BUSINESS DEVELOPMENT

Overview

Rooted in Changchun City, Jilin Province, we have established ourselves as one of the competitive manufacturing enterprises dedicated to the research, development, production, and sales of new heat-generating materials and related products in Northeast China.

The origin of our Group can be traced back to March 2017 when Jilin Huachen, our principal operating subsidiary, was first established by three individual shareholders, namely Mr. Zhou Wen (周文), the then controlling shareholder of Jilin Huachen, Ms. Zhao Yingtao (趙迎濤) and Mr. Xia Zhongmin (夏忠民), all of whom were Independent Third Parties. Mr. Zhou Wen, an entrepreneur who had experience in the new energy and technology sectors and was positive about the prospects of the new heat-generating materials industry, co-founded Jilin Huachen with Ms. Zhao Yingtao and Mr. Xia Zhongmin, at that time who had similar business background and shared the same business visions with Mr. Zhou Wen. Since its inception in 2017, Jilin Huachen has been focusing on the R&D of the applications of new heat-generating materials, particularly graphene-based heating films and the manufacture and sales of a wide array of graphene-integrated thermal products and its related application scenarios by leveraging on the electrical and thermal conductivity of graphene. Following several shareholding changes and immediately before Ms. Li acquired control of our Group, all of the abovementioned co-founders ceased to have any interests in Jilin Huachen. In early 2023, Ms. Li became acquainted with Mr. Zhu, the deputy general manager of our Group and our executive Director, at a business occasion, where she learnt about the business profile of Jilin Huachen and its funding needs, and she was optimistic with the future prospects of Jilin Huachen and the market of new heat-generating materials in the PRC. As a seasoned investor with over six years' investment experience in various sectors, particularly those sectors encouraged by the PRC government, such as agricultural, construction and high technology, Ms. Li saw the growth potential in Jilin Huachen as well as the industry of new heat-generating materials applications in view of recent favourable PRC government policies supporting the development of the new heat-generating materials industry and decided to invest in Jilin Huachen. For further details on the corporate history of Jilin Huachen, please refer to the paragraphs headed "Corporate development" in this section.

Since the acquisition of 80% equity interests in Jilin Huachen by Ms. Li in August 2023, Ms. Li has become a controlling shareholder of our Group and assumed key management roles in our Group as our chairperson and our executive Director. For further details of the background and experience of Ms. Li, please refer to the section headed "Directors and Senior Management" in this document. Since Ms. Li joined our Group in August 2023, she has contributed her expertise in business management and expansion to our Group, with a vision to capitalise on our Group's long-established R&D capabilities in graphene as well as new heat-generating material applications by integrating technology and innovation to further diversify our product portfolio into different applications and industries, such as personal relaxation products, and travel and outdoor products, so as to consolidate our position as a manufacturing enterprise dedicated to the research, development, production, and sales of new heat-generating materials and related products in Northeast China.

Business Milestones

The following is a summary of our Group's key business development milestones:

Year	Key Milestones
2017	• Jilin Huachen, our principal operating subsidiary, was established in the PRC • Jilin Huachen commenced the R&D of heat-generating materials, including high voltage graphene-based heating film and low voltage graphene-based heating film

Year	Key Milestones
2018	• Jilin Huachen commenced the sales of high voltage graphene-based heating film and low voltage graphene-based heating film under our Hua Chen (華晨) brand
2022	• Jilin Huachen began its partnership with OEM manufacturers to commence mass production of graphene-integrated thermal products, including smart thermal clothing, travel and outdoor products, and personal relaxation products
	• Commenced sales of smart thermal clothing and travel and outdoor products under our brands, namely Fan Xi (梵晞) and Die Lian Qing Feng (蝶戀清楓), respectively
	• Launched our Mei Shi Kang (美世康) brand, offering personal relaxation products
	• Jilin Huachen established R&D cooperation with University A
2023	• Ms. Li acquired a controlling interest in Jilin Huachen
2024	• Jilin Huachen further strengthened its research and development capabilities through establishing cooperation with University B
	• The quality control system of Jilin Huachen was accredited with the quality management certificate ISO 9001:2015
	• Jilin Huachen was recognised as one of the "2024 Leading Enterprises in the New Era Economy (2024新時代經濟領導企業)" by the 2024 Summit Forum on Huaxia Economic Development (2024華夏經濟發展高峰論壇)
2025	• Jilin Huachen launched two new products, namely automotive seat heating mesh fabric and heatable (graphene) tatami, further broadening its range of graphene-integrated thermal products
	• Jilin Huachen was recognised as a Changchun city-level "Specialised and Innovative" (專精特新) small and medium-sized enterprise by the Changchun Municipal Bureau of Industry and Information Technology (長春市工業和信息化局)

