumstances: (i) reducing the registered capital; (ii) merging with other company that holds the shares of the company; (iii) using the shares for employee stocks plan or equity incentives; (iv) with respect to shareholders voting against any resolution adopted at the general meeting on the merger or division of our company, the right to demand our

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company to acquire the shares held by them; (v) using the shares for the conversion of convertible corporate bonds issued by the listed company; (vi) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the general meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the board meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization from the general meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be canceled within 10 days from the date of buy-back in the case of item (i) above; such shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the total numbers of share of our company held by a company shall not exceed 10% of the total issued shares of our company, and shall be transferred or canceled within three years in the case of items (iii), (v) and (vi) above.

Transfer of shares

Shares held by a shareholder may be transferred in accordance with the law. Pursuant to the Company Law, the shareholder of a joint stock limited company should affect a transfer of his/her shares through a legally established securities exchange or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and domicile of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be affected during a period of 20 days prior to the convening of the general meeting or 5 days prior to the record date for a company's distribution of dividends. If any law, administrative regulation, or any provision by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

Pursuant to the Company Law, shares issued by a company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of the company are listed and traded on a securities exchange. The directors, supervisors and senior management of the company should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year should not exceed 25% of the total shares they hold of the company. Shares of a company held by them shall not be transferred within one year from the date of a company's listing on a securities exchange, nor within six months after their resignation from their positions with a company.

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If the shares are pledged within the time limit for restricted transfer as provided by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted transfer period.

Shareholders

Pursuant to the Company Law and Guidelines for Articles of Association, the rights of a shareholder of a company include: (i) the right to attend or appoint a proxy to attend general meetings and to vote thereat; (ii) the right to transfer shares in accordance with laws, administrative regulations and articles of association; (iii) the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations; (iv) the right to bring an action in the people's court to rescind resolutions passed by general meetings and board of directors where articles of association is violated by the above resolutions; (v) the right to receive dividends and other forms of profit distribution according to the proportion of shares they hold; (vi) in the event of the termination or liquidation of the company, the right to participate in the distribution of the residual properties of the company in proportion to the number of shares held; and (vii) other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

General Meetings

Pursuant to the Company Law, the general meeting of a joint stock limited company is made up of all shareholders. The general meeting is the organ of authority of a company, which exercises the following functions and powers: (i) to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors; (ii) to examine and approve reports of the board of directors; (iii) to examine and approve reports of the board of supervisors; (iv) to examine and approve a company's profit distribution plans and loss recovery plans; (v) to resolve on the increase or reduction of a company's registered capital; (vi) to resolve on the issuance of corporate bonds; (vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company; (viii) to amend the company's articles of association; and (ix) other functions and powers specified in provision of the articles of association.

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Annual general meetings are required to be held once every year. An interim general meeting is required to be held within two months after the occurrence of any of the following circumstances: (i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in articles of association; (ii) when the unrecovered losses of a company amount to one-third of the total paid-up share capital; (iii) shareholders individually or jointly holding 10% or more of the company's shares request; (iv) when deemed necessary by the board of directors; (v) the board of supervisors proposes to convene the meeting; and (vi) other circumstances as stipulated in articles of association.

The general meeting shall be convened by the board, and presided over by the chairman of the board. In the event that the chairman of the board is incapable of performing or not performing his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his/her duties, a director nominated by more than half of directors shall preside over the meeting.

If the board is incapable of performing or is not performing its duties to convene the general meeting, the board of supervisors should convene and preside over the general meeting in a timely manner. If the board of supervisors fails to convene and preside over the general meeting, shareholders individually or jointly holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over the general meeting. If the shareholders who separately or jointly hold more than 10% of the shares of the company request to convene an extraordinary general meeting, the board and the board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an extraordinary general meeting and reply to the shareholders in writing.

Notice of meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of interim meeting shall be given to all shareholders 15 days prior to the meeting.

Shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the board of directors in writing 10 days before the general meeting. The board of directors shall notify other shareholders within two days after receiving the proposal and submit the interim proposal to the general meeting for consideration.

Pursuant to the Company Law, a shareholder may entrust a proxy to attend the general meeting, and it should clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders required to attend a general meeting.

Shareholders present at the general meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

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The cumulative voting system may be adopted for the election of directors and supervisors at the general meeting in accordance with articles of association or resolutions of the general meeting. Under the cumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Board of Directors

Under the Company Law, except for a joint stock limited company with a small scale or a small number of shareholders, a joint stock limited company should have a board of directors, which consists of more than three members. The term of office of a director shall be stipulated in articles of association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be notified 10 days before the meeting for every meeting. The board of directors exercises the following functions and powers: (i) to convene general meetings and report its work to the general meetings; (ii) to implement the resolutions of the general meeting; (iii) to decide on a company's business plans and investment plans; (iv) to formulate a company's profit distribution plan and loss recovery plan; (v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds; (vi) to formulate plans for merger, division, dissolution or change of corporate form of a company; (vii) to decide on the internal management structure of a company; (viii) to decide on the appointment or dismissal of the manager of a company and their remuneration; to decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration; (ix) to formulate a company's basic management system; and (x) other functions and powers specified in articles of association or granted by the general meeting.

The board meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he/she may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or articles of association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company.

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However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Pursuant to the Company Law, a person may not serve as a director of a company if he/she is: (i) a person without capacity or with restricted capacity; (ii) a person who has been sentenced to any criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property, or disrupting the order of the socialist market economy, or has been deprived of political rights due to a crime, where a five-year period has not elapsed since the date of completion of the sentence; if he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension period; (iii) a person who was a director, factory director or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise; (iv) a person who was legal representative of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise or the order for closure; and (v) being listed as one of dishonest persons subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of due debts.

The board of directors shall have one chairperson, who shall be elected by more than half of all the directors. The chairperson shall exercise the following functions and powers (including but not limited to): (i) to preside over general meetings and convene and preside over board meetings; and (ii) to examine the implementation of resolutions of the board of directors; and (iii) to exercise other powers conferred by the board of directors.

Board of Supervisors

A joint stock limited company may establish an audit committee under the board of directors to exercise the powers of the board of supervisors. A joint stock limited company which has a small scale or a limited number of shareholders is not required to establish a board of supervisors.

Except for the above-mentioned two special circumstances, a joint stock limited company shall establish a board of supervisors composed of not less than three members. The board of supervisors shall comprise shareholder representatives and an appropriate proportion of the company's employee representatives, of which the proportion of employee representatives shall not be less than one-third and the specific proportion shall be stipulated in articles of association. Employee representatives of the board of supervisors shall be democratically elected by the company's employees at the employee representative assembly, employee general meeting or otherwise. Directors or senior management members may not act concurrently as supervisors.

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The board of supervisors exercises the following powers: (i) to examine the company's financial affairs; (ii) to supervise the directors and senior management members in their performance of their duties and to propose the removal of directors and senior management members who have violated laws, administrative regulations, articles of association or resolutions of general meetings; (iii) to demand rectification by a director or senior management member when the acts of such persons are harmful to the company's interests; (iv) to propose the convening of extraordinary general meetings, and to convene and preside over general meetings when the board fails to perform the duty of convening and presiding over general meetings under the Company Law; (v) to submit proposals to the general meeting; (vi) to initiate legal proceedings against directors and senior management members in accordance with the Company Law; and (vii) other functions and powers specified in articles of association.

Managers and Senior Management Members

Pursuant to the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager is responsible to the board of directors and may exercise the power in accordance with articles of association or authorization of the board of directors. The manager shall attend board meetings.

Senior management shall refer to the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in articles of association.

Duties of Directors, Supervisors and Senior Management Members

Pursuant to the Company Law, directors, supervisors and senior management members of the company are required to comply with the relevant laws, regulations and articles of association, and have fiduciary and diligent duties to the company. directors, supervisors and senior management members are prohibited from: (i) embezzling the company's property or misappropriating the company's funds; (ii) depositing the company's funds into accounts under their own names or the names of other individuals; (iii) accepting bribes or any other illegal proceeds by taking advantage of their powers; (iv) accepting and possessing commissions paid by a third party for transactions conducted with the company; (v) disclosing the company's secrets without authorization; or (vi) other acts in violation of their fiduciary duty to the company.

If any director, supervisor or senior management members directly or indirectly contracts or conducts a transaction with the company, he/she shall report the matters related to the conclusion of the contract or transaction to the board or general meeting, subject to the approval of the board or general meeting according to articles of association.

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The provisions of the preceding paragraph shall apply if any near relatives of the directors, supervisors or senior management members, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management members or any of their near relatives, or any related parties with any other related-party relationship with the directors, supervisors or senior management members, concludes a contract or conducts a transaction with the company.

Directors, supervisors and senior management members shall not take advantage of his position to take a business opportunity belonging to the company for himself or another person, except under any of the following circumstances: (i) where they have reported to the board or the general meeting and the matter has been approved by a resolution of the board or the general meeting according to articles of association; or (ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or articles of association.

Where any director, supervisor or senior management member fails to report to the board of directors or the general meeting and obtain approval by resolution of the board of directors or the general meeting according to articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

A director, supervisor or senior management member who contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Pursuant to the Company Law, a company shall establish its financial and accounting systems in accordance with laws, administrative regulations and regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare financial and accounting reports which shall be audited by an accounting firm. The financial and accounting reports shall be prepared in accordance with laws, administrative regulations and regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual general meeting. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

The company is required to withdraw 10% of its profits into its statutory reserve fund when distributing each year's after-tax profits. When the cumulated amount of the statutory reserve fund of the company has reached 50% or more of its registered capital, no further withdrawal is required. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the

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losses before making allocations to the statutory reserve in accordance with the preceding paragraph. Subject to a resolution of the general meeting, after withdrawal has been made to the company's statutory reserve fund from its after-tax profits, the company may set aside funds for the discretionary reserve fund.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with articles of association of the joint stock limited company.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

The reserve fund of the company shall be used to make up for losses of the company, expand the production and operation of the company or increase the capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be first used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. When the statutory reserve fund is converted to increase registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law.

Appointment and Retirement of Accounting Firms

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by the general meeting, the board of directors or the board of supervisors in accordance with articles of association. The accounting firm should be allowed to make representations when the general meeting, the board of directors or board of supervisors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

Pursuant to the Guidelines for Articles of Association, the company shall guarantee to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the hired accounting firm, and shall not refuse, conceal or make false reports. The audit fee of an accounting firm shall be decided by the general meeting.

Distribution of Profits

Pursuant to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

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Amendments to Articles of Association

Any amendment to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, the amendment to articles of association shall be registered with the relevant authority in accordance with the applicable laws.

Dissolution and Liquidation

Pursuant to the Company Law, a company shall be dissolved for the following reasons: (i) the term of business stipulated in articles of association has expired or other events of dissolution specified in articles of association have occurred; (ii) a resolution on dissolution is adopted by the general meeting; (iii) dissolution is required due to the merger or division of the company; (iv) the business license is revoked, or the company is ordered to be closed down or is deregistered in accordance with the law; (v) where the company encounters serious difficulties in its operation and management, and its continued existence will cause significant losses to the interests of shareholders, and where the issue cannot be resolved through other means, shareholders holding more than 10% of the total shareholders' voting rights of the company may request the people's court to dissolve the company. If any of the situations as mentioned in the preceding paragraph arises, the company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with sub-paragraph (i) above, it may carry on its existence by amending its articles of association or upon a resolution of the general meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the general meeting. Where the company is dissolved pursuant to sub-paragraphs (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the articles of association or it is otherwise elected by the resolution of the general meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

If the liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such request and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation group shall exercise the following functions and powers during the liquidation period: (i) to liquidate the company's property and prepare the balance sheet and the list of property; (ii) to notify creditors by sending notices or making public announcements; (iii) to deal with the outstanding business of the company involved in the liquidation; (iv) to

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pay all outstanding taxes and taxes arising in the course of liquidation; (v) to liquidate claims and debts; (vi) to distribute the remaining property of the company after paying off debts; (vii) to participate in civil litigation activities on behalf of the company.

