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OVERVIEW

We are mainly focused on the production and sales of new heat-generating materials and products in Northeast China, specializing in graphene-based heating films and graphene-integrated thermal products. Our product portfolio comprises two main segments: (i) graphene-based heating films and (ii) graphene-integrated thermal products, both designed to deliver efficient and uniform heating for consumer and industrial applications.

Our sales channels are tailored for our two segments. For graphene-based heating films, marketed under the Hua Chen (華晨) brand, we employ direct sales to industrial end-users, comprising factories and construction companies which integrate the heating films into their own end products, such as heated floor panels, heated mats and warming equipment. Our sales team for this segment emphasizes industrial applications, collaborating closely with clients to integrate our materials into their manufacturing processes. In contrast, our graphene-integrated thermal products, sold under the Fan Xi (梵晞), Mei Shi Kang (美世康), and Die Lian Qing Feng (蝶戀清楓) brands are distributed through a distribution network in Northeast China, targeting retail stores for leisure consumers and corporate clients needing thermal protection for outdoor workforces. This sales strategy enables us to address diverse market needs effectively.

We have established manufacturing capabilities. Our production facilities in Changchun City feature 11 production lines dedicated to producing graphene-based heating films, a critical component of our thermal products. For the factory direct sales segment under the Hua Chen (華晨) brand, we manufacture graphene-based heating films in-house. For the distribution sales segment under the Fan Xi (梵晞), Mei Shi Kang (美世康), and Die Lian Qing Feng (蝶戀清楓) brands, we mainly engage subcontractors specialising in consumer product manufacturing. These subcontractors integrate our graphene-based heating films into final consumer-ready products such as thermal outdoor jackets (電熱衝鋒衣), thermal sleeping bags (電熱睡袋), and thermal seat cushions (電熱座墊), adhering to our specific designs. All finished products undergo inspection and quality control at our facility before distribution to our customers. This approach allows us to focus on our core competency, graphene-based heating film production, while leveraging subcontractors’ expertise in consumer goods assembly, enhancing operational efficiency and scalability without significant capital investment in non-core processes.

Looking forward, we aim to meet growing demand for energy-efficient heating solutions by expanding our product portfolio through investment in research and development. Our established market position, technical expertise, and sales strategy position us to capitalise opportunities in both industrial and consumer markets.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have positioned our Group as a strong competitor in the new heat-generating materials and products industry and contributed significantly to our success.

New heat-generating materials and related products

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

Our Group has established itself as an active participant in developing and manufacturing smart products utilising new heat-generating materials, particularly graphene-based heating films. As at 31 December 2025, we have three utility model patents and one invention patent, demonstrating our commitment to innovation and technological advancement in this field.

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According to Frost & Sullivan, the PRC market for new heat-generating materials is experiencing continuous growth, propelled by demand for, lightweight materials across a diverse array of sectors, including home decoration, construction, smart clothing, health and wellness, and outdoor recreation. The Directors consider the current market presents an opportunity for companies like us, focused on the production and sales of innovative heat-generating materials and products in China, with a particular specialisation in graphene-based heating films and graphene-integrated thermal products. Moreover, the Chinese government has strategically prioritised the advancement of the new materials sector, as articulated in the “14th Five-Year Plan for the Development of New Materials Industry (《“十四五”原材料工業發展規劃》)” and the “Made in China 2025 (《中國製造2025》)” initiative. These national policies have cultivated a supportive environment and offered a wide range of preferential measures such as R&D incentives, tax reductions, and funding allocations. Together, these measures facilitate us to foster innovation, accelerate growth, and enhance the competitiveness of companies operating within this industry.

We have strategically positioned ourselves to capitalise on these supportive policies and market opportunities. This is evidenced by our strong revenue growth during the Track Record Period. Our revenue was approximately RMB97.9 million in FY2024 and RMB119.1 million in FY2025. This growth trajectory demonstrates our ability to effectively leverage market potential, and expand our presence in the new heat-generating materials industry.

Diversification of product portfolio through multi-brand strategy and technological applications

We have cultivated a portfolio of brands, each catering to specific market segments and consumer needs. Our brands include:

Brand Name	Products	Applications	Target customer group
Hua Chen 	Graphene-based heating films	Heating solutions	Renovation and construction companies; and manufacturers of automotive parts, furniture and floor-heating systems
Fan Xi 	Smart thermal clothing	Clothing designed to provide warmth through new heat-generating materials	Individuals who work outdoor in cold weather regions and individuals who wear thermal clothing for leisure
Mei Shi Kang 	Personal relaxation products	Products aimed at offering personal relaxation	Office workers who are required to sit for extended period and individuals seeking relaxation to alleviate physical fatigue
Die Lian Qing Feng 	Travel and outdoor products	Gear designed for travel and outdoor activities	Outdoor enthusiasts

We consider our multi-brand strategy allows us to effectively penetrate various market segments and address the diverse needs of our customer base in personal relaxation, home living, building heating, outdoor leisure, and other specific consumer demands.

Production capabilities emphasizing product quality control

Our business model integrates the value chain from product design, raw material procurement, and manufacturing (consisting of in-house production and subcontractor manufacturing). For the direct sales segment under the Hua Chen brand, we manufacture graphene-based heating films in-house. For the

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distribution sales segment under the Fan Xi, Mei Shi Kang, and Die Lian Qing Feng brands, we mainly engage subcontractors specialising in consumer product manufacturing. These subcontractors integrate our graphene-based heating films into final consumer-ready products such as thermal outdoor jackets (電熱衝鋒衣), thermal sleeping bags (電熱睡袋), and thermal seat cushions (電熱座墊), adhering to our specific designs. All finished products undergo inspection and quality control at our facility before distribution to our customers. This approach allows us to focus on our core competency, i.e. graphene-based heating film production while leveraging subcontractors’ expertise in consumer goods assembly, enhancing operational efficiency and scalability without significant capital investment in non-core processes.

Our production facility, located in Erdao District, Changchun City, is equipped with technology and processes to ensure efficiency and quality in our product manufacturing. Our focus on efficiency and quality control has enabled us to meet growing market demand while maintaining product consistency and reliability. As at 31 December 2025, the designed annual production capacity of our weaving and heating-related product production lines, is 156,000 sq.m., and 63,000 sq.m., respectively. The respective utilisation rate has reached 84.6% and 63.1%.

We implement quality control measures across all stages, from raw material selection to final product testing. Our ISO 9001:2015 certified quality management system ensures consistency and reliability. For subcontractor-manufactured goods, we enforce enhanced testing protocols, including physical inspections, performance checks, and safety certifications, before approving products for distribution.

We believe our holistic approach combining in-house expertise, subcontractor collaboration, quality control, production standards, employee training, and after-sales support, has yielded positive results. During the Track Record Period, and up to the Latest Practicable Date, we did not record any product return, which stands as a testament to our quality assurance.