CORPORATE DEVELOPMENT

We primarily operate our business through Jilin Huachen, our principal operating subsidiary in the PRC, which solely contributed to our results of operations during the Track Record Period. Jilin Huachen was established in the PRC as a limited liability company on 28 March 2017 with an initial registered capital of RMB10,000,000. It is mainly focused on the manufacturing and sales of heat-generating materials and related products. Upon its establishment, Jilin Huachen was owned as to 60%, 25% and 15% by Mr. Zhou Wen (周文), Ms. Zhao Yingtao (趙迎濤) and Mr. Xia Zhongmin (夏忠民), respectively. All of the then shareholders of Jilin Huachen are Independent Third Parties. Following several shareholding changes from March 2017 to October 2020, except Mr. Zhou Wen, each of Ms. Zhao Yingtao and Mr. Xia Zhongmin ceased to have any interest in Jilin Huachen and exited from Jilin Huachen on 9 August 2018 and 15 October 2020, respectively, upon completion of their respective disposals of interests in Jilin Huachen on the aforesaid respective dates.

Subsequent change of control

Exit of Mr. Zhou Wen

Mr. Zhu Youxin (朱有新), one of our executive Directors, who was the then deputy general manager of Jilin Huachen, learnt about Mr. Zhou Wen's intention to exit from Jilin Huachen and decided to take up the business of Jilin Huachen. For further details of Mr. Zhu's experience, please refer to the section headed "Directors and Senior Management" in this document. To mitigate his risks of being a sole shareholder of Jilin Huachen, Mr. Zhu invited his personal friend, Mr. Zhou Shujie (周樹傑), an engineering veteran and an Independent Third Party, to join Jilin Huachen as a minority shareholder and supervisor of Jilin Huachen. On 1 June 2023, Mr. Zhou Wen entered into separate registered capital transfer agreements with Mr. Zhu and Mr. Zhou Shujie, respectively, pursuant to which Mr. Zhou Wen exited his investments in Jilin Huachen by transferring 99% and 1% equity interests in Jilin Huachen to Mr. Zhu and Mr. Zhou Shujie (周樹傑), respectively, both at nil consideration given that Jilin Huachen recorded accumulated losses and his committed portion of the registered capital of Jilin Huachen was yet to be paid up in full at the time of transfer. Upon completion of the aforementioned transfers on 8 June 2023, Mr. Zhou Wen ceased to be a shareholder of Jilin Huachen, and Jilin Huachen was held as to 99% and 1% by Mr. Zhu and Mr. Zhou Shujie, respectively.

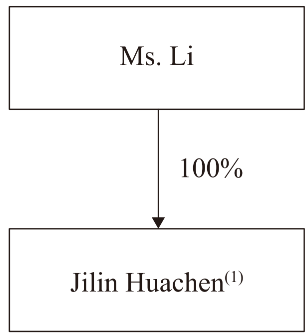
Acquisition of control by Ms. Li Xinyan (李新艷)

Shortly after acquiring the controlling interest in Jilin Huachen from Mr. Zhou Wen, Mr. Zhu strategically introduced Ms. Li, with whom he became acquainted in early 2023, to Jilin Huachen to join as a shareholder to further the development of Jilin Huachen by leveraging on her business acumen and investment expertise. Ms. Li first acquired control of Jilin Huachen in 2023 as she considered that there were positive development prospects for the new heat-generating materials industry. For further details, please refer to the paragraphs headed "Business Development — Overview" in this section. The acquisition of Jilin Huachen by Ms. Li occurred in two stages in July 2023 and December 2023, respectively. On 25 July 2023, Ms. Li entered into separate equity transfer agreements with Mr. Zhu and Mr. Zhou Shujie, respectively, pursuant to which Mr. Zhu and Mr. Zhou Shujie transferred 79% and 1% equity interests in Jilin Huachen to Ms. Li, respectively, both at nil consideration given that Jilin Huachen recorded accumulated losses and the respective portion of the registered capital of Jilin Huachen committed by Mr. Zhu and Mr. Zhou Shujie was yet to be paid up in full at the time of transfer. Upon completion of the aforementioned transfers on 7 August 2023, Mr. Zhou Shujie ceased to be a shareholder and a supervisor of Jilin Huachen, and Jilin Huachen was held as to 80% and 20% by Ms. Li and Mr. Zhu, respectively.