The liquidation group shall notify the company's creditors within ten days from its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days from the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

The remaining property of the company after the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to their shareholdings. During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation group, having thoroughly liquidated the company's assets and having prepared the balance sheet and the inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall file an application to the people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation group shall prepare the liquidation report to be submitted to the general meeting or the people's court for confirmation, and submit the liquidation report to the company registration authority to apply for cancellation of the company's registration.

Members of the liquidation group performing their duties of liquidation are obliged to be loyal and diligent. Any member of the liquidation group who neglects to fulfill his/her liquidation duties and thus causes any loss to the company shall be liable for compensation, and any member of the liquidation group who causes any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Where, after three years since the business license of the company is revoked, or the company is ordered to close down or is deregistered, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

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Overseas Listing

Pursuant to the Overseas Listing Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 business days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 business days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall file in accordance with the provisions of Paragraph 1, Article 16 of the Overseas Listing Trial Measures.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (《證券法》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Pursuant to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 business days from the date of occurrence and announcement of the relevant matters.

Merger and Division

Pursuant to the Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or on the National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he/she has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or on the National Enterprise Credit Information Publicity System within 30 days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

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SECURITIES LAW AND REGULATIONS

The PRC has promulgated a series of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating, and supervising all securities related institutions in Chinese Mainland, and administering CSRC. The CSRC is the regulatory executive body of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by companies in Chinese Mainland or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two authorities and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council and implemented on April 22, 1993 provides the application and approval procedures for public offerings of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

The PRC Securities Law, which was lastly amended by the SCNPC on December 28, 2019 and promulgated on March 1, 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council’s securities regulatory authorities in Chinese Mainland, and comprehensively regulates activities in the securities market of Chinese Mainland. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the Chinese Mainland or listing and trading its securities outside the Mainland China. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Pursuant to the Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “**Arbitration Law**”) lastly amended by the SCNPC on September 12, 2025 and implemented on March 1, 2026, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the

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Arbitration Law and the Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people’s court will refuse to take legal action brought by a party in the people’s court, unless the arbitration agreement is invalid.

Pursuant to the Arbitration Law and Civil Procedure Law, an arbitral award shall be final and binding on the parties. If any party fails to comply with the arbitral award, the other party to the award may apply to the people’s court for enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is evidence to prove that any of the following circumstances exists: the parties have not stipulated an arbitration clause in the contract or have not reached a written arbitration agreement afterwards; the composition of the arbitral tribunal or the arbitration procedures are not in accordance with the arbitration rules; the matters awarded are outside the scope of the arbitration agreement, or the arbitration committee has no jurisdiction to arbitrate; the evidence on which the award is based is forged; the other party has concealed evidence sufficient to affect the fairness of the award; the arbitrator has committed bribery, accepted bribes, engaged in favoritism, or rendered an award in violation of the law when arbitrating the case.

Any party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within Chinese Mainland shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people’s court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

Pursuant to the Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People’s Court on January 24, 2000 and implemented on February 1, 2000, and the Supplementary Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People’s Court on November 26, 2020 and implemented on November 27, 2020, awards made by arbitral authorities in Chinese Mainland can be applied for enforcement in Hong Kong, and Hong Kong arbitration awards can also be applied for enforcement in the Chinese Mainland.

ENFORCEMENT OF JUDICIAL JUDGEMENT

Pursuant to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Chinese Mainland and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) promulgated by the Supreme People’s Court on January 25, 2024 and implemented on January 29, 2024, in the case of effective judgment of a civil and commercial case or civil damages in a criminal case made by the court of China and the court of the Hong Kong Special Administrative Region, any party concerned may apply to the People’s Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement.

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TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/value-added tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

THE PRC TAXATION

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “**Individual Income Tax Law**”) lastly amended by the SCNPC on August 31, 2018 and implemented on January 1, 2019, and the Implementation Rules of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) lastly amended by the State Council on December 18, 2018 and implemented on January 1, 2019, dividends paid by Chinese Mainland companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差異化個人所得稅政策有關問題的通知》) jointly promulgated by the MOF, the State Administration of Taxation (the “**SAT**”) and the CSRC on September 7, 2015 and implemented on September 8, 2015, where an individual holds the shares of a listed company obtained from the public offering and market transfer, if the holding period is more than one year, the dividends and bonus income shall be temporarily exempted from individual income tax. Where an individual holds shares of a listed company from the public offering and market transfer, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

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Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號檔廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) promulgated by the SAT on June 28, 2011, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us.

Enterprise Investor

Pursuant to the EIT Law as well as the Implementation Rules of EIT Law, the rate of enterprise income tax (the "EIT") shall be 25%. A non-resident enterprise is generally subject to a 10% EIT on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in Chinese Mainland or has an establishment or premise in Chinese Mainland but its Chinese Mainland-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) promulgated by the SAT and implemented on November 6, 2008, a PRC resident enterprise is required to withhold EIT at a unified rate of 10% on dividends paid to non-PRC resident enterprise holders of H shares which are derived out of profit generated since 2008. The Reply on the Collection of Enterprise Income Tax on Dividends Received by Non-resident Enterprises from Holding B Shares and Other Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), promulgated by the SAT and implemented on July 24, 2009, further provides that PRC resident enterprises listed on Chinese Mainland and overseas stock exchanges by issuing stocks must withhold EIT at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Such tax rates may be further modified according to the tax treaty or agreement that the PRC government has concluded with a relevant country or region, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "Arrangement") signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a PRC resident enterprise to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC

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resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC resident enterprise, then such tax shall not exceed 5% of the total dividends payable by the PRC resident enterprise. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) promulgated by the SAT and implemented on December 6, 2019, provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese EIT imposed on the dividends received from PRC enterprises. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions, including but not limited to Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the EIT in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the “**Circular 36**”) implemented on May 1, 2016, individuals and entities conducting service transactions within the PRC are subject to VAT. “Sales of services within the PRC” are defined as transactions where either the service provider or the recipient is situated within the PRC.

Furthermore, the Circular 36 provides that the transfer of financial products, including transfer of the ownership of marketable securities, is subject to VAT at 6% on the taxable revenue which is the balance of sales price upon deduction of purchase price, for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT.

According to aforementioned regulations, non-resident individuals selling or disposing of H shares are exempt from VAT in the PRC. However, if the holders are non-resident enterprises, they may avoid VAT in the PRC only if the buyers of the H shares are individuals or entities located outside of the PRC. Conversely, the holders might be subject to VAT in the PRC if the buyers of the H shares are individuals or entities situated within the PRC.

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Income Tax

Individual Investors

Pursuant to the Individual Income Tax Law and its implementation rules, individuals are subject to individual income tax at a rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) promulgated by the MOF and SAT and implemented on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT does not specify whether to continue to exempt individuals from individual income tax on the income from the transfer of shares in listed company in the newly revised the Individual Income Tax Law and its implementation rules.

Enterprise Investors

Pursuant to the EIT Law as well as the Implementation Rules of EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in Chinese Mainland or has an establishment or premise in Chinese Mainland but its Chinese Mainland-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Shenzhen-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the MOF, STA and CSRC on November 5, 2016 and implemented on December 5, 2016, transfer spread income derived by enterprise investors in Chinese Mainland from stock investment listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to EIT according to law. For dividends and bonuses received by individual investors in Chinese Mainland from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to the China Securities Depository and Clearing Company Limited (the “CSDCC”) for providing the register of individual investors in Chinese Mainland to the H-share companies and the H-share companies shall withhold individual income tax at the rate of 20% on behalf of the investors.

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Pursuant to the Announcement on the Continued Implementation of the Individual Income Tax Policies on the Inter-connected Mechanisms for Trading on the Shanghai and Hong Kong Stock Markets and for Trading on the Shenzhen and Hong Kong Stock Markets and on the Mutual Recognition of Funds between the Mainland and Hong Kong (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) promulgated by the MOF, STA and CSRC on December 4, 2019 and implemented on December 5, 2019, and the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) promulgated and implemented on August 21, 2023, the transfer spread income derived by individual investors in Chinese Mainland from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be exempted from individual income tax from December 5, 2019 to December 31, 2027.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividends derived by enterprise investors in Chinese Mainland from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect are included in their total income and subject to EIT according to law. In particular, dividends and bonus income obtained by resident enterprises in Chinese Mainland from holding H shares for 12 consecutive months shall be exempted from EIT according to law. H-share companies shall not withhold income tax on dividends and bonus income for enterprise investors in Chinese Mainland. The tax payable shall be declared and paid by the enterprise itself.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》) promulgated by the SCNPC on June 10, 2021 and implemented on July 1, 2022, the purchase and disposal of H shares by non-Chinese Mainland investors outside of Chinese Mainland are not subject to the requirements of the Stamp Duty Law of the PRC.

Estate Duty

Pursuant to the laws of Chinese Mainland, no estate duty is currently levied in Chinese Mainland.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to the chapter Regulatory Overview of the document.

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FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council and implemented on August 5, 2008, all international payments and transfers are classified into current items and capital items. Chinese Mainland does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of enterprises in Chinese Mainland may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

Pursuant to the relevant laws and regulations in Chinese Mainland, Chinese Mainland enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the general meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

Pursuant to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by the SAFE on February 13, 2015, implemented on June 1, 2015 and

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partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

Pursuant to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment by the SAFE in due time in accordance with international revenue and expenditure situations.

Pursuant to the Circular of People’s Bank of China and the State Administration of Foreign Exchange on Issues Concerning the Fund Administration for Domestic Enterprises of Overseas Listing (《中國人民銀行、國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》) promulgated by the People’s Bank of China (the “PBOC”) and SAFE on December 24, 2025 and implemented on April 1, 2026, a domestic company shall, within 30 business days from the first trading date of its overseas listing or the completion of the over-allotment option, register the overseas listing with the local branch office of the PBOC in the province or the separately planned city where it is registered. The funds raised by the domestic company from overseas listing shall, in principle, be repatriated to the domestic territory in a timely manner. Where such funds are retained overseas to conduct overseas direct investment, overseas securities investment, overseas lending and other businesses, the domestic company shall obtain the approval or filing document from the competent authority prior to the date of completion of the overseas offering or the completion of the over-allotment option, and shall comply with the relevant provisions on cross-border fund administration.

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SUMMARY OF ARTICLES OF ASSOCIATION

This Appendix mainly provides potential investors with an overview of the Articles of Association (The Articles of Association set out in this Appendix shall take effect from the date on which the overseas listed ordinary shares (H shares) issued by the Company are listed on the Hong Kong Stock Exchange). Since the information provided below is only a summary, it does not contain all the information that may be important to potential investors.

ISSUANCE OF SHARES

The shares of the Company shall be in the form of share certificates. The issuance of the shares of the Company shall be conducted in the principle of openness, fairness and justness, and each share of the same class shall be entitled to equal rights. For shares of the same class issued in the same offering, the conditions and price per share shall be the same. All subscribers for such shares shall pay the same price per share.

INCREASE, DECREASE AND REPURCHASE OF SHARES

In accordance with the Company’s operational and developmental needs, the Company may increase its capital in accordance with the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s shares are listed subject to respective resolution of the general meeting, by following methods:

- (i) Public issuance of shares;
- (ii) Non-public issuance of shares;
- (iii) Distribution of bonus shares to existing shareholders;
- (iv) Capitalizing reserves into share capital;
- (v) Other means approved by the laws, administrative regulations, regulations of departments, normative documents and the securities regulatory rules of the place where the Company’s shares are listed.

The Company may decrease the registered share capital. When the Company reduces its registered capital, it shall comply with the procedures stipulated in the Company Law, the Hong Kong Listing Rules, the securities regulatory rules of the place where the Company’s shares are listed and other regulations, and the Articles of Association.