R&D capabilities and continuous innovation

Our commitment to R&D is evidenced by our ongoing investments in innovation and product iteration. Our R&D team specialises in the following areas: (i) materials studies: focuses on the development and improvement of new electrothermal materials; (ii) thermal studies: conducts research on thermal efficiency and energy utilisation; and (iii) product testing: performs performance and safety tests on new products.

Our R&D team comprises qualified staff with experience in new heat-generating materials supervised by our executive Director, Mr. Zhu Youxin (朱有新), who brings valuable R&D and product development experience to our organization. Mr. Zhu’s background includes the research and production of graphene/carbon fibre flexible electrothermal films, the development and manufacturing of high-performance magnetic materials and permanent magnet electrical appliances, as well as carbon fibre production and product processing. Our R&D team’s daily management is led by our R&D manager Mr. Pang Haiting, a senior electrical engineer. We believe Mr. Zhu’s experience in heat-generating materials and technologies together with Mr. Pang’s field experience substantially enhance our R&D capabilities and strategic direction in the industry.

In 2024 and 2025, our R&D expenses reached approximately RMB6.1 million and RMB7.0 million respectively, and we have successfully obtained the “Certificate of High and New Technology Enterprise (高新技術企業證書)” in November 2024. We consider the above investment and achievement reflect our dedication to maintaining technological competitiveness in the industry.

We have established collaborations with universities to enhance our R&D capabilities:

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- (a) University B, as our scientific research partner, facilitating our (i) research in the production of graphene slurry and cotton polyester; and (ii) research in the performance of integrated thermal textile in outdoor environment.
- (b) University A, on (i) the research of industrial applications of graphene-based thermoelectric materials in camping tent and automotive and; (ii) the research on resistance value of graphene yarns in terms of the composition and proportion of the medium added during slurry configuration.

As at the Latest Practicable Date, we hold three utility model patents, one invention patent, and eight registered trademarks. Our research and development covers key areas such as new electrothermal materials development, thermal efficiency optimisation, and overall product performance enhancement.

Name	Type	Issuing authority	Validity period
Trademarks:			
	Class 17	Trademark Office of China National Intellectual Property Administration	21 May 2019– 20 May 2029
	Class 19	Trademark Office of China National Intellectual Property Administration	21 May 2019– 20 May 2029
	Class 24	Trademark Office of China National Intellectual Property Administration	7 February 2017– 6 February 2027
	Class 11	Trademark Office of China National Intellectual Property Administration	14 July 2016– 13 July 2026
	Class 11	Trademark Office of China National Intellectual Property Administration	14 February 2020– 13 February 2030
	Class 11	Trademark Office of China National Intellectual Property Administration	7 October 2025– 6 October 2035
	Class 11	Trademark Office of China National Intellectual Property Administration	7 October 2025– 6 October 2035
	Class 24	Trademark Office of China National Intellectual Property Administration	7 October 2025– 6 October 2035

Patents:

一種電熱複合板材 (A type of electric heating composite material)	Utility model patent	China National Intellectual Property Administration	15 April 2020– 14 April 2030
一種電加熱網格布 (A type of electrically-heated mesh cloth)	Utility model patent	China National Intellectual Property Administration	15 April 2020– 14 April 2030

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Name	Type	Issuing authority	Validity period
一種負離子產生體及功能墊 (A type of antion generator and functional pad)	Utility model patent	China National Intellectual Property Administration	12 August 2016– 11 August 2026
石墨烯-銅複合散熱膜及其製備方法和應用 (Graphene-copper composite heat dissipation film, its production process, and its application)	Invention patent	China National Intellectual Property Administration	25 October 2018– 24 October 2038

Experienced management

Our success is driven by a management team with deep industry expertise. The team’s collective experience in the new heat-generating materials industry provides us with invaluable insights into market trends, technological developments, and strategic opportunities.

Ms. Li Xinyan (李新艷), our executive Director, chief executive officer and chairperson, exemplifies the calibre of leadership at the helm of our organisation. With a career focused on technology project investment, Ms. Li has been recognised with a number of accolades, including the title of “Pioneer of Women’s Contribution to Entrepreneurship and Innovation (創業創新巾幗建功標兵)” and “Top 10 Outstanding Women in the 2024 New Era Economy (2024 新時代經濟十大傑出女性)” in 2024. Since joining our Group in August 2023, Ms. Li has been instrumental in shaping our overall strategic direction and driving our commitment to innovation and business development. Her initiatives, including the repositioning of the sales strategy and other measures to stimulate sales, have significantly contributed to our growth and competitive advantage in the market.

Mr. Zhu Youxin (朱有新), our executive Director, has made significant contributions to our operations, product development, and R&D areas. From 2017 to present, as the deputy general manager of our Company, he has focused on the R&D of graphene/carbon fibre flexible electrothermal films. His previous experience includes serving as a technical partner and deputy general manager of production and R&D at Jilin Xinghai Magnetic Industry Co., Ltd.* (吉林市星海磁業有限公司) from August 2011 to February 2017. From 2008 to 2009, he worked as an electrical engineer at Sinosteel Jiangcheng Carbon Fibre Co., Ltd.* (中鋼集團江城碳纖維有限公司). Mr. Zhu’s extensive background in heat-generating materials research and development has been instrumental in driving our technological advancements and product innovations.

OUR BUSINESS STRATEGIES

Expanding production capacity to meet growing market demand

To accommodate the increasing market demand for our products and support our diversified product portfolio, we plan to expand our production capacity. According to Frost & Sullivan, the new heat-generating products market in China is projected to grow at a CAGR of 7.8% from 2025 to 2030, reaching approximately RMB23.6 billion by 2030.

Our expansion plan includes:

- Purchasing new production equipment and machinery
- Leasing new factories and warehouse

We estimate that this expansion will increase the annual production capacity of our new production lines to 306,000 sq.m.. To achieve this, we will invest approximately HK\$[REDACTED] million, representing [REDACTED]% of the [REDACTED] from the [REDACTED], in production capacity expansion.

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Enhancing technological innovation and product development

Our market competitiveness and brand influence are driven by the incorporation of technological innovation. We will continue to invest in R&D to focus on new heat-generating materials’ applications and product innovations. To strengthen our market position and broaden our customer base, we intend to explore how we can expand our product lines to cover various market segments and applications. According to Frost & Sullivan, companies that invest in R&D are more likely to achieve sustainable growth and maintain a competitive edge in the rapidly evolving new heat-generating materials industry. Further, according to Frost & Sullivan, companies with diverse brand portfolios and product offerings are better positioned to capture different consumer demographics and preferences, leading to increased market share and brand loyalty.