Following the first acquisition by Ms. Li in July 2023, on 4 December 2023, Ms. Li entered into an equity transfer agreement with Mr. Zhu, pursuant to which Ms. Li further acquired the remaining 20% equity interests in Jilin Huachen from Mr. Zhu at nil consideration given that Jilin Huachen recorded accumulated losses and the committed portion of the registered capital of Jilin Huachen of Mr. Zhu was yet to be paid up in full at the time of transfer. Upon completion of the aforementioned transfer on 5 December 2023 and immediately prior to the Reorganisation, Mr. Zhu ceased to be a shareholder of Jilin Huachen, and Jilin Huachen was wholly owned by Ms. Li. The then registered capital of Jilin Huachen was fully paid up by Ms. Li on 21 May 2024.

REORGANISATION

The corporate structure of our Group immediately before the Reorganisation is set forth below:



Note:

(1) Jilin Huachen has a branch company in Shenzhen, Guangdong Province, the PRC.

In preparation for the **[REDACTED]**, we carried out a series of restructuring steps for the purpose of establishing our corporate structure for the **[REDACTED]**.

1. Incorporation of Offshore Investment Holding Company, our Company and Offshore Subsidiaries

Hengfu Technology

On 30 July 2024, Hengfu Technology was incorporated in the BVI with limited liability and is authorised to issue no more than 50,000 ordinary shares. Hengfu Technology is an investment holding company. Upon its incorporation, one ordinary share was allotted and issued to Ms. Li, and Hengfu Technology has been wholly owned by Ms. Li since then and up to the Latest Practicable Date.

Hengtai Invest

On 8 April 2024, Hengtai Invest was incorporated in the BVI with limited liability and is authorised to issue no more than 50,000 ordinary shares. Hengtai Invest is an investment holding company. Upon its incorporation, one ordinary share was allotted and issued to Ms. Tanaka Koran, and Hengtai Invest has been wholly owned by Ms. Tanaka Koran since then and up to the Latest Practicable Date.

Our Company

On 7 August 2024, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of nominal value of HK$0.01 each and is the ultimate holding company of our Group. It is an investment holding company. Upon its incorporation, one Share was allotted and issued to the initial subscriber, which was transferred to Hengfu Technology on the same day. Upon completion of the Reorganisation, our Company has become the holding company of our Group.

Jiaheng BVI

On 13 August 2024, Jiaheng BVI was incorporated in the BVI with limited liability and is authorised to issue no more than 50,000 shares. Jiaheng BVI is an investment holding company. Upon its incorporation, one ordinary share was allotted and issued to our Company at US$1.00, and Jiaheng BVI has been wholly owned by our Company since then and up to the Latest Practicable Date.

Hengyi BVI

On 10 April 2024, Hengyi BVI was incorporated in the BVI with limited liability and is authorised to issue no more than 50,000 shares. Hengyi BVI is an investment holding company. Upon its incorporation, one ordinary share was allotted and issued to Hengtai Invest. On 10 December 2024, Hengtai Invest transferred one share of Hengyi BVI to our Company in consideration for the allotment and issue of one Share in our Company to Hengtai Invest. Upon completion of the Reorganisation and up to the Latest Practicable Date, Hengyi BVI has been wholly owned by our Company. For further details, please refer to the paragraphs headed "4. Share swap between Hengtai Invest and our Company" in this section.

Jiaheng HK

On 2 September 2024, Jiaheng HK was incorporated in Hong Kong with limited liability and is an investment holding company. Upon its incorporation, one ordinary share was allotted and issued to Jiaheng BVI. Since its incorporation and up to the Latest Practicable Date, Jiaheng HK has been wholly owned by Jiaheng BVI.

Dingtai HK

On 19 April 2024, Dingtai HK was incorporated in Hong Kong with limited liability and is an investment holding company. Upon its incorporation, one ordinary share was allotted and issued to Hengyi BVI. Since its incorporation and up to the Latest Practicable Date, Dingtai HK has been wholly owned by Hengyi BVI.