The Company shall not repurchase its own shares, unless otherwise under any of the following circumstances:

- (i) Reducing the Company’s registered share capital;
- (ii) Merging with other companies which hold our shares;

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- (iii) Using the shares for an employee stock ownership plan or equity incentive plan;
- (iv) Purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a Shareholders' meeting upon their request;
- (v) Use of shares for conversion of convertible corporate bonds issued by the Company;
- (vi) Necessary for the Company to maintain its value and protect the interests of the Shareholders;
- (vii) Other circumstances as stipulated by laws, administrative regulations, departmental rules, normative documents, and the securities regulatory rules of the place where the Company's shares are listed.

The repurchase of the Company's shares by the Company may be carried out through public centralized trading, or other methods recognized under laws and administrative regulations, the CSRC and stock exchanges and securities regulatory bodies at the place where the Company's shares are listed. If the share repurchase is made under the circumstances stipulated (iii), (v) and (vi) set out above, it shall be conducted through public centralized trading. When the Company is to repurchase its own shares under the circumstances stipulated in (i) and (ii) above, a resolution of the Shareholders' meeting shall be resolved. In case of the circumstances stipulated in (iii), (v) and (vi) above, a resolution of the Company's Board passed by more than two-thirds of the directors attending the Board meeting in accordance with regulations of the Articles of Association or with the authorization of the Shareholders' meeting and the applicable securities regulatory rules of the place where the Company's shares are listed.

The repurchase of the Company's H shares shall comply with the Hong Kong Listing Rules and other relevant laws, regulations and regulatory requirements of the place where the H shares are listed.

TRANSFER OF SHARES

Except as otherwise provided by laws and the securities regulatory authority of the place where the Company's shares are listed, the Company's shares may be transferred in accordance with the law and are free from any lien.

The Company does not accept its own shares as the collateral of pledge.

The shares issued prior to the public issuance of shares by the Company shall not be transferred within one year of the date on which the shares of the Company are listed and traded on a stock exchange. The controlling shareholders of the Company shall comply with the restrictions on the disposal of shares by controlling shareholders following listing as set out under the Hong Kong Listing Rules.

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The directors and senior management of the Company shall declare the Company of their holdings of shares of the Company (including preference shares) and the changes therein. The shares transferred by them during each year of their tenures as determined at the time of appointment shall not exceed 25% of their total holdings of shares in the same class of the Company. The shares of the Company held by them shall not be transferred within one year from the date on which the Company's shares are listed for trading. The shares of the Company held by them shall not be transferred within half a year from their departure from the Company. If the Company's shareholders have made commitments to transfer restrictions for a longer period in respect of the Company's shares held by them, such commitments shall prevail.

If the shares are pledged within the term of limited transfer prescribed by relevant laws and administrative regulations, the pledgee may not exercise the pledge right within the term of limited transfer.

SHAREHOLDERS

The Company shall establish a register of Shareholders in accordance with certificates provided by the securities registration and clearing authorities unless there is contrary evidence. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

When the Company convenes a general meeting, distributes dividends, enters into liquidation and engages in other activities that require determination of identity of a shareholder, the Board or the convener of a general meeting shall determine the shareholding registration date, and shareholders registered on the register of members after the close of market on such date shall be the shareholders entitled to the relevant interests.

Shareholders of the Company shall enjoy the following rights:

- (i) To receive distribution of dividends and other forms of benefits according to the proportion of shares held;
- (ii) To legally require to hold, convene, preside over, participate in or authorize proxies of Shareholders to attend the Shareholders' meeting and exercise corresponding speak rights and voting rights according to the provisions of laws, administrative regulations, regulations of departments, securities regulatory rules, laws, regulations and listing rules of the place where the Company's shares are listed, the relevant requirements of the securities regulatory authority and the Articles of Association.
- (iii) To supervise operations of the Company, provide suggestions or submit queries;

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- (iv) To transfer, grant or pledge the Company's shares held according to the provisions of the laws, administrative regulations, regulations of departments, securities regulatory rules, laws, regulations and listing rules of the place where the Company's shares are listed, the relevant requirements of the securities regulatory authority and the Articles of Association.
- (v) To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;
- (vi) To require our Company to acquire the shares from Shareholders voting against any resolutions adopted at the Shareholders' meeting concerning the merger and division of the Company;
- (vii) Shareholders holding, individually or collectively, one percent or more of the Company's shares shall have the right to propose temporary resolutions and submit such proposals in writing to the board of directors at least ten days prior to the convening of the Shareholders' meeting.
- (vii) Other rights conferred by laws, administrative regulations, regulations of the authorities, securities regulatory rules where the Company's shares are listed, or the Articles of Association.

If a shareholder who individually or collectively holds more than 3% of the Company's shares for more than 180 consecutive days requests to inspect the Company's accounting books and accounting vouchers, he or she shall submit a written request to the Company stating the purpose. If the Company has a reasonable basis to believe that the shareholder's inspection of accounting books and accounting vouchers has an improper purpose and may harm the legitimate interests of the Company, it may refuse to provide such inspection, and shall reply to the shareholder in writing and explain the reasons within 15 days from the date of the shareholder's written request. If the Company refuses to provide inspection, the shareholder may file a lawsuit with the court of the PRC.

If the content of the resolution of the Company's Shareholders' meeting or board of directors violates laws, administrative regulations, the Shareholders have the right to request the people's court to clarify it invalid.

If the convening procedures or voting methods of the Shareholders' meeting or the board of directors violate laws, administrative regulations or the Articles of Association, or the content of the resolution violates the Articles of Association, the Shareholders have the right to request the people's court to revoke the resolution within 60 days from the date on which the resolution is made. Provided that this shall not apply if the procedure for convening meetings or the voting method of the Shareholders' meeting and the board of directors have only minor defects that have not had a material impact on the resolutions.

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In the event of any loss caused to the Company as a result of violation of any laws, administrative regulations or Articles of Association by the directors or senior management other than members of the Audit Committee when performing their duties in the Company, the Shareholders holding more than 1% shares separately or jointly for over 180 consecutive days may submit a written request to the Audit Committee to file an action with the people's court. Where members of the Audit Committee violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to the Company, the above Shareholders may submit a written request to the board of directors to file an action with the people's court.

In the event that the Audit Committee or the board of directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of the Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the people's court for the interest of the Company.

The obligations of Shareholders are as follows:

- (i) To abide by laws, administrative regulations, departmental rules, the securities regulatory rules where the Company's shares are listed and the Articles of Association;
- (ii) To provide Share capital according to the Shares subscribed and the subscription methods;
- (iii) Not to withdraw Shares unless prescribed otherwise in laws, administrative regulations of departments and securities regulatory rules;
- (iv) Shareholders of the Company shall not abuse their shareholder rights to prejudice the interests of the Company or other shareholders; where a shareholder of the Company abuses its shareholder rights and causes losses to the Company or other shareholders, such shareholder shall be liable for compensation in accordance with law;
- (v) Not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors; shareholders of the Company abuses the independent legal person status of the Company and the limited liability of shareholders to evade debts and seriously harm the interests of the Company's creditors, such shareholder shall be jointly and severally liable for the Company's debts; where a shareholder of the Company uses two or more companies controlled by him to commit the acts specified above, each of such companies shall be jointly and severally liable for the debts of any of such companies.

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- (vi) To perform other duties prescribed in laws, administrative regulations, regulations of departments, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Any company Shareholder who abuses Shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of the Company as an independent legal entity or the limited liability of Shareholders to evade debts and seriously damages the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

If a shareholder holding more than 5% of the voting shares of the Company pledges the shares he holds, he or she shall make a written report to the Company from the date of occurrence of such fact and make a declaration in accordance with applicable relevant laws and regulations. Provided that this shall not apply to Hong Kong Securities Clearing Company Limited, Hong Kong Securities Clearing (Nominees) Limited, and other circumstances as prescribed by the China Securities Regulatory Commission (CSRC), the securities regulatory authority and the stock exchange of the place where the Company's shares are listed.

SHAREHOLDERS' MEETING

General Rules for the Shareholders' Meeting

The general meeting shall be the authority of the Company and shall exercise the following functions and powers in accordance with the law:

- (i) To elect or change the Directors and Supervisors and to decide on the matters relating to the remuneration of the Directors and Supervisors;
- (ii) To consider and approve the reports of the Board of the Directors;
- (iii) To examine and approve the Company's proposals for profit distribution plans, profit distribution policy adjustment plan and loss recovery plans;
- (iv) To decide on any increase or reduction of the Company's registered capital;
- (v) To resolve on the issuance of corporate bonds or the issuance and listing application of other securities;
- (vi) To consider matters that the Company purchased or sold or guaranteed major assets within one year exceeding 30% of the Company's latest audited total assets;

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- (vii) To approve the discloseable transactions that require the approval of the Shareholders’ meeting in accordance with the provisions of laws, administrative regulations, the laws, regulations and listing rules of the place where the Company’s shares are listed (including but not limited to Chapter 14 of the Hong Kong Listing Rules) and the Articles of Association;
- (viii) To decide on merger, division, dissolution or liquidation of the Company, or change of the corporate form of the Company;
- (ix) To amend the Articles of Association;
- (x) To adopt resolutions on the appointment and removal of the accounting firm engaged to conduct the Company’s audit business and the remuneration of such accounting firm;
- (xi) To consider the proposals submitted by shareholders holding one percent (1%) or more of the Company’s voting shares;
- (xii) To consider and approve the Company-level share plan;
- (xiii) To consider and approve matters relating to changes in the use of proceeds raised;
- (xiv) To approve the connected transactions or continuing connected transactions that require the approval of the Shareholders’ meeting in accordance with the provisions of laws, administrative regulations, the laws, regulations and listing rules of the place where the Company’s shares are listed, and the Articles of Association (including but not limited to Chapter 14A of the Hong Kong Listing Rules);
- (xv) To consider other matters that shall be decided by the Shareholders’ meeting in accordance with the provisions of laws, administrative regulations, departmental rules, normative document, and the securities regulatory rules of the place where the Company’s shares are listed.

The Shareholders’ meeting may authorize the board of directors to make resolutions on the issuance of corporate bonds.

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Except as otherwise provided in the Articles of Association, the above powers of the general meeting shall not be conferred to the Board or other authority and individual through authorization.

Subject to the mandatory provisions of the relevant laws, regulations and normative documents of the PRC, as well as the mandatory provisions of the laws, regulations and listing rules of the place where the Company's shares are listed, if the Company's guarantee transactions meet any of the following criteria, such transactions shall, after being deliberated and approved by the board of directors, be submitted to the Shareholders' meeting for deliberation and approval:

- (i) The single guarantee for an amount more than 10% of the Company's audited net assets in the latest period;
- (ii) Any guarantee to be provided after the total amount of external guarantees provided by the Company and holding subsidiaries of the Company has exceeded 50% of the Company's audited net assets in the latest period;
- (iii) Any guarantee to be provided for a party whose ratio of liabilities to assets exceeds 70%;
- (iv) Guarantees provided by the Company where the total amount of guarantees within one year exceeds thirty percent (30%) of the Company's latest audited total assets;
- (v) Any guarantee provided by the Company after the total amount of its external guarantees exceeds thirty percent (30%) of its latest audited total assets;
- (vi) The guarantee to be provided to a Shareholder, or to an actual controller or related party thereof;
- (vii) Other guarantee circumstances as prescribed by the stock exchange of the place where the Company's shares are listed or the Articles of Association.

Without violating the relevant laws, regulations and normative documents, as well as the securities regulatory rules of the place where the Company's shares are listed, the Company may be exempt from complying with the provisions of Items (i) to (iii) of this Article if it provides guarantees to its wholly-owned subsidiaries, or provides guarantees to its controlling subsidiaries where other shareholders of the controlling subsidiary provide guarantees in the same proportion to their respective equity interests, and such guarantees do not prejudice the Company's interests.

General meetings consist of annual general meetings and extraordinary general meetings. The annual general meeting shall be held once every financial year within six months after the end of the previous financial year.