We plan to deepen our collaborations with University A and University B, focusing on graphene material research and development (R&D) and product expertise enhancement. Our joint research projects will encompass three key areas: (i) enhancement of graphene structural integrity and stability; (ii) research and development of graphene-integrated thermal textiles for outdoor applications; and (iii) industrial applications of graphene-based thermoelectric materials in the automotive sector.

We intend to invest HK\$[REDACTED] million, representing [REDACTED]% of the [REDACTED] from the [REDACTED], on funding for collaborative research projects with academic institutions. For further details, please refer to the paragraphs headed “Research and Development — Collaboration with research institutions” in this section.

For detail of our use of [REDACTED], please refer to the section headed “Future Plans and Use of [REDACTED]” in this document.

OUR PRODUCTS

Our Company is dedicated to the research, development, production and sales of new heat-generating materials and products in Northeast China. Our core focus is on graphene-based materials and products, which form the foundation of our product lines.

Graphene: the new heat-generating material

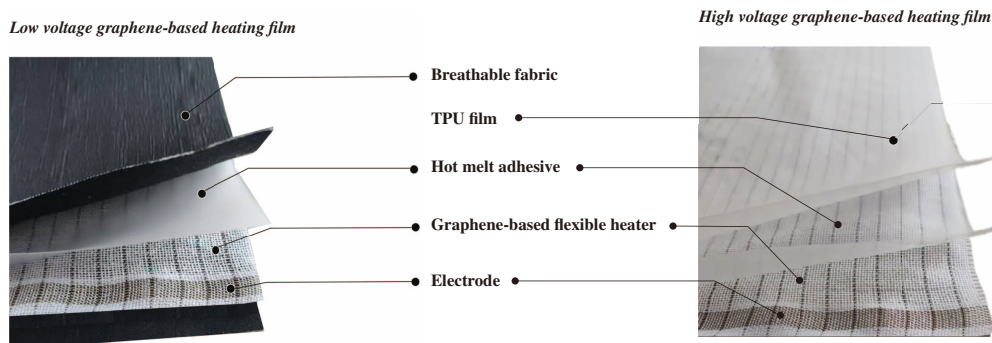
Graphene is a material composed of carbon atoms tightly packed into a single-layer, two-dimensional honeycomb lattice structure. As the basic building block for various carbon materials, graphene possesses the following properties:

1. **Thin structure:** Approximately 0.41 nanometres thick, graphene is currently one of the thinnest known materials in the world. Further, due to its single-atom thickness, graphene boasts an ultra-large specific surface area. This characteristic makes graphene a suitable candidate for high-capacity energy storage applications.
2. **Lightweight:** Graphene is lightweight, with a density of approximately 0.77 milligrammes (mg) per sq.m.. This property makes it a suitable material for applications where weight is one of the critical factors, such as wearable technology.
3. **Thermal conductivity:** Graphene’s structure, with carbon-carbon bonds measuring only 1.42 Å (angstroms), contributes to its thermal conductivity. The connections between carbon atoms allow graphene to adapt to external forces without rearranging, maintaining structural integrity while conducting heat.

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The composition of our product

Our graphene-based heating films are engineered in two configurations to serve different market segments. The breathable fabric layer and thermoplastic polyurethane (TPU) film layer within different film types serve distinct purposes in the Group’s product portfolio, directly impacting the functionality and suitability of the end products.



The low voltage graphene-based heating film, featuring a breathable fabric layer, is primarily used in our graphene-integrated thermal products sold through distribution sales under our Fan Xi, Mei Shi Kang, and Die Lian Qing Feng brands. This structure is designed for consumer products such as thermal clothing, personal relaxation products and outdoor gear. The breathable fabric layer within the structure is soft, flexible, and permeable, enhancing the wearability and comfort of products that come into direct contact with the skin. Its key functional benefits are air circulation, moisture-wicking, and temperature regulation, which are essential for prolonged wear and help prevent overheating or skin irritation. As such, the breathable fabric layer is selected to prioritize user comfort and usability, making it ideal for garments and other consumer items.

The high voltage graphene-based heating film, which utilises a TPU film layer instead of breathable fabric, is manufactured and sold under our Hua Chen brand directly to manufacturers and construction companies. These customers incorporate our graphene-based heating films into their end products such as home living, automotive parts, and floor heating systems. The TPU film in this film provides strong insulation, waterproofing, and durability, making it suitable for 220V AC applications where robust protection is required. Its functional impact lies in delivering safety and insulation for high-voltage environments, as well as mechanical strength and resistance to harsh conditions. This layer is specifically chosen for industrial products due to its ability to ensure longevity and reliability in demanding settings, where safety and durability take precedence over comfort.

Both graphene-based heating films maintain our core graphene-based flexible heater and electrode components, whilst their distinct outer layers and voltage specifications serve different applications.

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Advantages of our graphene-based heating film products

Our graphene-based heating film products offer several key benefits:

1. *Safety and eco-friendliness:* operating on safe low-voltage (generally 5V DC – 24V DC) power, our products emit no harmful gases or electromagnetic radiation during production or use. For high voltage (220VAC) products, we employ TPU film technology to ensure insulation meets enterprise standard.
2. *Rapid and even heating:* with good heating efficiency, our products begin warming upon power-up and reach the desired temperature within a short period of time, distributing heat evenly for comfort.
3. *Flexibility:* the lightweight, soft material can be folded in any direction without materially compromising heating performance or temperature uniformity.
4. *Far-infrared benefits:* graphene-based heating films emit far-infrared rays, potentially improving blood circulation, and overall relaxation.

Comparison with traditional heating products

According to Frost & Sullivan, our graphene-based heating technology represents an advancement over traditional heating products, particularly in several key aspects:

1. *Heating efficiency and mechanism:* unlike traditional heating products that rely on metal resistance wires, our graphene-based heating technology utilises two-dimensional carbon atom materials. The heating process occurs through unique electron sliding and phonon leaping mechanisms, rather than conventional resistance heating. This allows our products to achieve nearly theoretical maximum efficiency. Traditional heating wires, in contrast, exhibit lower efficiency, slower heating rates, and often produce uneven heating due to manufacturing limitations.
2. *Energy consumption:* we consider our graphene-based thermal products demonstrate good energy efficiency due to graphene’s electrical conductivity properties. The material’s high thermal conductivity coefficient ensures high conversion of electrical energy into heat energy, minimizing energy waste. Traditional heating products typically consume more energy due to their lower conversion efficiency, slower heating speeds, uneven heat distribution, and lack of temperature control features.
3. *Enhanced durability:* we consider the structural stability of graphene ensures products integrating our graphene-based heating films maintain consistent performance without degradation from high-temperature operation, in particular the products integrating our high-voltage graphene-based heating films. The material’s high tensile and compressive strength allows our products to withstand mechanical stress while maintaining heating efficiency. We consider our graphene-based thermal products demonstrate longevity compared to traditional heating products, which often suffer from quality issues, material degradation, and oxidation in high-temperature environments.
4. *Versatile applications:* while traditional heating products are largely limited to basic applications like electric heaters and blankets, our graphene-based heating technology enables a broader range of applications including floor heating, thermal clothing, and heating films. This versatility, combined with the material’s properties, positions our products at the forefront of heating technology innovation.