2. Conversion of Jilin Huachen into a sino-foreign joint venture

As part of the arrangements under the Pre-**[REDACTED]** Investment and as part of the Reorganisation, pursuant to a capital increase agreement dated 28 May 2024 entered into among Ms. Li, Dingtai HK (the then investment holding vehicle ultimately held by Ms. Tanaka Koran) and Jilin Huachen (the "**Capital Increase Agreement**"), Dingtai HK made a capital contribution of RMB300,000 to Jilin Huachen, with RMB101,000 and RMB199,000 recognised as the registered capital and the capital reserve of Jilin Huachen, respectively. The aforesaid capital contribution was determined after arm's length negotiations between the parties with reference to the fair value of the entire equity interest in Jilin Huachen as at 31 December 2023 of approximately RMB30.72 million as appraised by an independent valuer in the PRC. Upon completion of the aforementioned capital increase on 2 July 2024, the registered capital of Jilin Huachen increased from RMB10,000,000 to RMB10,101,000 and Jilin Huachen was held as to 99% and 1% by Ms. Li and Dingtai HK, respectively, which was thereby converted from a domestic enterprise into a sino-foreign joint venture. For further details, please refer to "— Pre-**[REDACTED]** Investment" in this section.

3. Acquisition of Jilin Huachen by Jiaheng HK

On 12 September 2024, as part of the Reorganisation, Ms. Li entered into an equity transfer agreement with Jiaheng HK, pursuant to which Ms. Li transferred 99% of the equity interests in Jilin Huachen to Jiaheng HK at the consideration of RMB11,000,000 which was determined based on the fair value of the entire equity interest in Jilin Huachen as at 31 May 2024 of approximately RMB10.09 million as appraised by an independent valuer in the PRC. Upon completion of the aforementioned transfer on 21 October 2024 and up to the Latest Practicable Date, Jilin Huachen was held as to 99% by Jiaheng HK and 1% by Dingtai HK.

4. Share Swap between Hengtai Invest and our Company

To reflect the indirect onshore shareholding in Jilin Huachen after the capital contribution by Dingtai HK, the then investment holding vehicle ultimately held by Ms. Tanaka Koran, to Jilin Huachen and as part of the Reorganisation, pursuant to a share sale and purchase agreement dated 10 December 2024 entered into between our Company and Hengtai Invest (the "**Sale and Purchase Agreement**"), Hengtai Invest transferred one share of Hengyi BVI, representing the entire issued share capital of Hengyi BVI, to our Company in consideration for the allotment and issue of one Share in our Company, credited as fully paid, to Hengtai Invest. On the same day, our Company further allotted and issued 98 Shares at par to Hengfu Technology. For further details, please refer to "— 2. Conversion of Jilin Huachen into a sino-foreign joint venture" in this section.

Upon completion of the aforementioned share swap on 10 December 2024, (i) Hengyi BVI became a direct wholly-owned subsidiary of our Company, and Dingtai HK was accordingly an indirect wholly-owned subsidiary of our Company; and (ii) our Company was held as to 99% and 1% by Hengfu Technology and Hengtai Invest, respectively immediately before the **[REDACTED]** and the **[REDACTED]**. For further details, please refer to "— Pre-**[REDACTED]** Investment" in this section.

PRC Regulatory Compliance

Our PRC Legal Advisors have confirmed that the Reorganisation in relation to the equity interest transfers in respect of our PRC subsidiaries as described above had been conducted in compliance with applicable PRC laws and regulations and had been legally completed and duly registered with local registration authorities of the PRC.

PRE-[REDACTED] INVESTMENT

The following table summarises the details of the investment by the Pre-**[REDACTED]** Investor:

Name of the Pre-[REDACTED] Investor	Ms. Tanaka Koran (田中香蘭)
Information of the Pre-[REDACTED] Investor	Ms. Tanaka Koran is an individual investor who has served as a client manager of Amano Co., Ltd. (安滿能有限公司) since April 2004 primarily responsible for customer services and support and customer relationship management and she received her bachelor degree in Japanese from Yanbian University (延邊大學) in the PRC in July 1997. To the best of our Directors' knowledge, she is an Independent Third Party.

Ms. Tanaka Koran was a personal friend of Ms. Li who became acquainted with Ms. Li in around 2000, and their discussion in relation to the Pre-**[REDACTED]** Investment commenced in early 2024 when Ms. Li expressed her interest in investing in Jilin Huachen and invited Ms. Tanaka Koran to invest in Jilin Huachen together. Ms. Tanaka Koran is confident in the general outlook of new heat-generating materials applications in the PRC market, and is also optimistic with the potential business growth and future prospects of our Group, and therefore decided to invest in our Group. Our Directors believe that the investment by Ms. Tanaka Koran demonstrates her confidence in our Group and serves as an endorsement of our Group's performance, strength and prospects.