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The Company shall convene an extraordinary general meeting within 2 months from the date of the occurrence of any of the following circumstances:

- (i) The number of directors is less than the minimum quorum specified in the Company Law, or less than two-thirds of the number prescribed in the Articles of Association;
- (ii) The uncovered losses of our Company reach one-third of its total paid-in share capital;
- (iii) The Shareholders with 10% or more shares of the Company separately or jointly request;
- (iv) The Board considers it necessary;
- (v) The Audit Committee proposes that such a meeting shall be held;
- (vi) Other circumstances conferred by the laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association

Convening of Shareholders' Meetings

The Shareholders' meeting shall be convened by the board of directors in accordance with law. Subject to the provisions of the Articles of Association, the Audit Committee or shareholders may convene the Shareholders' meeting on their own initiative.

Independent Non-Executive Directors shall have the right to propose to the board of directors the convening of an extraordinary Shareholders' General Meeting. With respect to the proposal by the Independent Non-Executive Directors to convene an extraordinary Shareholders' General Meeting, the board of directors shall, in accordance with the provisions of laws, administrative regulations, the laws, regulations and listing rules of the place where the Company's shares are listed, and the Articles of Association, issue a written response stating its agreement or disagreement to convene such meeting within ten days of receiving the proposal.

If the board of directors agrees to convene a special Shareholders' meeting, it shall issue a notice of the Shareholders' meeting within five days after making the board resolution. Any modification to the original proposal in the notice shall require the unanimous consent of the Independent Non-Executive Directors who proposed the convening of the extraordinary Shareholders' General Meeting; if the board of directors disagrees to convene the extraordinary Shareholders' General Meeting, it shall state the reasons therefor or otherwise notify all directors and shareholders.

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Where the Audit Committee propose to the board of directors to convene a special Shareholders' meeting, it shall submit such proposal in writing to the board of directors. The board of directors shall, in accordance with the provisions of laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and this Articles of Association, provide a written response within 10 days of receipt, indicating whether it agrees or disagrees to convene a special Shareholders' meeting.

If the board of directors disagrees to convene a special Shareholders' meeting, or fails to provide feedback within ten days of receipt, it shall be deemed that the board of directors is unable or fails to perform its duty to convene the Shareholders' meeting. In such cases, the Audit Committee may convene and preside over the meeting on its own.

Shareholders who individually or collectively hold more than ten percent of the Company's shares (including preference shares with restored voting rights) and requests the board of directors to convene a special Shareholders' meeting shall submit such request in writing to the board of directors. The board of directors shall, in accordance with the provisions of laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Company's Articles of Association, provide a written response within ten days of receipt, indicating whether it agrees or disagrees to convene a special Shareholders' meeting.

If the board of directors agrees to convene a special Shareholders' meeting, it shall issue a notice of the Shareholders' meeting within five days after making the board resolution. Any changes to the original request in the notice shall be subject to the consent of the relevant Shareholders.

If the board of directors disagrees to convene a special Shareholders' meeting, or fails to provide feedback within ten days of receipt, Shareholders who individually or collectively hold more than ten percent of the Company's shares (including preference share with restored voting rights) and propose to the Audit Committee to convene a special Shareholders' meeting shall submit such request in writing to the Audit Committee.

If the Audit Committee agrees to convene a special Shareholders' meeting, it shall issue a notice of the Shareholders' meeting within five days after receiving the request. Any changes to the original request in the notice shall be subject to the consent of the relevant Shareholders.

If the Audit Committee fails to issue a notice of the Shareholders' meeting within the prescribed period, it shall be deemed that the Audit Committee does not convene and preside over the Shareholders' meeting. In such cases, Shareholders who individually or collectively hold more than ten percent of the Company's shares (including preference shares with restored voting rights) for a continuous period of 90 days or more may convene and preside over the meeting on their own.

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Proposals And Notices Of Shareholders' Meetings

The Company may convene a Shareholders' meeting, and the board of directors, the Audit Committee, as well as Shareholders who individually or collectively hold more than one percent of the Company's shares (including preference shares with restored voting rights), have the right to submit proposals to the Company.

Shareholders who individually or collectively hold more than one percent of the Company's shares (including preference shares with restored voting rights) may submit a temporary proposal in writing to the convener ten days prior to the Shareholders' meeting. The convener shall issue a supplementary notice of the Shareholders' meeting within two days after receiving the proposal, announcing the content of the temporary proposal, and submit such temporary proposal to the Shareholders' meeting for review. However, this does not apply if the temporary proposal violates the provisions of laws, administrative regulations, or the Company's Articles of Association, or if it is not within the scope of the Shareholders' meeting's authority. If, according to the securities regulatory rules of the place where the Company's shares are listed, the Shareholders' meeting must be postponed due to the issuance of a supplementary notice, the meeting shall be postponed in accordance with the provisions of the securities regulatory rules of the place where the Company's stock is listed. The Company shall not increase the shareholding required for the Shareholders to submit the temporary proposals.

Except for the circumstances specified in the preceding paragraph, after the convener has issued the notice of the Shareholders' meeting, it shall not modify the proposals already listed in the notice or add new proposals.

When the Company convenes a Shareholders' meeting, the Convener shall notify all shareholders in writing at least twenty-one days prior to the convening of the annual Shareholders' meeting or the time required by the rules of the place where the Company's shares are listed (whichever is earlier); and at least fifteen days prior to the convening of the extraordinary Shareholders' meeting or the time required by the rules of the place where the Company's shares are listed (whichever is earlier).

Convening Of Shareholders' Meetings

All Shareholders of ordinary shares (including preference Shareholders with restored voting rights) and Shareholders holding shares with special voting rights or their proxies registered on the record date for equity registration shall be entitled to attend the Shareholders' meeting. They shall have the right to speak and exercise voting rights in accordance with relevant laws, regulations, and the Articles of Association (unless individual Shareholders are required to abstain from voting on certain matters under the securities regulatory rules of the place where the Company's stock is listed). Shareholders may attend the Shareholders' meeting in person or appoint a proxy to attend, speak and vote on their behalf.

Where a shareholder is a legal person or other institution, its legal representative/managing partner or a proxy authorized by the legal representative/managing partner shall be entitled to attend the shareholders' meeting of the Company. The legal

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representative/managing partner attending the meeting shall present his/her own identity card and valid proof that can indicate his/her qualification as the legal representative/managing partner. If the legal representative/managing partner authorizes a proxy to attend the meeting, the proxy attending the meeting shall present his/her own identity card and the power of attorney issued by the legal representative/managing partner of the shareholder as a legal person or other institution in accordance with the law and exercise the voting right within the scope of authorization.

The proxy form issued by a Shareholder for a general meeting shall specify:

- (i) The name of the principal, class and number of shares of the Company held by the principal;
- (ii) The name of the proxy and the number of shares represented by such proxy;
- (iii) Whether the proxy is entitled to voting rights;
- (iv) Specific instructions of the shareholder, including instructions to cast an affirmative, negative or abstention vote on each matter under consideration included in the agenda of the Shareholders' General Meeting;
- (v) Whether temporary proposals that may be included in the agenda of the Shareholders' General Meeting are entitled to voting rights, and if so, specific instructions on the type of voting rights to be exercised;
- (vi) The date and validity of the proxy form;
- (vii) The signature (or seal) of the appointing Shareholder; if the appointing Shareholder is a legal person/other organization, the seal of the legal person/other organization shall be affixed.
- (viii) Other requirements stipulated by laws, administrative regulations, normative documents, the securities regulatory rules where the Company's shares are listed, or the Articles of Association.

The proxy form shall contain a statement that in the absence of instructions from the Shareholder, his/her proxy may vote at his/her discretion.

If the power of attorney authorizing voting rights is authorized by the principal to be signed by others, the power of attorney signed under authorization or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents, and the voting proxy form shall be kept at the Company's domicile or at other places as may be specified in the notice of convening the meeting.

A shareholders' meeting shall be presided by the chairman of the Board of Directors. If the chairman of the Board of Directors is unable or fails to perform his/her duties, a director jointly elected by a majority of the directors shall preside over the meeting.

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A shareholders' meeting convened by the Audit Committee of its own accord shall be presided over by the chairman of the Audit Committee. If the chairman of the Audit Committee is unable or fails to perform his/her duties, a member of the Audit Committee jointly elected by a majority of the member of the Audit Committee shall preside over the meeting.

The shareholders' meeting convened by shareholders of their own accord shall be presided over by the convener or a representative elected by the convener.

When a shareholders' meeting is held and the chairman violates the rules of procedure in a way that makes it difficult for the Shareholders' meeting to continue, a person may be elected at the shareholders' meeting to act as the chairman so as to carry on with the meeting, subject to the approval of a majority of the attending shareholders holding voting rights.

The shareholders' meeting has meeting minutes, which shall include the following contents:

- (i) Date, location, agenda, and name of the convener of the meeting;
- (ii) The name of the meeting chairman, the directors, the Chief Executive Officer and other senior management officers attending or attending the meeting as non-voting participants;
- (iii) Number of shareholders and proxies attending the meeting, the total number of shares with voting rights held by such shareholders, and the proportion over total shares of the Company;
- (iv) Consideration and approval process, key points of discussion, and voting results for each proposal;
- (v) Shareholders' inquiries or suggestions and corresponding responses or explanations;
- (vi) Names of tellers and scrutineers;
- (vii) Other matters that shall be included in the meeting minutes as prescribed by the laws, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Voting and Resolutions of General Meeting

Resolutions of Shareholders at the general meeting shall take the forms of ordinary resolutions and special resolutions.

Ordinary resolution of the Shareholders' General Meeting shall be adopted by attending Shareholders (including their proxies) holding at least one-half of the voting rights.

Special resolution of the Shareholders' General Meeting shall be adopted by attending Shareholders (including their proxies) holding at least two-thirds of the voting rights.

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The following matters shall be passed by an ordinary resolution at a general meeting of Shareholders:

- (i) Reports on the work of the Board of Directors;
- (ii) The profit distribution plan and the plan for making up losses proposed by the Board of Directors;
- (iii) The appointment and removal of directors who are not representatives of employees, as well as their remuneration and payment methods;
- (iv) The Company's annual report, balance sheet, income statement and other financial statements;
- (v) The appointment, removal or non-renewal of the engagement of the accounting firm engaged to conduct the Company's audit business, as well as the remuneration of such accounting firm;
- (vi) Other major matters beyond the investment and decision-making authority of the board of directors as prescribed by the Articles of Association;
- (vii) Any other matters not otherwise required by the laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the places where the Company's shares are listed or the Articles of Association to be passed by special resolution.

The following matters shall be passed by a special resolution at a general meeting:

- (i) The increase or decrease of the Company's registered capital, and the issuance of any class of shares, warrants and other similar securities;
- (ii) The making of resolutions on corporate bonds;
- (iii) The separation, division, merger, division, dissolution and liquidation of the Company;
- (iv) The purchase or sale of material asset(s) or the provision of guarantee(s) by the Company within one year with amount(s) exceeding 30% of the Company's latest audited total assets;
- (v) The consideration of guarantee matters where the total amount of the Company's guarantees within a consecutive twelve-month period exceeds thirty percent (30%) of the Company's latest audited total assets;
- (vi) Amendments to the Articles of Association of the Company;

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- (vii) equity incentive plans;
- (viii) Any other matters prescribed by the laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules where the Company's shares are listed or the Articles of Association, and those matters approved by ordinary resolution at a shareholders' meeting as having a material impact on the Company and are required to be approved by a special resolution.

No voting rights shall be attached to the shares held by the Company, and such shares shall not be counted among the total number of voting shares held by the Shareholders present at a general meeting.