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The following table sets forth the breakdown of revenue by sales channel for the year indicated:

	FY2024			FY2025		
	(RMB'000)	%	Sales Volume ('000 pieces)	(RMB'000)	%	Sales Volume ('000 pieces)
Distribution sales	79,675	81.4	306	99,261	83.4	423
Direct sales	18,207	18.6	396	19,799	16.6	209
Total.	97,882	100.0	702	119,060	100.0	632

In all years and periods of the Track Record Period, distribution sales made up more than 65% of total revenue. Between FY2024 and FY2025, the proportion of distribution increased slightly from 81.4% to 83.4%, with a corresponding decrease in the proportion of direct sales from 18.6% to 16.6% in the same period.

The following table sets forth the breakdown of our revenue by product type for the year indicated:

	FY2024				FY2025			
	Revenue RMB'000	%	Sales volume ('000 pieces)	ASP RMB/piece	Revenue RMB'000	%	Sales volume ('000 pieces)	ASP RMB/piece
Graphene-integrated thermal products								
Smart thermal clothing	47,768	48.8	93	514	39,092	32.8	89	439
Personal relaxation products	11,462	11.7	154	74	16,015	13.5	174	92
Travel and outdoor products	20,445	20.9	59	347	44,154	37.1	160	276
Subtotal:	79,675	81.4			99,261	83.4		
Graphene-based heating films . . .	18,207	18.6	396	46	19,799	16.6	209	95
Total	97,882	100.0			119,060	100		

During the Track Record Period, our revenue was primarily derived from our smart thermal clothing, which accounted for approximately 48.8% and 32.8% of our total revenue for FY2024 and FY2025, respectively.

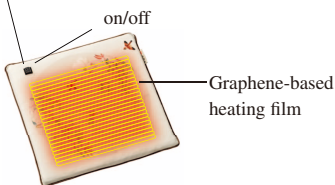
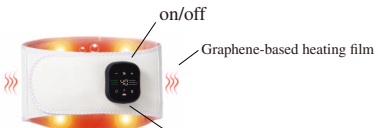
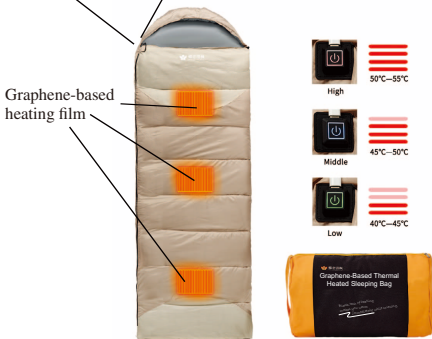
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Our product under our brands

The following table sets forth our products under each of our brands, the year of launch and the recommended retail price where applicable:

Brand Name	Year of launch	Product	Picture	Recommended retail price
Hua Chen 	March 2018	Low voltage graphene-based heating films		Not applicable, not for retail
		High voltage graphene-based heating films		
Fan Xi 	July 2022	Thermal outdoor jackets and trousers ⁽¹⁾		RMB1,699

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Brand Name	Year of launch	Product	Picture	Recommended retail price
		Thermal vests ⁽¹⁾		RMB460
Mei Shi Kang 	July 2022	Thermal seat cushions		RMB129
		Portable thermal waist bands		RMB298
Die Lian Qing Feng 	July 2022	Thermal sleeping bags		RMB499 to RMB1,199

Note:

- Our products are powered by power banks connected by USB chargers.

SALES AND DISTRIBUTION

Our sales channels are structured according to our two distinct business segments, direct sales and distribution sales segments. In our direct sales segment, operated under the Hua Chen brand, we primarily engage in direct sales to factories and construction companies, maintaining close relationships with industrial clients who integrate our graphene-based heating films into their end products. Our sales team of direct sales focuses on industrial applications of our films, working closely with our (as of the Latest Practicable Date) 21 clients to ensure integration of our materials into their manufacturing processes. In contrast, our distribution sales segment, comprising the Fan Xi, Mei Shi Kang, and Die

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Lian Qing Feng brands, operates through a distribution network of 29 distributors (as of the latest practicable date) in Northeast China. Through this sales approach, we can effectively serve both our industrial clients and retail consumers while maintaining distinct sales and marketing strategies tailored to each segment’s unique requirements.

The table below sets forth the revenue contribution from our direct sales segment and distribution sales segment during the Track Record Period:

	FY2024		FY2025	
	RMB'000	%	RMB'000	%
Distribution sales	79,675	81.4	99,261	83.4
Direct sales	18,207	18.6	19,799	16.6
Total	97,882	100.0	119,060	100.0

Direct sales

Customers of our graphene-based heating films include industrial end-users, comprising factories and construction companies which integrate the heating films into their own end products, such as heated floor panels, heated mats and warming equipment. The salient terms of our standard agreement with our customers in the direct sales segment, as at the Latest Practicable Date, are generally as follows:

Duration:	One year
The rights and obligations of parties involved:	Our direct sales customers are obligated to act in compliance with our sales agreements and the specifications, quantities and delivery schedules set out in the individual purchase orders issued thereunder. Any breach of the terms of the individual purchase orders will constitute a breach of the sales agreement.
Sales and pricing policies:	We sell our graphene-based heating films to our direct sales customers at unit prices agreed under each individual purchase order with reference to the customer’s specifications, order volume and prevailing market conditions.
Goods return policies:	We generally only accept sales returns for products that are subsequently identified to have manufacturing defects.
Minimum purchase amounts:	Not applicable.
Payment:	Our direct sales customers pay us via bank transfer or other means as mutually agreed.
Credit terms:	We generally grant our direct sales customers a credit term of up to 90 days from the date of good dispatch.
Conditions for terminating the agreements:	We may terminate the sales agreement if the direct sales customer (i) materially breaches the sales agreement, including any failure to make payment within the credit term granted; (ii) becomes insolvent, enters into liquidation or is the subject of analogous insolvency proceedings; or (iii) ceases to hold the necessary business licences to operate.

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Use of brand name: Our direct sales customers are prohibited from using our brand name without obtaining our prior written consent.