Strategic benefits of the Pre-[REDACTED] Investor brought to our Company

Our Directors believed that our Group could benefit from the additional capital contributed by Ms. Tanaka Koran at the time of the Pre-**[REDACTED]** Investment. In addition, leveraging on Ms. Tanaka Koran's extensive marketing expertise and profound customer insights obtained from her working experience, our Directors are of the view that the Pre-**[REDACTED]** Investment by Ms. Tanaka Koran will bring strategic benefits to our Group, particularly in enhancing our Group's marketing and promotional efforts and future expansion of overseas sales channels.

Details of investment and date of investment

Pursuant to the Capital Increase Agreement dated 28 May 2024, Ms. Tanaka Koran, through Dingtai HK (her then indirect wholly-owned investment holding vehicle), made a capital contribution of RMB300,000 to Jilin Huachen in consideration of the subscription for 1% equity interest in Jilin Huachen. To reflect the investment of Dingtai HK at our Company level and as part of the Reorganisation, pursuant to the Sale and Purchase Agreement dated 10 December 2024, Ms. Tanaka Koran, through Hengtai Invest (the direct wholly-owned investment holding vehicle of Ms. Tanaka Koran), transferred one share of Hengyi BVI, representing the entire issued share capital of Hengyi BVI, to our Company in consideration of the allotment and issue of one Share in our Company to Hengtai Invest. Upon completion of the aforesaid transfer on 10 December 2024, Ms. Tanaka Koran, through Hengtai Invest, held 1% of the issued share capital of our Company, and each of Hengyi BVI and Dingtai HK has become a wholly-owned subsidiary of our Company. For further details of the Reorganisation, please refer to the paragraphs headed "Reorganisation" in this section.

Amount of consideration

RMB300,000, which was determined after arm's length negotiations between the parties by reference to the fair value of the entire equity interest in Jilin Huachen as at 31 December 2023 as appraised by an independent valuer in the PRC.

Payment date of consideration

13 September 2024.

Number of Shares subscribed	One Share (representing 1% of the issued share capital of our Company at the time of the Pre-**[REDACTED]** Investment).
Number of Shares held by the Pre-[REDACTED] Investor upon completion of the [REDACTED] and the [REDACTED]	**[REDACTED]** Shares ((i) representing approximately 1% of the issued share capital of our Company upon the completion of the **[REDACTED]** but without taking into account the new Shares to be issued pursuant to the **[REDACTED]**; and (ii) representing approximately **[REDACTED]**% of the issued share capital of our Company upon completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and taking into no account of the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme)).
Cost per Share paid by the Pre-[REDACTED] Investor (taking into account the [REDACTED])	Approximately HK$**[REDACTED]** (representing a discount of approximately **[REDACTED]**% to the mid-point of the indicative **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]**).
Special rights	Neither Dingtai HK nor Ms. Tanaka Koran was given any special rights with respect to its/her investment pursuant to the Capital Increase Agreement.
Lock-up	The terms of the Capital Increase Agreement did not impose any lock-up obligations over the Shares held by Hengtai Invest upon **[REDACTED]**.
Public float	The **[REDACTED]** Shares held by Hengtai Invest will be counted as public float after the **[REDACTED]** for the purpose of Rule 11.23 of the GEM Listing Rules.
Use of [REDACTED]	We utilised the **[REDACTED]** from the Pre-**[REDACTED]** Investment for replenishing the working capital for the development and operation of our principal business of our Group. As at the Latest Practicable Date, the net **[REDACTED]** received by us from the Pre-**[REDACTED]** Investment had been fully utilised.

Sole Sponsor's Confirmation

After reviewing the terms of the Capital Increase Agreement and the Sale and Purchase Agreement and on the basis that (i) our Directors confirmed that the terms of the Pre-**[REDACTED]** Investment (including the consideration) were determined on arm's length basis; and (ii) the Pre-**[REDACTED]** Investment was completed more than 28 clear days before the date of the first submission of the application for the **[REDACTED]**, the Sole Sponsor confirms that the Pre-**[REDACTED]** Investment is in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

PRC LEGAL COMPLIANCE

Our PRC Legal Advisors have confirmed that the Reorganisation in relation to the equity interest transfers in respect of our PRC subsidiaries as described above had been conducted in compliance with applicable PRC laws and regulations and had been legally completed and duly registered with local registration authorities of the PRC.