DIRECTORS

Directors of the Company shall be natural persons. A natural person who falls into any of the following circumstances shall not serve as director of the Company:

- (i) a person who suffers from any incapacity or restricted capacity from undertaking civil liabilities;
- (ii) a person who has been convicted of and sentenced for offences relating to corruption, bribery, trespass to assets, misappropriation of assets or causing socialist market economy disorder and a period of 5 years has not elapsed since the completion of the term of the sentence or deprivation or who has been deprived of his political rights and imposed a suspended sentence as a result of he/she having committed an offence and a period of 2 years has not elapsed since the completion of the term of the suspended sentence;
- (iii) a person who is a director or factory manager or manager of a company or enterprise which has become insolvent and liquidated and who incurs personal liability for the insolvency of that company or enterprise, and a period of 3 years has not elapsed since the date of completion of insolvent liquidation of that company or enterprise;
- (iv) a person who is a legal representative of a company or enterprise, the business license of which is revoked and ordered to close down on the grounds of contravention of law, and who incur personal liability therefor, and a period of 3 years has not elapsed since the date of revocation of the business license of that company or enterprise or that company or enterprise being ordered to close down;
- (v) a person who has been as a dishonest party by the People's Court due to with comparatively large debts that have fallen due but have not been settled;

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- (vi) a person who is currently being prohibited from participating in securities market by the CSRC and who has been publicly determined by a stock exchange to be not suitable to act as a director of the Company, where the term has not yet expired;
- (vii) other matters stipulated by laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules or securities regulatory rules of the place where the shares of the Company are listed.

Any election or appointment of a director in violation of the provisions above shall be invalid. If a Director becomes subject to any of the circumstances listed in the provisions above during their term of office, the Company shall terminate their position.

Directors who are not representatives of employees shall be elected or replaced by the Shareholders' General Meeting for a term of three (3) years. Upon the expiry of a director's term of office, such director may be re-elected for consecutive terms, save as otherwise provided by the relevant laws and regulations, the laws, regulations and listing rules of the place where the Company's shares are listed, and the Articles of Association. Pursuant to the Hong Kong Listing Rules, every director (including directors with a specified term of office) shall retire by rotation at least once every three (3) years.

A Director who fails to attend two consecutive meetings of the Board in person or to delegate other Directors to attend the meetings on his/her behalf shall be deemed to be incapable of performing his/her duties, and the Board shall propose to the general meeting to remove such Director.

Where a director, in performing his duties for the Company, causes damage to any other person, the Company shall be liable for compensation; where the director is guilty of intentional misconduct or gross negligence, he shall also be liable for compensation. Where a director, in performing his duties for the Company, violates any provisions of laws, administrative regulations, departmental rules, the laws, regulations and listing rules of the place where the Company's shares are listed or the Articles of Association, thereby causing losses to the Company, he shall be liable for compensation.

The board of directors of the Company shall include Independent Non-Executive Directors. The number of Independent Non-Executive Directors shall be no less than three and shall account for no less than one-third of the total number of directors. Among them, there shall be at least one Independent Non-Executive Director with appropriate professional qualifications or relevant expertise in accounting or financial management, and at least one Independent Non-Executive Director who is ordinarily resident in Hong Kong.

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BOARD OF DIRECTORS

The Board of Directors shall exercise the following functions and powers:

- (i) To convene general meetings and to report on its work at the general meetings;
- (ii) To implement resolutions of the general meetings;
- (iii) To decide on the business plans and investment proposals of the Company;
- (iv) To prepare proposals for profit distribution and for making up accrued losses of the Company;
- (v) To prepare proposals for the increase or reduction of share capital and the issue of bonds of the Company or other securities and listing plans;
- (vi) To formulate proposals for the merger, demerger, dissolution or change in the form of the Company;
- (vii) To formulate proposals for major acquisitions and purchase of the Company's shares;
- (viii) To appoint or dismiss the president, secretary to the Board of Directors and other senior management members of the Company and at the recommendation of the president, to appoint or dismiss the standing vice president, executive vice president, chief financial officer and other senior management members of the Company, and to determine matters relating to their remuneration, rewards and punishments;
- (ix) To decide on the establishment of internal management organization of the Company;
- (x) Formulate the composition of the special committees of the board of directors in accordance with the listing rules of the place where the Company's shares are listed;
- (xi) To formulate the basic management system of the Company;
- (xii) To prepare proposals for the amendment of the Company's Articles of Association;

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- (xiii) File an application for bankruptcy on behalf of the Company;
- (xiv) Consider and approve the listing and trading of the unlisted shares held by the Company’s shareholders on overseas stock exchanges;
- (xv) Consider and approve the transactions that shall be subject to the deliberation and approval of the board of directors in accordance with the provisions of laws, regulations, the laws, regulations and listing rules of the place where the Company’s shares are listed, and the Articles of Association (including but not limited to discloseable transactions and connected transactions);
- (xvi) Within the scope authorized by the Shareholders’ General Meeting, formulate and examine and approve the Company’s matters in respect of external investments, acquisition and disposal of assets, asset mortgage, external guarantees, entrusted financial management, connected transactions and other relevant matters;
- (xvii) To manage disclosure of information concerning the Company;
- (xviii) To propose to general meeting for the engagement or change of the accounting firm that provides audit for the Company;
- (xix) To receive reports and examine the work of the president of the Company;
- (xx) Be responsible for formulating the Company’s purpose, values and strategies and ensuring their consistency with the Company’s culture;
- (xxi) Formulate and review the Company’s corporate governance policies and practices and put forward recommendations to the board of directors;
- (xxii) Review and monitor the training and continuous professional development of directors and senior management personnel;
- (xxiii) Review and monitor the Company’s policies and practices in compliance with laws and regulatory requirements;
- (xxiv) Formulate, review and monitor the codes of conduct and compliance manuals for employees and directors;
- (xxv) Review the Company’s compliance with the Corporate Governance Code under the Hong Kong Listing Rules and the disclosure in the corporate governance report;
- (xxvi) Such other functions and power as authorized by the laws, administrative regulations and departmental rules, normative documents, the Hong Kong Listing Rules, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

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The Board of Directors shall have a chairman. The chairman of the Board of Directors shall be elected by a majority of all directors of the Board of Directors.

The chairman of the Board of Directors shall exercise the following functions and powers:

- (i) To preside over the shareholders' meeting and to convene and preside over the meetings of the Board of Directors;
- (ii) To supervise and inspect the implementation of resolutions of the Board of Directors;
- (iii) To sign the Company's shares, corporate bonds and other negotiable securities;
- (iv) To sign material documents of the Board of Directors;
- (v) To exercise any other functions and powers conferred by the Board of Directors;
- (vi) Exercise other powers as designated by the laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association.

The board meetings include regular meetings and extraordinary meetings. No less than four regular board meetings shall be held each year. Such regular meetings shall be convened by the chairman of the board, with the notice thereof being given in writing to all directors fourteen days prior to the meeting date.

A meeting of the Board of Directors shall be held with the attendance of a majority of the Directors. Subject to the relevant PRC laws, administrative regulations, regulations of the authority, securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association, resolutions made by the Board of Directors shall be passed by a majority of all Directors.

When voting on the resolutions of the Board of Directors, each director shall have one vote.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT MEMBERS

The Company has one Chief Executive Officer, who shall be appointed or dismissed by the board of directors. The CEO, Vice CEO, CFO, Secretary of the Board and Financial Controller of the Company shall be the senior management personnel of the Company.

The CEO is accountable to the Board of Directors and exercises the following functions and powers:

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- (i) To be in charge of the production, operation and management of the Company, to organize and implement the resolutions of the Board of Directors, and to report to the Board of Directors;
- (ii) To organize the implementation of the Company's annual business plans and investment plans; implement the Company's financial budget plan;
- (iii) To formulate proposals for the establishment of the Company's internal management structure and basic management systems;
- (iv) To formulate the rules and regulations of the Company;
- (v) To propose to the Board of Directors the appointment and dismissal of the Vice CEO, CFO, Secretary of the Board and Financial Controller;
- (vi) To decide on the appointment and dismissal of the management officers other than those required to be employed or dismissed by the Board of Directors;
- (vii) To propose the convening of extraordinary meetings of the board of directors;
- (viii) To exercise the powers specified in the Detailed Rules for the Performance of Duties of the CEO;
- (ix) To exercise other functions and powers conferred by the Articles of Association and the Board of Directors

The CEO may attend meetings of the Board of Directors as a non-voting participant.

The Company shall appoint a secretary to the Board. The Secretary of the Board shall be a member of the senior management personnel of the Company and shall be accountable to the board of directors.

The principal duties of the Secretary of the Board shall be as follows:

- (i) Ensure that the Company maintains complete organizational documents and records;
- (ii) Ensure that the Company prepares and submits all reports and documents required by the competent authorities in accordance with applicable laws;
- (iii) Ensure that the Company's register of members is properly maintained, and that all persons entitled to access the Company's relevant records and documents are provided with such records and documents in a timely manner;
- (iv) Provide secretarial services to the directors of the Company to ensure that the procedures of the board of directors and all applicable laws, rules and regulations are complied with;

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- (v) Perform other duties as prescribed by the laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDITING

Financial and Accounting Systems

The Company shall establish its financial and accounting system in accordance with the law, administrative regulations and the provisions stipulated by the relevant authorities of the PRC. If the financial and accounting system is otherwise provided in the Hong Kong Listing Rules or relevant regulatory rules of the places where the Company’s shares are listed, such regulatory rules shall prevail.

The accounting year of the Company shall be consistent with the Gregorian calendar year, i.e. from 1 January to 31 December on the Gregorian calendar.

The Company shall prepare its financial report at the end of each fiscal year, which shall be audited by an accounting firm in accordance with applicable laws. The financial report shall be prepared in compliance with the provisions of applicable laws, administrative regulations, rules issued by the relevant national authorities, as well as the laws, regulations, departmental rules, normative documents and the securities regulatory rules of the place where the Company’s shares are listed.

The Company’s financial statements shall be prepared not only in accordance with the Accounting Standards for Business Enterprises in China and the relevant applicable laws and regulations, but also in accordance with the International Financial Reporting Standards or the accounting standards of the place where the Company’s shares are listed overseas. If there are material discrepancies between the financial statements prepared under the two sets of accounting standards, such discrepancies shall be specified in the notes to the financial statements. When the Company distributes the after-tax profits of the relevant fiscal year, it shall be based on the lower amount of the after-tax profits shown in the aforementioned two sets of financial statements.

The Company shall not maintain books of accounts other than those provided for by law. No assets of the Company shall be deposited into any account opened in the name of any individual.

Profit Distribution

The profit distribution plan of the Company for each fiscal year shall be considered and approved at the meeting of the Shareholders’ General Meeting. The after-tax profits of the Company shall be distributed in the following proportions and order:

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- (i) To making up for losses;
- (ii) To appropriating statutory reserve fund (to be appropriated at the rate of ten percent (10%) of the current year's after-tax profits);
- (iii) To appropriating discretionary reserve funds upon the adoption of a resolution by the Shareholders' General Meeting;
- (iv) To paying dividends to shareholders.

When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required. After appropriating the statutory reserve fund, the decision on whether to appropriate discretionary reserve fund and the applicable appropriation ratio shall be made by the Shareholders' General Meeting.

If the Company's statutory reserve fund is not sufficient to cover its losses in the previous years, the profits of the current year shall be used to make up such losses before appropriating the statutory reserve fund.

The remaining after-tax profit after the Company has covered losses and extracted surplus reserves shall be distributed in proportion to the shares held by the Shareholders, unless otherwise specified under the Articles of Association.

If the Shareholders' meeting distributes profits to shareholders in violation of the provisions of the Company Law, shareholders shall return to the Company the profit distributed in violation of the provision; if losses are caused to the Company, the shareholders, the responsible Directors and senior management shall be liable for compensation.

The Company's shares held by the Company are not entitled to any profit distribution.

The reserve funds of the Company may be applied for making up for losses of the Company, expansion of the Company's production and operation or increase the capital of the Company. When applying the reserve funds to make up for the Company's losses, the discretionary reserve fund and the statutory reserve fund shall be used first; if such funds are still insufficient to make up for losses, the capital reserve fund may be applied in accordance with relevant provisions.

Where the statutory reserve fund is converted into capital, the balance of the reserve fund shall not fall below 25% of the Company's registered capital prior to such conversion.

The Shareholders' meeting adopting a resolution on the profit distribution plan, the Company's board of directors shall complete the distribution of dividends (or shares) within two (2) months from the date of the Shareholders' meeting.