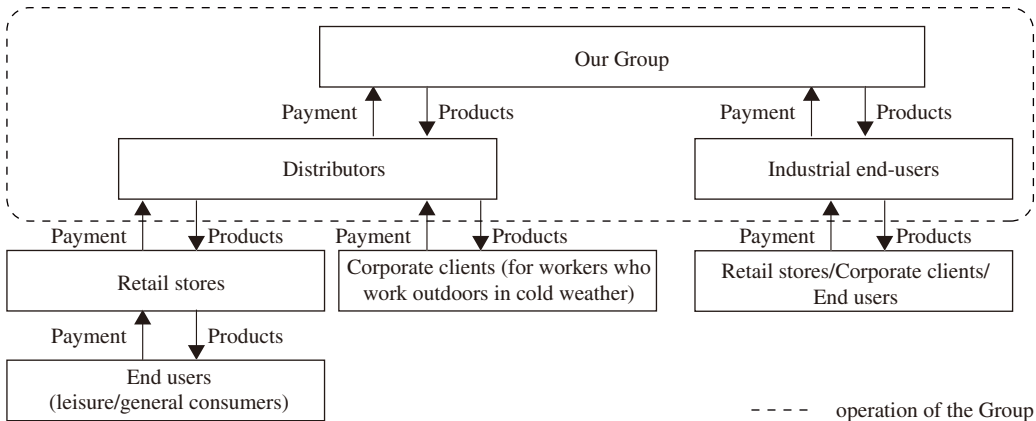
Distribution sales

As at the Latest Practicable Date, we had a distribution network consisting of 24 distributors and 8 marketing staff members in Northeast China. We believe our distribution network utilising our distributors allows us to maximise our market presence and penetrate with reasonably extensive width and breadth in Northeast China. During the Track Record Period, our distribution network in Northeast China successfully assisted our Group in its continued development. Majority of our revenue was derived from the sales of our smart thermal clothing through distributors in Northeast China, all of whom were Independent Third Parties as at the Latest Practicable Date. We maintain a buyer/seller relationship with our distributors, and our distributors are our customers.

Sales and distribution mechanism

To manage our distribution network, our marketing staff work closely with our distributors. In particular, our marketing staff (i) assist the distributors in achieving sales target; (ii) monitor their performances and inventory levels; and (iii) ensure that our products effectively penetrate target areas.

Below we set out an illustrative diagram to explain the payment flow and product delivery flow between our Group, our distributors, and their downstream customers (such as retail stores and corporate clients).



We continuously strengthen the quality of our marketing staff by providing them periodic training to improve their product knowledge and marketing skills, including how to select and cooperate with distributors and help distributors handle queries from their downstream customers. We believe that we have provided competitive remuneration packages to our marketing staff.

Our distributors

The changes in the movement of the number of our distributors, who had transactions with our Group for FY2024 and FY2025 are set out below:

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	FY2024	FY2025
As at the beginning of the year	15	22
Increase of distributors	8	8
Decrease of distributors ⁽¹⁾	(1)	(1)
As at the end of the year	22	29

The total number of our distributors increased in FY2025 as part of our initiative to expand sales coverage and reach a broader client base.

Note:

- (1) Due to low purchase volumes and our strategic focus on optimizing resources, we have made the decision to discontinue our distribution partnership with such distributor.

Salient terms of our distribution agreement

Our distributors are required to comply with our standard distribution agreement they entered into with us. The salient terms of our standard distribution agreements with our distributors as at the Latest Practicable Date are as follows:

Duration:	One year.
The rights and obligations of parties involved:	Distributors are obligated to act in compliance with our distribution agreements and sales policies. Any breach of the sales policies will constitute a breach of the distribution agreements.
Sales and pricing policies:	We sell our products to our distributors at listed wholesale prices. Distributors onsell the products to (i) retailers, who intend to sell to the end users and/or (ii) corporate client. Distributors are prohibited from appointing sub-distributors for the purpose of onselling our products without obtaining our prior written consent. The retail price of the distributors should be determined with reference to our suggested price, in any case not less than the minimum price set by us.
Goods return policies:	We generally only accept sales returns for damaged products that are caused by us.
Sales targets:	We do not impose sales targets on our distributors.
Minimum purchase amounts:	Not applicable.
Sales and inventory information:	Distributors are required to provide us quarterly update, which includes details such as sales volume and level of inventory.
Payment:	Our distributors pay us via bank transfer or other means as mutually agreed.
Credit terms:	We grant our distributors a credit term of 90 days.

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Conditions for terminating the agreements:

We may terminate the distribution agreement pursuant to our sales policies if the distributor (i) fails to satisfy the prerequisites as our distributors, such as maintaining necessary business license to operate; or (ii) materially breaches the agreement by selling without complying with the pricing strategies set by us.

Use of brand name:

Distributors are prohibited from using our brand name without obtaining our prior written consent.

Product warranty and return policies

We generally do not accept product returns from our distributors unless there are quality defects. Our sales department handles any requests for product returns and our quality control department will evaluate if there is any quality defect. During the Track Record Period, we did not experience any product returns from our from our distributors, and we provide product warranty for one year.

Managing our distributors

To better manage our distributors, we conduct periodic inspections to keep track of:

- (i) the validity of the business licence of our distributors;
- (ii) the level of their inventory; and
- (iii) the details of the products currently on sale (such as unit price, volume and batch number). We will investigate if any of our distributors violate any of the terms stipulated in our distribution agreements or sales policies.

To the best knowledge of our Directors, our distributors did not enter into sub-distributor agreements for the purpose of on selling our products during the Track Record Period and up to the Latest Practicable Date.

Our procedures for monitoring our distributors’ level of inventory and performance are described below.

Quarterly report:

Each of our distributors is required to submit a quarterly inventory and sales update to us, setting out the sales volume, sales amount, and opening and closing inventory levels (by stock-keeping unit and batch number) during the relevant calendar quarter.

Periodic inspections:

Periodic inspections of distributor inventory are conducted by the Group’s sales and distribution team on a semi-annual basis. Such inspections comprise (i) on-site physical visits to the selected distributors’ warehouse premises to observe inventory on hand; (ii) review of inventory records against the quarterly sales and inventory report submitted by the selected distributors; (iii) sample-tracing of specific SKUs from purchase to final sale using our serialised batch numbers; and (iv) interviews with the selected distributors’ warehouse personnel and senior management.