M&A Rules

According to the "Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors" (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, the SAMR and the SAFE on 8 August 2006, effective as at 8 September 2006 and amended in June 2009, where a domestic company, enterprise or natural person intends to acquire its/his/her related domestic company in the name of an offshore company which it/he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company by paying the acquisition price with equity interests, the overseas listing of that special purpose company shall be subject to approval by the CSRC. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from the MOFCOM is required.

As advised by our PRC Legal Advisors, at the time when Jiaheng HK acquired 99% equity interests in Jilin Huachen, Jilin Huachen had already become a foreign-invested enterprise, Article 11 of the M&A Rules does not apply to the Reorganisation accordingly. Our PRC Legal Advisors are of the view that the Reorganisation and the **[REDACTED]** do not require the approval of the MOFCOM, the CSRC and/or any other governmental authorities under the M&A Rules.

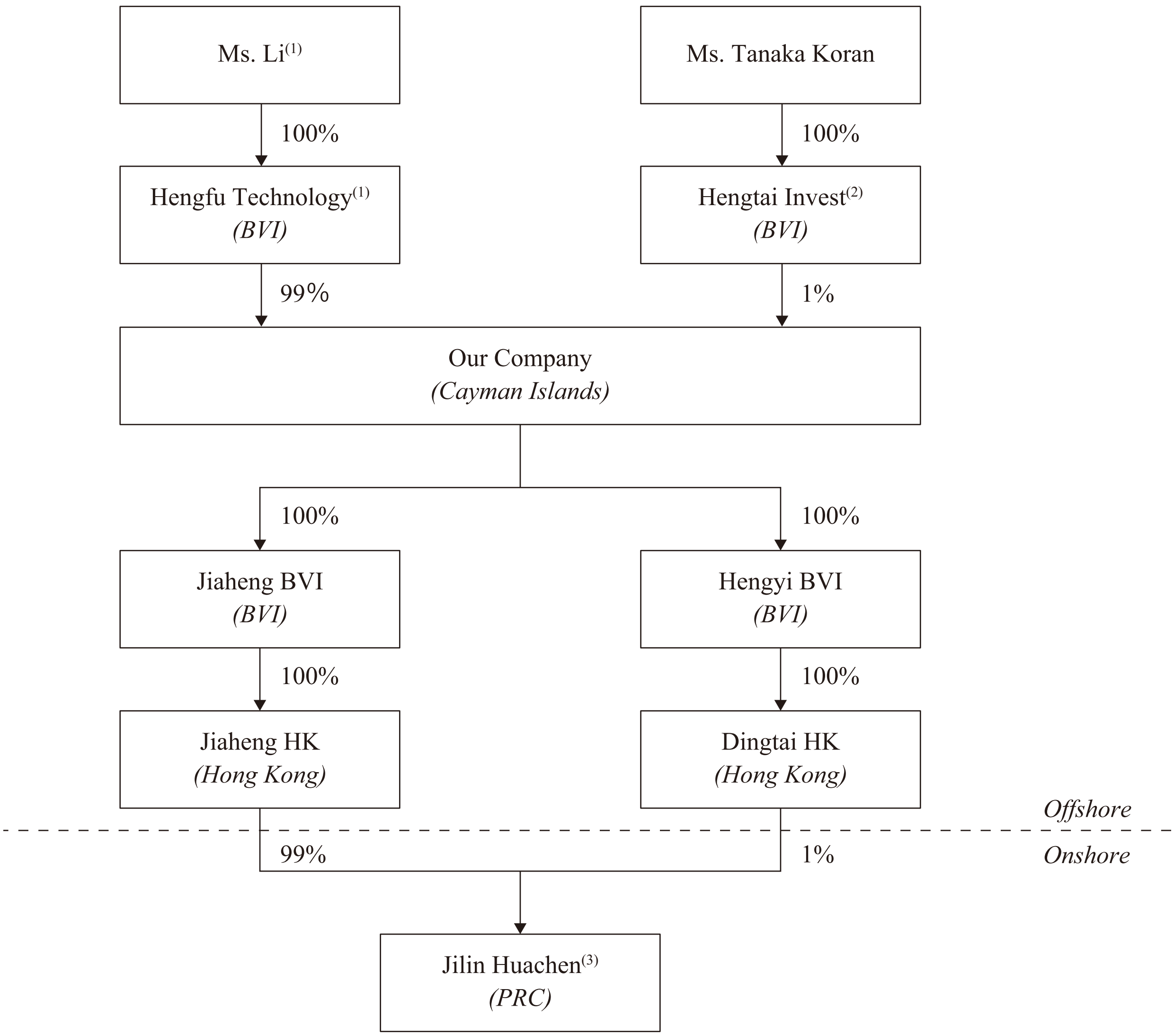
SAFE Registration