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Internal Auditing

The Company shall adopt an internal audit system, clarifying the leadership system, responsibilities, authority, staffing, financial security, use of audit results and accountability for internal audit work. The internal audit system of the Company shall be implemented upon approval by the Board of Directors and disclosed to the public.

The internal audit institution of the company shall supervise and inspect the business activities, risk management, internal control and financial information of the company.

The internal audit institution of the Company shall be responsible to the Board of Directors.

Appointment of Accountant Firm

The Company shall appoint an accounting firm that complies with the provisions of the Securities Law, the Hong Kong Listing Rules and other securities regulatory rules of the places where the Company’s shares are listed to conduct audits of accounting statements, verification of net assets, and other related consulting services.

The term of engagement of an accounting firm by the Company shall be one year, commencing from the conclusion of each annual general meeting of the Company until the conclusion of the next annual general meeting, and may be renewed.

The Company shall ensure the provision of true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information to the appointed accounting firm without any refusal, concealment or misrepresentation.

The audit fees of the accounting firm shall be determined by the shareholders’ meeting.

When the Company removes or does not renew the appointment of the accounting firm, it shall notify the accounting firm 10 days in advance, and the accounting firm shall be allowed to state its opinions when the Company’s shareholders’ meeting votes on the removal of the accounting firm. If the accounting firm resigns, it shall make clear to the shareholders’ meeting whether there is any impropriety on the part of the Company.

NOTICE

Notices of the Company may be delivered through the following means:

- (i) By hand;
- (ii) By mail;

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- (iii) By facsimile or email;
- (iv) By means of publishing announcements on the websites or newspapers designated by the Company and the stock exchange, in accordance with the requirements of the laws, regulations and the laws, regulations and listing rules of the place where the Company's shares are listed;
- (v) By other forms as may be agreed in advance by the Company or the person receiving the notice, or as may be approved by the person receiving the notice after receipt of the notice;
- (vi) By other forms as may be recognized by the laws, regulations, relevant regulatory authorities of the place where the Company's shares are listed or as may be provided for in the Articles of Association;
- (vii) In respect of the manner in which the Company provides or sends corporate communications to H Shareholders in accordance with the requirements of the Hong Kong Listing Rules, the Company may provide or send corporate communications to H Shareholders via the Company's designated website and/or the website of the Stock Exchange of Hong Kong or by electronic means, provided that such manner complies with the laws, regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Notices given by the Company by way of announcements shall be deemed to be received by all parties concerned once published. Where otherwise provided by the regulatory authorities of the place where the Company's shares are listed, such provisions shall prevail.

For a notice of the Company delivered by hand, the notice shall be deemed to have been received upon signing (or affixing the seal) by the recipient on the note of receipt and the receipt date shall be the date of delivery. If the notice is delivered by post, it shall be deemed to have been received on the second working day from the date upon which the post office receives the notice. If the notice is delivered by email, it shall be deemed to have been received on the date the e-mail arrives at the information system of the person to be served. If the notice is delivered by way of announcement, it shall be deemed to have been received by all relevant persons on the date on which the announcement is published.

The accidental omission to give a meeting notice to, or the failure of receipt of the meeting notice by, a person entitled to receive notice shall not invalidate any meeting and any resolution passed thereat.

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MERGER, DIVISION, INCREASE AND DECREASE OF CAPITAL, DISSOLUTION AND LIQUIDATION

Merger, Demerger, Capital Increase and Reduction

The merger of the company may take the form of either merger by absorption or merger by new establishment.

Merger by absorption refers to the merger realized by a company through the absorption of other companies, in which case the absorbed companies are dissolved. Merger by the establishment of a new entity refers to the merger of two or more companies to create a new company, in which case the merging parties are dissolved.

In the event of a division of the Company, its properties shall be divided up accordingly.

In the event of a division, the Company shall prepare balance sheets and inventories of properties. The Company shall notify its creditors within 10 days from the date on which a resolution is adopted in favor of the division and shall publish an announcement in a newspaper or in the National Enterprise Credit Information Publicity System within 30 days from the date of such resolution.

Unless otherwise agreed in writing between the Company and its creditors in relation to the repayment of debts before the division, the surviving companies after the division shall be jointly and severally liable for the debts of the Company which have been incurred before such division.

The Company shall prepare balance sheets and inventories of properties when it reduces its registered capital.

The Company shall notify its creditors within 10 days from the date on which a resolution to reduce the registered capital is adopted and shall publish an announcement in a newspaper or in the National Enterprise Credit Information Publicity System within 30 days from the date of such resolution. A creditor has the right to require the Company to repay its debts or to provide a corresponding guarantee for such debts within 30 days from the date it receives the relevant notice or, in the case of a creditor who did not receive such notice, within 45 days from the date of the relevant announcement.

Dissolution and Liquidation

The Company shall be dissolved in any of the following circumstances:

- (i) The business period specified in the Articles of Association is expired or other causes of dissolution specified therein take place;
- (ii) The shareholders' meeting resolves to dissolve the Company;

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- (iii) Dissolution is necessary due to a merger or demerger of the Company;
- (iv) The business license is revoked, or the company is ordered to close or be shut down according to law;
- (v) Where the Company has experienced material difficulties in operation and management, and the continuous operation would lead to substantial losses to the interests of its shareholders and there are no other solutions to resolve the matters, shareholders holding 10% or more of the total voting rights of the Company may appeal to the People's Court for dissolution of the Company.

When causes for the dissolution as stipulated in the preceding paragraph occur, it shall disclose the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

Where the Company is in the situation described in items (i) and (ii) above and has not distributed any property to shareholders, it may continue to exist by amending the Articles of Association or a resolution passed by the general meeting.

The amendments to the Articles of Association in accordance with the provisions in the preceding article shall require the approval of at least two-thirds of the voting rights held by Shareholders attending the general meeting.

If the Company is dissolved under items (i), (ii), (iv) or (v) above, a liquidation committee shall be set up, which shall start liquidation within 15 days from the date of occurrence of the cause for dissolution. The members of such liquidation committee shall be determined by the Directors or the Shareholders' meeting.

The liquidation committee shall notify all creditors within 10 days after its establishment and shall publish within 60 days in newspapers or the National Enterprise Credit Information Publicity System. The creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the notice or within 45 days from the date of the announcement if they have not received the notice.

A creditor declaring a claim shall state the matters to which the claim relates and provide supporting documents. The liquidation committee shall register the claim.

During the period of declaration of claims, the liquidation group shall not make any settlement to the creditors.

The liquidation committee shall formulate a liquidation plan after dealing with the Company's assets and compiling a balance sheet and a list of assets, and report it to a general meeting or the people's court for confirmation.

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The remaining assets of the Company after paying the liquidation expenses, employees' wages, social insurance costs and statutory compensation, paying the outstanding taxes and settling the Company's debts respectively, shall be distributed to the shareholders of the Company in proportion to their shareholding.

During the liquidation period, the Company shall exist, but cannot engage in operating activities that are not related to the liquidation. The assets of the Company shall not be distributed to the shareholders until it has been liquidated in accordance with the preceding paragraph.

If the liquidation committee, after examining the assets of the Company and preparing the balance sheet and a list of assets, finds that the assets of the Company is insufficient to satisfy its debts, it shall, in accordance with the law, apply to the People's Court to declare the Company's bankruptcy.

Following a ruling by the people's court that the Company is declared bankrupt, the liquidation committee shall hand over all matters relating to the liquidation to the bankruptcy administrator appointed by the people's court.

Following the completion of the liquidation of the Company, the liquidation committee shall make a liquidation report, report to the general meeting of or the People's Court for confirmation, and submit it to the company registration authority, apply for cancellation of the company registration.

Liquidation of a company declared bankrupt in accordance with the laws shall be processed in accordance with the laws of corporate bankruptcy.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company shall amend its articles of association in one of the following circumstances:

- (i) Subsequent to the amendment of the Company Law or relevant laws, regulations, regulations of departments, securities regulatory rules, securities regulatory bodies in the places where the shares of the company and other securities regulatory rules, the matters stipulated in the Articles of Association are in conflict with the provisions of the amended laws, regulations, regulations of departments, securities regulatory rules, securities regulatory bodies in the places where the shares of the company are listed (In respect of the contents of the aforementioned conflicting provisions, prior to the completion of the amendment of the Articles of Association in accordance with the law, such contents shall be subject to the provisions of the relevant laws, administrative regulations, departmental rules, normative documents, and the laws, regulations and listing rules of the place where the Company's shares are listed.);

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

(ii) The Company has experienced changes, resulting in matters inconsistent with those recorded in the Articles of Association;

(iii) The shareholders' meeting decides to amend the Articles of Association.

Matters of amendment to the Articles of Association adopted by a resolution of the Shareholders' meeting is subject to the examination and approval of the competent authority, such amendment shall be submitted to the competent authority for approval; where any amendment to the Articles of Association adopted by a resolution of the Shareholders' meeting involves the Company's registration particulars, the Company shall complete the formalities for alteration of registration in accordance with the law.

The Board of Directors shall amend the Articles of Association in accordance with the resolution of the general meeting to amend the Articles of Association.

Matters of amendment of the Articles of Association are information required to be disclosed by laws and regulations and shall be announced in accordance with the regulations.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was established as a limited liability company in the PRC on June 23, 2010 and was converted into a joint stock limited company on November 27, 2024 under the laws of the PRC.

As of the date of this document, our registered office and our head office in the PRC is located at No.38 Desheng Road, Heshan Town, Tongxiang City, Jiaxing City, Zhejiang Province, 314512, PRC. As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. The summary of the relevant aspects of law and regulations of the PRC and the Articles of Association are set out in “Regulatory Overview” and “Appendix V — Summary of Articles of Association”, respectively.

Our Company has established a principal place of business in Hong Kong at 46/F, Hopewell Centre, No. 183 Queen’s Road East, Wan Chai, Hong Kong. We were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 4, 2026. Ms. Chan has been appointed as our authorized representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong with effect from January 22, 2026. The address for the service of process is the same as our principal place of business in Hong Kong.

2. Changes in the Share Capital of Our Company

Save as disclosed in “History, Development and Corporate Structure,” there has been no alteration in our share capital within two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountant’s Report in Appendix I to this document.

On February 27, 2024, the registered capital of VYTEC Thailand increased from THB260,000,000 to THB350,000,000.

On July 16, 2024, the registered capital of VYTEC Thailand increased from THB350,000,000 to THB380,000,000.

On December 20, 2024, the registered capital of VYTEC Thailand increased from THB380,000,000 to THB700,000,000.

Save as disclosed above, there has been no other alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

4. Shareholders’ Resolutions

At the general meeting of our Company held on May 15, 2026, the following resolutions, among others, were passed by the Shareholders:

- (a) the issuance by our Company of H Shares with a nominal value of RMB1.0 each and the [REDACTED] of such H Shares on the Stock Exchange;
- (b) the number of H Shares to be issued pursuant to the [REDACTED] shall be no more than [REDACTED] H Shares, and the [REDACTED] may be granted in respect of no more than 15% of the number of H Shares issued pursuant to the [REDACTED];
- (c) as approved by the CSRC, upon completion of the [REDACTED], [REDACTED] Unlisted Shares in aggregate held by our Shareholders will be converted into H Shares on a one-for-one basis;
- (d) subject to the completion of the [REDACTED], the conditional adoption of the Articles of Association, which shall become effective on the [REDACTED], and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and other relevant regulatory authorities; and
- (e) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the [REDACTED], the issue and [REDACTED] of the H Shares.

5. Restrictions on Repurchase

See “Appendix V — Summary of Articles of Association” for details.

6. Corporate Reorganization

Our Company has not gone through any corporate reorganization. See “History, Development and Corporate Structure” for further details of the history and development of our Company.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contract

The following contract (not being contract entered into in the ordinary course of business) has been entered into by members of our Group within the two years preceding the date of this document and is or may be material:

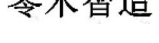
- (i) the [REDACTED].