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Number of periodic inspections	On-site inspections were conducted covering all of our 22 distributors in FY2024 and all of our 29 distributors in FY2025 (representing 100% coverage in each year).
Follow-up actions	Where the periodic inspections or review of quarterly updates identify (i) slow-moving inventory at a distributor; or (ii) any material discrepancy between the distributor’s self-reported data and our on-site observations, we require the distributor to provide a written explanation and a remedial plan. During the Track Record Period, we did not identify any material issue requiring escalation.
Documentation	For each periodic inspection, our sales and distribution team completes a standard-form inspection checklist and inspection report. These reports, together with the quarterly inventory and sales update submitted by each distributor, are archived in our distributor management portal and retained for not less than five years.
Aggregate amounts of unsold products	As at 31 December 2024, the aggregate amount of unsold products from the Group held by all of our distributors was approximately RMB2.5 million, representing approximately 3.2% of the aggregate purchases of RMB79.7 million made by our distributors from the Group during FY2024. As at 31 December 2025, the aggregate amount of unsold products from the Group held by all of our distributors was approximately RMB6.0 million, representing approximately 6.0% of the aggregate purchases of RMB99.3 million made by our distributors from the Group during FY2025.

Discontinued distributor partnership in 2024

As indicated above, we discontinued our partnership with one distributor in FY2024. The distributor in question was not formally terminated by the Group. The discontinuation arose because the distributor did not meet Ms. Li’s purchase expectations, which, while not contractually mandated, served as an important benchmark for assessing distributor performance and resource allocation. The distribution agreement itself did not require a minimum purchase volume as a condition for renewal or continuation.

Following discussions with Ms. Li, the distributor voluntarily elected not to renew the agreement, citing a lack of confidence and inability to maintain competitiveness in the market. Therefore, the decision was mutual and did not conflict with the termination conditions stipulated in the distribution agreement, which are primarily based on material breaches or non-compliance with distribution terms. The Group’s actions were consistent with the contractual framework and reflect its strategic focus on optimising resources.

Mitigating the risk of cannibalisation among distributors

As we expand our distribution network for graphene-integrated thermal products across Northeast China, targeting tier-1 and tier-2 cities such as Dalian and Harbin, we acknowledge the inherent risk of cannibalisation among distributors operating within overlapping regions.

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To address this risk effectively, we have implemented a series of strategic policies and principles designed to maintain a balanced and healthy distribution ecosystem. The strategy focuses on managing distributor overlap and maintaining price stability through preventative policies and enforcement through monitoring.

- (i) *Managing distributor overlap*: With respect to potential overlap among distributors, as of FY2025, the Group maintained relationships with 29 distributors, primarily located in Northeast China. While some distributors (or their retailers) may operate in the same geographic areas, our Directors do not view such proximity as inherently problematic. Distributors typically target distinct end user segments—for instance, some of our distributors target retail stores serving leisure consumers, while others focus on corporate clients procuring products for outdoor workforce needs. Distributors may also focus on different product lines, such as thermal clothing, seat cushions, or sleeping bags, depending on market demand and their primary sales channels.

Our Directors recognise that the customer bases served and products sold by our distributors can be differentiated, even within shared geographic areas. The Group supports such market segmentation efforts through sales performance reviews, monitoring of retail price points and sales volumes, and tailored marketing support.

- (ii) *Maintaining price stability*: This strategic policy focus is designed to prevent adverse price competition, such as price wars or undercutting, which could destabilise the market and erode profitability. A key element to maintaining price stability is our maintenance of recommended prices (floor prices) for our products: all distributors are prohibited from selling to their retailers below these established thresholds. To further ensure pricing consistency, the Group provides recommended retail prices, enforces a “no sub-distribution without consent” policy, and offers training and guidelines to distributors on pricing and branding.

By enforcing these pricing guidelines, we ensure a consistent and sustainable revenue stream for our distributors. and maintain brand value and consistency in the marketplace.

Our sales and marketing department’s proactive monitoring is crucial to enforcing both market segmentation and price stability measures. Regarding market segmentation, monitoring of sales performance, retail price points and sales volumes helps us gauge the risk of cannibalism and provide more tailored support as needed. The Group also conducts quarterly reviews of distributor inventory, sales performance, and pricing strategies to ensure ongoing compliance and protect the integrity of its distribution network.

Regarding price variance control, distributors are permitted to set prices above the minimum; however, the Group closely monitors price variance on a quarterly basis, evaluating the reasonableness of deviations in light of local market conditions, product bundling, and seasonal promotions. Additionally, such efforts are supported by the non-price floor price stability maintenance policies described above.

If a distributor violates the terms of the distribution agreement, such as breaching pricing policies, branding requirements, or sub-distribution restrictions, the Group initiates a series of follow-up actions. These may include issuing a formal warning, requesting a corrective plan within a stipulated timeline, suspending supply or credit terms during the investigation period, and, if non-compliance persists, terminating the agreement in accordance with contractual provisions.

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We consider our pricing strategy balances competitiveness with the prevention of undercutting, while our sales team actively tracks sales data and distributor performance to identify and address any emerging signs of cannibalisation. Up to the Latest Practicable Date, the Group has not observed significant price divergence among distributors that would undermine profitability or brand equity. There have been no reported pricing disputes or sales conflicts among distributors, nor has there been any material impact on the Group’s historical financial performance attributable to distributor overlap.

Notably, revenue from distribution increased by 24.6% year-on-year in FY2025, rising from RMB79.7 million in FY2024 to RMB99.3 million in FY2025. All of these figures demonstrate the effectiveness of the Group’s distributor management and market segmentation strategies.

When necessary, we could also adjust distribution agreements or offer targeted support to maintain network harmony. Overall, the proactive monitoring, enforcement measures, and significant revenue growth underscore the effectiveness of the Group’s strategies in managing distributor overlap, controlling pricing, and preserving profitability and brand value across its distribution channels. In any event, we acknowledge that these policies aim to minimise, rather than eliminate, adverse competition (e.g., price slumping) among distributors.

We consider the above aligns with our business objective of strengthening our domestic market presence, as detailed in the section titled “Our Business Strategies — Strengthening domestic market presence through enhanced distribution network”. The Group will continue to expand its distribution selectively into tier-1 and tier-2 cities, while actively monitoring and mitigating cannibalism risk.

Termination of distribution agreement

In accordance with the distribution agreement, we are entitled to terminate the distribution agreement in the event of a material breach of the agreements by our distributors. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material breach of distribution agreements in these respects. Furthermore, we had not experienced any material delay/dispute in payment by our distributors during the Track Record Period and up to the Latest Practicable Date.

Anti-bribery policy

Furthermore, we are committed to applying a high standard of ethical conduct and integrity in our business activities, in which every employee acting on our behalf, and our distributors are responsible for conducting their businesses honestly and professionally. We adopt a zero-tolerance policy to bribery and corruption and are committed to acting fairly and with integrity in all our and their business dealings and relationships wherever and whenever operate. Going forward, we will continue to select reliable distributors and to leverage their existing distribution networks to establish our presence. Our current anti-bribery policy is established to prevent, detect, and address any form of bribery, corruption, or improper influence in our business operations and interactions with suppliers, subcontractors, distributors, customers, and government officials.