Pursuant to SAFE Circular 37, (a) a PRC resident must register with the local SAFE branch before he/she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder, name of the Overseas SPV, term of operation or any capital increase or reduction of domestic residents, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. Pursuant to the SAFE Circular 13, promulgated by the SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks.

As advised by our PRC Legal Advisors, on 9 October 2024, Ms. Li, being individual residents, completed foreign exchange registrations in respect of her investment in our Group in accordance with SAFE Circular 37 and SAFE Circular 13.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The following chart sets forth the shareholding and corporate structure of our Group immediately after the completion of the Reorganisation but prior to the **[REDACTED]** and the **[REDACTED]**:



Notes:

1. Ms. Li and Hengfu Technology are regarded as a group of Controlling Shareholders.

2. The Shares held by Ms. Tanaka Koran, an Independent Third Party, through Hengtai Invest will be counted towards public float after the **[REDACTED]** for the purpose of Rule 11.23 of the GEM Listing Rules.

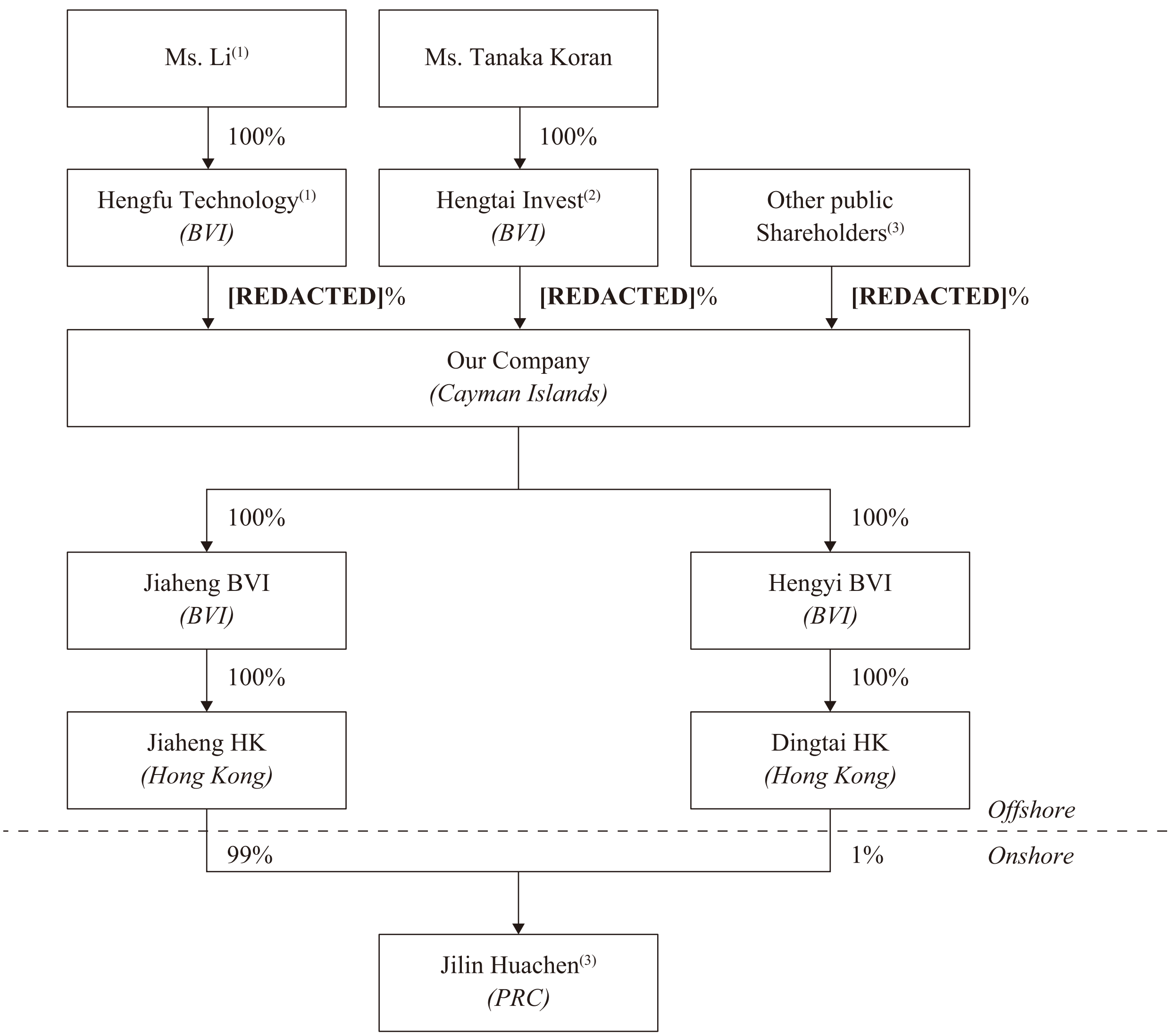
3. Jilin Huachen has a branch company in Shenzhen, Guangdong Province, the PRC.