APPENDIX VI STATUTORY AND GENERAL INFORMATION

2. Intellectual Property Rights

I Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Name of registered proprietor	Class	Registration No.	Expiry Date
1. . .		PRC	Our Company	19	76689250	August 27, 2034
2. . .		PRC	Our Company	19	76689240	August 27, 2034
3. . .		PRC	Our Company	19	73452880	February 6, 2034
4. . .		PRC	Our Company	19	60917521	May 20, 2033
5. . .		PRC	Our Company	19	57742938	November 13, 2034
6. . .		PRC	Our Company	19	57722632	January 27, 2032
7. . .		PRC	Our Company	19	25328759	January 13, 2029
8. . .		PRC	Our Company	19	15000424	October 27, 2035
9. . .		PRC	Our Company	19	5240901	September 20, 2029

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Trademark	Place of registration	Name of registered proprietor	Class	Registration No.	Expiry Date
10 . .	vortis ^x	PRC	Our Company	19	51469864	August 13, 2031
11 . .		UK	Our Company	19	UK00915128606	February 19, 2036
12 . .		EU	Our Company	19	015128606	February 19, 2036
13 . .	vortis ^x	United States	Our Company	19	7624549	August 13, 2031
14 . .		Germany	Our Company	19	302018103612	March 31, 2028
15 . .		United States	Our Company	19	5090072	November 29, 2026
16 . .	VYTECFLOOR	Thailand	Our Company	19	251115697	June 18, 2034
17 . .	零木智造	Hong Kong	Our Company	19	307029685	September 14, 2035
18 . .		Hong Kong	Our Company	19	307029667	September 14, 2035
19 . .		Hong Kong	Our Company	19	307029694	September 14, 2035
20 . .	KINGDOM 晶通	Hong Kong	Our Company	19	307029676	September 14, 2035

II Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Description	Type of patent	Place of registration	Patent No.	Holder	Expiry Date
1. .	A Plastic Flooring and Its Manufacturing Method (一種塑膠地板及其製造方法)	Invention patent	PRC	CN201010126248.4	Our Company	March 16, 2030
2. .	Glueless Anti-slip Flooring (免膠鋪裝止滑地板)	Invention patent	PRC	CN201410303539.4	Our Company	June 29, 2034

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Description	Type of patent	Place of registration	Patent No.	Holder	Expiry Date
3.	Production Method for Beveled Edge Click-Lock Flooring (倒角鎖扣地板生產方法)	Invention patent	PRC	CN201510370379.X	Our Company	June 29, 2035
4.	Eco-friendly Plastic Flooring (環保型塑膠地板)	Invention patent	PRC	CN201610621702.0	Our Company	July 28, 2036
5.	A Processing Technology for Plastic Flooring Utilizing Digital Printing (一種利用數碼打印的塑膠地板加工工藝)	Invention patent	PRC	CN201810078105.7	Our Company	January 25, 2038
6.	A Halogen-free, Modified, Highly-filled, Recyclable Plastic Board and Its Forming Method (一種無鹵改性高填充可回收塑膠板材及其成型方法)	Invention patent	PRC	CN202111274751.9	Our Company	October 28, 2041
7.	A Printed Flooring Exhibiting a 3D Visual Effect (一種可凸顯立體視覺效果的印刷地板)	Utility model	PRC	CN201921700131.5	Our Company	October 11, 2029
8.	A Printed Flooring with an Embossed-in-Register (EIR) Effect (一種具有立體對花效果的印刷地板)	Utility model	PRC	CN201921700132.X	Our Company	October 11, 2029
9.	A Flooring Connector and a Flooring Connection Structure (一種地板連接件以及地板連接結構)	Invention patent	PRC	CN202223609190.6	Our Company	December 28, 2032
10.	Herringbone Locking Plank Unit and Assembled Flooring Panel (人字拼鎖扣板材單元及拼接板材)	Invention patent	PRC	CN202323519270.7	Our Company	December 21, 2023

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Description	Type of patent	Place of registration	Patent No.	Holder	Expiry Date
11.	A Weight-Reducing Structure for a Plastic Plank (一種塑膠板材的減重結構)	Invention patent	PRC	CN201921341795.7	Our Company	August 18, 2029
12.	A Processing Method for Simulated Grout Lines, a Simulated Plank, and a Set of Simulated Planks (仿真美縫的加工方法、仿真板材及仿真板材組)	Invention patent	PRC	CN202110476237.7	Our Company	April 28, 2041
13 .	Plastic Floorboard Processing Technology Using Digital Printing (採用數碼印刷的塑膠地板加工技術)	Invention patent	USA	US 11,542,388 B2	Our Company	January 26, 2038
14 .	Digital printing Floorboard Processing Technology (數碼印花地板加工工藝)	Invention patent	USA	US 12,077,008 B2	Our Company	November 29, 2039
15 .	Stone-Plastic Hot Pressing Flooring And Manufacturing Method Thereof (石塑熱壓地板及其製造方法)	Invention patent	USA	US 10,968,640 B2	Our Company	September 30, 2037
16 .	Composite Floor And Manufacturing Method Thereof (新複合地板及其製備方法)	Invention patent	USA	US 10,335,990 B2	Our Company	September 15, 2037
17 .	Composite Floor And Manufacturing Method Thereof (舊複合地板及其製備方法)	Invention patent	USA	US 10,052,854 B2	Our Company	August 16, 2037

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Description	Type of patent	Place of registration	Patent No.	Holder	Expiry Date
18	Halogen-free, Modified High-filling Recyclable Plastic Board and Method of Forming the Same (無鹵改性高填充可回收塑料板材及其成型方法)	Invention patent	USA	US 12,479,144 B2	Our Company	February 2, 2043
19	Composite Floor and Manufacturing Method Thereof (舊複合地板及其製備方法)	Invention patent	France	1757685	Our Company	August 16, 2037
20	Stone-Plastic Hot Pressing Flooring and Manufacturing Method Thereof (石塑熱壓地板及其製造方法)	Invention patent	France	1859063	Our Company	October 1, 2038
21	Halogen-Free Modified High-Filling Recyclable Plastic Plate and Forming Method Therefor (無鹵改性高填充可回收塑料板材及其形成方法)	N/A	EU	EP4197984	Our Company	November 12, 2041
22	Processing Technology For Digitally Printing Floorboards (數碼印刷地板加工技術)	N/A	EU	EP3827976	Our Company	November 29, 2039
23	Method For Forming Three-Dimensional Texture On Plastic Floor (一種塑膠地板立體紋路的成型辦法)	N/A	EU	EP3725945	Our Company	November 20, 2039
24	Composite Floor and Preparation Method Therefor (新複合地板及其製備方法)	N/A	EU	EP3643491	Our Company	August 15, 2037

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Description	Type of patent	Place of registration	Patent No.	Holder	Expiry Date
25	Plastic Flooring Processing Process Utilizing Digital Printing (利用數碼打印的塑膠地板加工工藝)	Invention patent	EU	EP3744786	Our Company	January 26, 2038
26	Verbundfußboden und Herstellungsverfahren dafür (舊複合地板及其製備方法)	N/A	Germany	102017118688	Our Company	August 16, 2037
27	Verbundfussboden und herstellungsverfahren dafür (新複合地板及其製備方法)	N/A	Germany	102017118685	Our Company	August 16, 2037
28	Method For Forming Three-Dimensional Texture On Plastic Floor (一種在塑料地板上形成三維紋理的方法)	Invention patent	Canada	CA3083973	Our Company	November 20, 2039
29	Plastic flooring Processing Process Utilizing Digital Printing (利用數字印刷的塑料地板加工工藝)	Invention patent	Canada	CA3083961	Our Company	January 26, 2038
30	Digital-Printing Floor Board Processing Technology (數碼印刷地板加工技術)	Invention patent	Canada	CA3081958	Our Company	November 29, 2039
31	Stone-Plastic Hot Pressing Flooring And Manufacturing Method Thereof (石塑熱壓地板及其製造方法)	Invention patent	Canada	CA3026688	Our Company	September 30, 2037
32	Composite Floor And Manufacturing Method Thereof (新複合地板及其製備方法)	Invention patent	Canada	CA2979240	Our Company	August 15, 2037

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Description	Type of patent	Place of registration	Patent No.	Holder	Expiry Date
33	Composite Floor And Manufacturing Method Thereof (舊複合地板及其製備方法)	Invention patent	Canada	CA2976555	Our Company	March 17, 2037
34	Halogen-free, Modified High-filling Recyclable Plastic Board and Method of Forming the Same (無鹵改性高填充可回收塑料板材及其成型方法)	Invention patent	Canada	CA 3186669	Our Company	November 12, 2041
35	A Processing Method for Simulated Grout Lines, a Simulated Plank, and a Set of Simulated Planks (仿真美縫的加工方法、仿真板材及仿真板材組)	Invention patent	Vietnam	54673	Our Company	May 28, 2041

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be material in relation to our business:

No.	Patent Name	Type of Patent	Applicant	Jurisdiction of Registration	Application Number	Date of Application
1.	A Manufacturing Process for Micro-Foamed SPC Panels (一種微發泡SPC板材的生產工藝)	Invention	Our Company	PRC	202211212312.X	September 30, 2022
2.	A Plastic Flooring Substrate Made from Recycled PET (一種由回收PET製成的塑膠地板基材)	Invention	Our Company	PRC	202411990528.8	December 31, 2024

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent Name	Type of Patent	Applicant	Jurisdiction of Registration	Application Number	Date of Application
3. . .	A Multi-Layer Composite RPET Flooring and Its Manufacturing Process (一種多層複合RPET地板及加工工藝)	Invention	Our Company	PRC	202510708764.4	May 29, 2025

III Domain Names

As of the Latest Practicable Date, we owned the following domain names, which we consider to be or may be material to our business:

No.	Domain name	Name of registered proprietor	Date of registration	Expiry Date
1. . .	kingdomgroup.com.cn	Zhejiang Kingdom New Material Group Co., Ltd.	June 1, 2021	June 1, 2035

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights that were material in relation to our business.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Directors

Disclosure of Interests

Saved as disclosed below, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), so far as our Directors are aware, none of our Directors or chief executive has any interests or short positions in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be:— (1) notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which are taken or deemed to be held under the SFO); (2) recorded in the register referred to in Section 352 of the SFO; or (3) notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(A) Interest in the Shares

Name	Position	Nature of Interest ⁽¹⁾	As of the Latest Practicable Date		Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) and the Conversion of Unlisted Shares into H Shares			
			Number of Unlisted Shares	Approximate percentage of interest in our Company	Number of Shares	Description of Shares ⁽²⁾	Approximate percentage of shareholding in the Unlisted Shares/ H Shares (as applicable) ⁽³⁾	Approximate percentage of shareholding in the total issued share capital of our Company ⁽³⁾
Mr. Dai . . .	Beneficial owner		30,000,000	30.28%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
					[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
	Interest in controlled corporation ⁽⁴⁾		41,520,000	41.91%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
					[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
Ms. Zhang . . .	Interest held jointly with another person ⁽⁶⁾		20,000,000	20.19%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
					[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
	Beneficial owner		20,000,000	20.19%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
					[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
	Interest in controlled corporation ⁽⁵⁾		40,000,000	40.38%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
					[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
	Interest held jointly with another person ⁽⁷⁾		31,520,000	31.82%	[REDACTED]	H Shares	[REDACTED]	[REDACTED]
					[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Notes:

- (1) All interests stated are long positions.
- (2) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.
- (3) The calculation is based on the total number of [REDACTED] Unlisted Shares and [REDACTED] H Shares in issue immediately upon completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares.
- (4) This includes (i) [REDACTED] H Shares held by Zhejiang Jinghongda, (ii) [REDACTED] Shares (including [REDACTED] Unlisted Shares and [REDACTED] H Shares) held by Hangzhou Kingdom Imp & Exp, and (iii) [REDACTED] H Shares held by Hangzhou Jinghe. As of the Latest Practicable Date, Zhejiang Jinghongda was wholly-owned by Hangzhou Kingdom Imp & Exp which was in turn held as to 51% and 49% by Mr. Dai and Ms. Zhang. As of the Latest Practicable Date, Mr. Dai acted as the general partner of Hangzhou Jinghe. Mr. Dai is deemed to be interested in all the Shares held by Zhejiang Jinghongda, Hangzhou Kingdom Imp & Exp, and Hangzhou Jinghe under the SFO.
- (5) This includes (i) [REDACTED] H Shares held by Zhejiang Jinghongda and (ii) [REDACTED] Shares (including [REDACTED] Unlisted Shares and [REDACTED] H Shares) held by Hangzhou Kingdom Imp & Exp. As of the Latest Practicable Date, Zhejiang Jinghongda was wholly-owned by Hangzhou Kingdom Imp & Exp which was in turn held as to 51% and 49% by Mr. Dai and Ms. Zhang. Ms. Zhang is deemed to be interested in all the Shares held by Zhejiang Jinghongda and Hangzhou Kingdom Imp & Exp under the SFO.
- (6) On March 20, 2026, Mr. Dai and Ms. Zhang entered into the Acting-in-concert Agreement. See “History, Development and Corporate Structure — Acting-in-concert Agreement” for more details.