Prohibition of Bribery and Corrupt Practices

All employees, directors, officers, and third-party representatives are strictly prohibited from offering, promising, giving, soliciting, accepting, or receiving any form of bribe, kickback, facilitation payment, or other undue advantage. This prohibition applies both directly and indirectly, including through intermediaries or via gifts, hospitality, donations, or sponsorships that could reasonably be perceived as influencing business decisions.

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Risk Assessment and Due Diligence

We conduct regular risk assessments to identify potential bribery risks in our operations, including procurement, sales, subcontracting, and distribution activities. Prior to engaging suppliers, subcontractors, or distributors, we perform due diligence, which includes reviewing compliance history, financial stability, and adherence to anti-bribery standards. Enhanced due diligence is applied for high-risk engagements, such as those involving government entities or regions with higher corruption risk.

Training and Awareness Programs

We provide mandatory anti-bribery training to all employees at the time of onboarding and on an annual basis thereafter. Training covers the identification of bribery indicators, ethical decision-making, and reporting procedures. Specialized training sessions are provided for positions with higher exposure, such as sales, procurement, and R&D. In FY2024 and FY2025, over 95% of employees completed these programs.

Reporting and Whistleblower Mechanisms

We maintain a confidential whistleblower hotline and an anonymous reporting channel managed by an independent third-party service provider. Employees and external stakeholders are encouraged to report suspected violations without fear of retaliation. All reports are investigated by our internal audit team, with findings escalated to the Board of Directors when necessary. During the Track Record Period, no incidents of bribery or corruption were reported or identified.

Monitoring, Audit, and Enforcement

Our internal audit department conducts periodic reviews of transactions, expense claims, and third-party contracts to monitor compliance with this policy. Any violations are subject to disciplinary actions, including termination of employment or contracts, and may be reported to relevant authorities. The policy is reviewed annually by the Board to ensure alignment with updated legal requirements and industry standards.

Third-Party Compliance

Contracts with suppliers, subcontractors, and distributors contain provisions requiring compliance with our anti-bribery policy. We reserve the right to audit third parties and to terminate relationships in cases of non-compliance. For example, agreements with subcontractors for graphene-integrated thermal products include explicit requirements for ethical practices in manufacturing and assembly.

During the Track Record Period and up to the Latest Practicable Date, there have been no material non-compliance incidents related to bribery or corruption. This framework is intended to support sustainable business operations and maintain stakeholder confidence.

Pricing strategies

In determining our pricing strategies and the wholesale price, we take into consideration a number of factors, including the following:

- our cost and intended overall profit margin;
- prevailing market environment such as pricing of similar or substitute products; and

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- market demand.

The Group’s pricing policy differs between its B2B industrial and B2C consumer segments, reflecting the unique characteristics and market dynamics of each. For the direct sales segment (Hua Chen brand), which serves B2B industrial clients, products are sold directly to factories and construction companies. Pricing is determined by product specifications, customisation, order volume, and the nature of the client relationship, with no suggested retail price as these products are not intended for end consumers. The strategy focuses on offering competitive bulk pricing, custom integration, and technical support, with tailored quotations to meet the requirements of large-scale industrial applications. This ensures profitability through high-volume sales and flexibility for industrial clients.

For the consumer segment (Fan Xi, Mei Shi Kang, Die Lian Qing Feng brands), products are distributed to 24 regional distributors at listed wholesale prices. Distributors are not permitted to appoint sub-distributors without Group approval and are required to adhere to minimum retail prices set by the Group, thus preventing undercutting and price wars. Suggested retail prices for key products are: thermal outdoor jackets at RMB1,699, thermal vests at RMB460, thermal seat cushions at RMB129, portable waist bands at RMB298, and thermal sleeping bags ranging from RMB499 to RMB1,199. Distributors must reference these suggested retail prices and are not allowed to sell below the prescribed thresholds, thereby preserving brand value and market stability. The Group also grants a 90-day credit period to distributors, with payments settled by bank transfer, supporting healthy distributor relationships and stable sales growth.

Across both segments, key pricing considerations include cost structure, profit margin objectives, market demand, regional competition, product type, and distribution control to mitigate cannibalisation and maintain stable pricing. These policies collectively ensure that both brand value and profitability are protected, while promoting consistency and competitiveness in the market.

For details of the suggested retail prices of our products, please refer to the subsection headed “Business — Our Products — Our product under our brands”.

Our marketing activities

Our sales and marketing team is supervised by Ms. Li Xinyan (李新艷), who has been instrumental in shaping our overall strategic sales direction and promoting measures to stimulate sales, specifically guiding the sales and marketing team in executing relevant sales strategies and initiatives. Furthermore, our marketing staff typically focus on the marketing and promotional activities in a designated region to solidify and familiarise with such local market, and to foster closer collaboration with our local distributors.

Going forward, we plan to pursue multi-channel marketing efforts, which mainly involves social media advertisement, print media, seminars, high-speed road sign advertising and other outdoor advertisement.

Our customers

During the Track Record Period, our business serves both direct sales and distribution sales market segments through different sales channels. In our direct sales segment, we sell graphene-based heating films directly to manufacturers and industrial customers who integrate our products into their own production processes. These direct sales form an important part of our business model, particularly under our Hua Chen brand.

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For our distribution sales segment, operating under the Fan Xi, Mei Shi Kang, and Die Lian Qing Feng brands, we primarily sold through our distributor network. These distributors sell to retailers where end-users can purchase our consumer products or corporate clients. We maintain buyer/seller relationships with our distributors, and this distributorship model is in line with industry practice in the PRC. Through our distributors’ established access to local markets, we can effectively expand the breadth and depth of our retail market presence in a cost-efficient manner.

This sales approach allows us to serve both industrial clients and retail consumers effectively, maximising our market reach while maintaining efficient channel management across different customer segments.

For FY2024 and FY2025, total sales to our Group’s five largest customers in each year is accounted for approximately 53.8% and 46.4% for the respective years of our total revenue for the respective year while sales to our single largest customer accounted for approximately 13.1% and 10.1% of our total revenue for the respective year. In FY2024, all five of our largest customers in the year were distributors. In FY2025, four of the five largest customers of the year were distributors.

We confirm that, all our five largest customers in each year were Independent Third Parties and none of our Directors or their close associates or our existing Shareholders who, to the knowledge of our Directors, 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.