[REDACTED] AND [REDACTED]

On [•], our Company resolved to subdivide each of its existing issued and unissued Shares with a par value of HK$[0.01] each in its share capital into [100] ordinary Shares with a par value of HK$[0.0001] each, such that thereafter, the authorised share capital of our Company becomes HK$[380,000] divided into [3,800,000,000] Shares with a par value of HK$[0.0001] each. Upon completion of the aforesaid share subdivision and immediately before the **[REDACTED]** and **[REDACTED]**, Hengfu Technology and Hengtai Invest will hold [9,900] and [100] Shares in our Company, respectively.

Conditional upon the creation of the Company's share premium account as a result of the issue of the **[REDACTED]** pursuant to the **[REDACTED]**, our Directors are authorised to capitalise an amount of HK$**[REDACTED]** standing to the credit of the share premium account of the Company by applying such sum towards paying up in full at par a total of **[REDACTED]** Shares for allotment and issue to the then existing Shareholders.

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the **[REDACTED]** and the **[REDACTED]**, assuming the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme:



Notes:

1. Ms. Li and Hengfu Technology are regarded as a group of Controlling Shareholders.

2. The Shares held by Ms. Tanaka Koran, an Independent Third Party, through Hengtai Invest will be counted towards public float upon the **[REDACTED]** for the purpose of Rule 11.23 of the GEM Listing Rules. Accordingly, a total of **[REDACTED]**% of the issued share capital of the Company (including the Shares held by the other public Shareholders) will be in public hands at the time of the **[REDACTED]** in compliance with Rule 11.23 of the GEM Listing Rules.

3. Jilin Huachen has a branch company in Shenzhen, Guangdong Province, the PRC.

PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, where the expected market value at the time of **[REDACTED]** does not exceed HK$**[REDACTED]**, at least **[REDACTED]**% of the total issued share capital of our Company must at all times be held by the public.

Immediately following completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and taking into no account of the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Ms. Li and Hengfu Technology, being our Controlling Shareholders and will in turn be core connected persons of our Company and accordingly, Shares held by them will not be counted towards the public float for the purpose of Rule 11.23 (7) of the GEM Listing Rules.

Accordingly, a total of **[REDACTED]**% of the issued share capital of the Company (including the Shares held by the other public Shareholders) will be in public hands at the time of the **[REDACTED]** in compliance with Rule 11.23 of the GEM Listing Rules irrespective of the final **[REDACTED]**.

FREE FLOAT

Rule 11.23A of the GEM Listing Rules provides that there must be sufficient shares for which **[REDACTED]** is sought by a new applicant that are held by the public and available for trading upon **[REDACTED]**. This will normally mean that the portion of the class of shares for which **[REDACTED]** is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the GEM Listing Rules, applicable laws or otherwise), at the time of **[REDACTED]**, must: (1) represent at least 10% of the total number of issued shares in the class of shares for which **[REDACTED]** is sought (excluding treasury shares), with an expected market value at the time of **[REDACTED]** of not less than HK$**[REDACTED]**; or (2) have an expected market value at the time of **[REDACTED]** of not less than HK$**[REDACTED]**. Upon **[REDACTED]**, our Shares that are counted towards the public float are not subject to lock-up, and thus our Company is expected to satisfy the free float requirement under Rule 11.23A of the GEM Listing Rules.