Particulars of Service Contracts

Each of our Directors has entered into a service contract with our Company. The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following his/her respective effective date of his/her respective effective date of his/her appointment; (b) each of the agreements is subject to termination in accordance with their respective terms.

Save as disclosed above, our Company has not entered, and does not propose to enter, into any service contracts with any of the Directors in their respective capacities as Directors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Directors’ Remunerations

For details of the Directors’ remunerations, see “Directors and Senior Management — Directors’ Remunerations” and Note 8 to the Accountant’s Report as set out in Appendix I to this document.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Substantial Shareholders

Interests in the Shares of our Company

For information on the persons (other than our Directors or chief executive of our Company) who will, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), have or be deemed or taken to have beneficial interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting Shares of our Company, see the section headed “Substantial Shareholders” in this document.

Save as disclosed in the section headed “Substantial Shareholders” in this document, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), have or be deemed or taken to the beneficial interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting shares of our Company or hold options in respect of such share capital.

Interests in our Company’s subsidiaries

Save as set out above and in the table below, immediately following the completion of the [REDACTED], assuming (i) the [REDACTED] has become unconditional and all [REDACTED] have been issued pursuant to the [REDACTED]; and (ii) the [REDACTED] have not been exercised, all member companies of our Group (other than our Company) are wholly-owned by our Company. As such, no person (other than our Company) will be interested, directly or indirectly, in 10% or more of the issued share capital carrying the right to, in any event, vote at the general meetings of any other member (other than our Company) of our Group.

Name	Name of members of our Group	Nature of Interest ⁽¹⁾	Approximate percentage of interests
Yosegrow ⁽³⁾	VYTEC Thailand ⁽²⁾	Beneficial owner	25%
	Vortis USA ⁽⁵⁾	Beneficial owner	25%
Anhui	VYTEC Thailand ⁽²⁾	Interest in controlled corporation	25%
Youshengmei			
Group Co., Ltd.*	Vortis USA ⁽⁵⁾	Interest in controlled corporation	25%
(安徽優勝美集團有限公司) ⁽³⁾			

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Name	Name of members of our Group	Nature of Interest ⁽¹⁾	Approximate percentage of interests
Zhang Qiang (張強) ⁽³⁾	VYTEC Thailand ⁽²⁾	Interest in controlled corporation	12.75%
	Vortis USA ⁽⁵⁾	Interest in controlled corporation	12.75%
Zhang Lihong (張立紅) ⁽³⁾	VYTEC Thailand ⁽²⁾	Interest in controlled corporation	12.25%
	Vortis USA ⁽⁵⁾	Interest in controlled corporation	12.25%
Enduring Innovation ⁽⁴⁾ . . .	VYTEC Thailand ⁽²⁾	Beneficial owner	10%
	Vortis USA ⁽⁵⁾	Beneficial owner	10%
Zhejiang Ounai New Materials Co., Ltd.* (浙江 歐耐力新材料有 限公司) ⁽⁴⁾	VYTEC Thailand ⁽²⁾	Interest in controlled corporation	10%
	Vortis USA ⁽⁵⁾	Interest in controlled corporation	10%

Notes:

- (1) All interests stated are long positions.
- (2) As of the Latest Practicable Date, VYTEC Thailand is owned as to 60% by Kingdom Singapore, 25% by Yosegrow, 10% by Enduring Innovation and 5% by Eight Choice.
- (3) As of the Latest Practicable Date, Yosegrow is wholly-owned by Anhui Youshengmei Group Co., Ltd.* (安徽優勝美集團有限公司) (“**Anhui Youshengmei**”), which is owned as to 51% by Zhang Qiang (張強) and 49% by Zhang Lihong (張立紅), respectively. To the best knowledge of our Directors, Yosegrow (other than its shareholding in VYTEC Thailand), Anhui Youshengmei and their beneficial owners are all Independent Third Parties.
- (4) As of the Latest Practicable Date, Enduring Innovation is wholly-owned by Zhejiang Ounai New Materials Co., Ltd.* (浙江歐耐力新材料有限公司) (“**Zhejiang Ounai**”), which is owned by five individuals with each of them holding not more than 30% interests in Zhejiang Ounai. To the best knowledge of our Directors, Enduring Innovation (other than its shareholding in VYTEC Thailand), Zhejiang Ounai and their ultimate beneficial owners are all Independent Third Parties.
- (5) As of the Latest Practicable Date, Vortis USA is owned as to 60% by Kingdom Singapore, 25% by Yosegrow, 10% by Enduring Innovation and 5% by B2B National Trading.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Disclaimers

- (i) Save as disclosed in this document, none of our Directors or any of the parties listed in “— Other Information — Consents of Experts” in this appendix:
 - (a) is interested in our promotion, or in any assets which, within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company; or
 - (b) is materially interested in any contract or arrangement subsisting at the date of this document that is significant in relation to our business;
- (ii) Save in connection with the [REDACTED], none of the parties listed in “— Other Information — Consents of Experts” in this appendix:
 - (a) is interested legally or beneficially in any Shares in any member of our Group; or
 - (b) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (iii) None of our Directors or their close associates or any Shareholders of our Company who, to the knowledge of our Directors, owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and
- (iv) Save as disclosed in “Substantial Shareholders”, none of our Directors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE INCENTIVE PLAN

In recognition of the contributions of, the employees of our Group, and to incentivize them to further promote our development, we have adopted an equity incentive arrangement (the “**Share Incentive Plan**”). We established two limited partnerships in the PRC as our Share Incentive Platforms to implement the Incentive Plan, namely Hangzhou Jinghe and Hangzhou Jingju. Under this arrangement, eligible participants subscribe for partnership interests in the Incentive Platforms with their own funds and thereby indirectly hold equity interests in our Company.

The Share Incentive Plan is not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve the granting of Shares or options by our Company to subscribe for Shares after the [REDACTED]. Since the underlying Shares under the Share Incentive Plan have already been issued, there will be no dilutive effect on the issued Shares arising from the Share Incentive Plan.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

As of the Latest Practicable Date, our Incentive Platforms collectively held 2,460,000 Shares in our Company, representing 2.48% of the total issued share capital of our Company. For details of our incentive platforms, see the section headed “History, Development and Corporate Structure — Incentive Platforms in this document.”

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries.

Litigation

As of the Latest Practicable Date, our Company was not engaged in any on-going litigation, arbitration or claim of material importance, and no litigation, arbitration, or claim of material importance was known to the Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our Company’s financial condition or results of operations.

Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will be paid by our Company a fee of US\$800,000 to act as the sponsor to our Company in connection with the [REDACTED].

Compliance Advisor

Our Company has appointed Somerley Capital Limited as its Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

Taxation of Holder of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the [REDACTED] of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Potential investors in the [REDACTED] are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our H Shares (or exercising rights attached to them). None of our Company, our Directors, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED], or any other person or party involved in the [REDACTED] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Company’s H Shares.

Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licenced corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
King & Wood	PRC Legal Advisors to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Ernst & Young	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Ernst & Young (China) Advisory Limited	Independent consultant to the Company in respect of its transfer pricing arrangements for certain intra-group transactions during the Track Record Period
Weerawong, Chinnavat & Partners Ltd.	Thai Legal Advisors to our Company

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Name	Qualification
Gleiss Lutz Hootz Hirsch PartmbB Rechtsanwälte, Steuerberater (AG Stuttgart PR 136)	German Legal Advisors to our Company
Shook Lin & Bok LLP . . .	Singapore Legal Advisors to our Company

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Promoters

The promoters of our Company are as follows:

No.	Name of Promoters of Our Company
1 . . .	Hangzhou Kingdom Imp & Exp Trading Corp., Ltd* (杭州晶達進出口貿易有限公司)
2 . . .	Zhejiang Jinghongda Technology Co., Ltd.* (浙江晶弘達科技有限公司)

Save as disclosed in the section headed “History, Development and Corporate Structure” in this document, within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [REDACTED] or the related transactions described in this document.

Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in so far as applicable.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial, trading position or prospects since December 31, 2025, being the end date of the years reported on in our combined financial statements as set out in “Appendix I — Accountants’ Report,” up to the date of this document.

Miscellaneous

Save as disclosed in this document or in connection with the Listing,

- (i) within the two years immediately preceding the date of this document,
 - (a) save as disclosed in the “History, Development and Corporate Structure” section and the “Changes in the Share Capital of Our Subsidiaries” sub-section in the section above, neither our Company nor any of its subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash; and
 - (b) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
- (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) our Company has not issued or agreed to issue any founder shares, management shares or deferred shares;
- (iv) there are no arrangements under which future dividends are waived or agreed to be waived;
- (v) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;
- (vi) there have been no interruptions in our Company’s business which may have or have had a significant effect on our financial position in the 12 months preceding the date of this document;
- (vii) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Stock Exchange is currently being or agreed to be sought; and
- (viii) our Company has no outstanding convertible debt securities or debentures.

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in “Appendix VI — Statutory and General Information — Other Information — Consents of Experts” and
- (b) a copy of the material contract referred to in “Appendix VI — Statutory and General Information — Further Information about Our Business — Summary of Material Contract”.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.kingdomgroup.com.cn during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountants’ Report from Ernst & Young, the text of which is set out in Appendix I to this document;
- (c) the audited financial statements of our Group for the three years ended December 31, 2023, 2024 and 2025;
- (d) the report on unaudited [REDACTED] financial information of our Group from the Ernst & Young, the text of which is set out in Appendix II to this document;
- (e) the legal opinions issued by King & Wood, our PRC Legal Advisors in respect of certain matters of our Group in the PRC;
- (f) the legal opinion issued by Weerawong, Chinnavat & Partners Ltd., our legal advisors as to Thai law, in respect of certain general corporate matters of the Group member incorporated in Thailand;
- (g) the legal opinion issued by Gleiss Lutz Hootz Hirsch PartmbB Rechtsanwälte, Steuerberater (AG Stuttgart PR 136), our legal advisors as to German law, in respect of certain general corporate matters of the Group member incorporated in Germany;
- (h) the legal opinion issued by Shook Lin & Bok LLP, our legal advisors as to Singapore law, in respect of certain general corporate matters of the Group member incorporated in Singapore;

APPENDIX VII

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

- (i) the report issued by Ernst & Young (China) Advisory Limited in respect of the transfer pricing assessment;
- (j) the industry report prepared by F&S, the summary of which is set forth in “Industry Overview”;
- (k) a copy of each of the PRC Company Law, the PRC Securities Law, and Overseas Listing Trial Measures together with their unofficial English translation;
- (l) the material contract referred to in “Appendix VI — Statutory and General Information — Further Information about Our Business — Summary of Material Contract”;
- (m) the written consents referred to in “Appendix VI — Statutory and General Information — Other Information — Consents of Experts” and
- (n) the service contracts referred to in “Appendix VI — Statutory and General Information — Further Information about Our Directors and Substantial Shareholders — Directors — Particulars of Service Contracts”.