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Save for one customer which is also our supplier, during the Track Record Period, none of our major customers was also our supplier or vice versa. For further information, please refer to “Business — Supply, procurement, inventory and logistics — Overlapping of customer and supplier”. The following tables set out our top five customers and other information for the years indicated:

FY2025

Rank	Name	Background	Major products procured	Commencement of business relationship	Credit term	Payment method	Total sales (RMB'000)	% of Group's total sales
1	Customer A . . . See Note 1		Graphene-integrated thermal products	July 2022	90 days	Bank transfer	11,968	10.1%
2	Customer B . . . See Note 2		Graphene-integrated thermal products	July 2022	90 days	Bank transfer	11,671	9.8%
3	Customer C . . . See Note 3		Graphene-based heating films	January 2025	90 days	Bank transfer	11,644	9.8%
4	Customer D . . . See Note 4		Graphene-integrated thermal products	July 2022	90 days	Bank transfer	10,172	8.5%
5	Customer E . . . See Note 5		Graphene-integrated thermal products	July 2022	90 days	Bank transfer	9,741	8.2%
Total							55,196	46.4%

FY2024

Rank	Name	Background	Major products procured	Commencement of business relationship	Credit term	Payment method	Total sales (RMB'000)	% of our Group's total sales
1	Customer A . . . See Note 1		Graphene-integrated thermal products	July 2022	90 days	Bank transfer	12,859	13.1%
2	Customer B . . . See Note 2		Graphene-integrated thermal products	July 2022	90 days	Bank transfer	11,328	11.6%
3	Customer D . . . See Note 4		Graphene-integrated thermal products	August 2022	90 days	Bank transfer	9,945	10.2%
4	Customer E . . . See Note 5		Graphene-integrated thermal products	July 2022	90 days	Bank transfer	9,254	9.5%
5	Customer F . . . See Note 6		Graphene-integrated thermal products	September 2022	90 days	Bank transfer	9,247	9.4%
Total							52,633	53.8%

BUSINESS

Notes:

- 1 Customer A is a privately owned limited liability company established in PRC in 2017, with a registered capital of RMB30 million. Customer A had approximately 32 employees. It principally engaged in the wholesale of textiles, apparel and household products, including the on-selling of our Group’s graphene-integrated thermal products, and was as our distributor in FY2024 and FY2025. We first became acquainted with Customer A in 2022. The downstream customers of Customer A are located in Northeast China.
- 2 Customer B is a privately owned PRC limited liability company established in the PRC in 2017, with a registered capital of approximately RMB30 million. Customer B had approximately 35 employees. Customer B is principally engaged in the wholesale of textiles, apparel and household products, including the on-selling of our Group’s graphene-integrated thermal products, and was as our distributor in FY2024 and FY2025. We first became acquainted with Customer B in 2022 through a sales call by our subsidiary Hua Chen. The downstream customers of Customer B are located in Northeast China and are principally offline retail outlets and corporate group-purchase clients.
- 3 Customer C is a privately owned PRC limited liability company established in the PRC in 2013, with a registered capital of approximately RMB1 million. Customer C had approximately 43 employees. Customer C is principally engaged in automotive interior decoration and automotive beauty services. Customer C is a direct sales customer of our Group’s graphene-based heating films, which it procures for integration into automotive interior heating applications. We first became acquainted with Customer C in 2025 through sales call by our subsidiary Hua Chen. The downstream customers of Customer C are located in Northeast China and are principally automotive original equipment manufacturers, automotive interior product manufacturers and automotive customisation service providers.
- 4 Customer D is a privately owned PRC limited liability company established in the PRC in 2017, with a registered capital of approximately RMB30 million. Customer D had approximately 27 employees. Customer D is principally engaged in the wholesale of textiles, apparel and household products, including the on-selling of our Group’s graphene-integrated thermal products to corporate and institutional procurement clients, and was as our distributor in FY2024 and FY2025. We first became acquainted with Customer D in 2022. The downstream customers of Customer D are located in Northeast China and are principally corporate and institutional procurement clients.
- 5 Customer E is a privately owned PRC limited liability established in the PRC in 2017, with a registered capital of approximately RMB25 million. Customer E had approximately 29 employees. Customer E is principally engaged in the wholesale of textiles, apparel and household products, including the on-selling of our Group’s graphene-integrated thermal products, and was as our distributor in FY2024 and FY2025. We first became acquainted with Customer E in 2021. The downstream customers of Customer E are located in Northeast China and are principally outdoor-goods stores, sporting-goods stores, beauty parlours, fishing-tackle stores, apparel stores and construction companies.
- 6 Customer F is a privately owned PRC limited liability company established in the PRC in 2017, with a registered capital of approximately RMB29 million. Customer F had approximately 29 employees. Customer F is principally engaged in the wholesale of textiles, apparel and household products, including the on-selling of our Group’s graphene-integrated thermal products and labour protection products, and was as our distributor in FY2024 and FY2025. We first became acquainted with Customer F in 2022. The downstream customers of Customer F are located in Northeast China and are principally retail outlets and corporate group-purchase clients, including construction companies sourcing heated workwear and protective equipment for outdoor workers.

All our customers are located in the PRC. We select our customers based on several criteria, including but not limited to creditworthiness, industry track record, reputation, financial condition, and internal management. In addition, all our customers possess valid business licences for their business operation.

Relationships with certain of our five largest customers

Mr. Luo, our then executive Director, had, on various business occasions, referred certain potential customers of our Group to Ms. Pan Yonghua (“**Ms. Pan**”) and her daughter-in-law, Ms. Yang Xue (“**Ms. Yang**”), for the purpose of acquiring ready-incorporated corporate vehicles, on the basis that Mr. Luo considered it preferable for our Group to conduct business with corporate entities rather than with self-employed individuals (個體戶). Mr. Luo did not receive any consideration or compensation from Ms. Pan or Ms. Yang in connection with such referrals.

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Ms. Pan was, during her lifetime, engaged in the business of company incorporation services in the PRC, which involved incorporating companies in the PRC and on-selling such companies, after a period of holding by Ms. Pan and/or Ms. Yang as nominee directors, supervisors and shareholders (as the case may be), to third-party purchasers seeking ready-incorporated corporate vehicles. Ms. Pan passed away in 2023 and her business has since been taken over by Ms. Yang. Each of Customer A, Customer B, Customer D, Customer E and Customer F had been incorporated by Ms. Pan as part of her company incorporation services business and was acquired by its current shareholders from Ms. Pan during the period between November 2020 and February 2021 at a transfer price ranging from approximately RMB1,000 to approximately RMB3,000 per Customer.

Save for the historical shareholdings and corporate positions described above and in the table above, neither Ms. Pan nor Ms. Yang has at any time been involved in the business operations, day-to-day management or strategic decision-making of any of Customer A, Customer B, Customer D, Customer E or Customer F.

Mr. Luo and the beneficial owner of Customer D

Customer D is wholly owned by Mr. C, who serves as its legal representative, executive director and general manager. Mr. C and Mr. Luo are co-investors in Jilin Province West Saline-Alkali Land Treatment Engineering Consulting Co., Ltd. (吉林省西部鹽鹼地治理工程諮詢有限公司) (“JW Engineering”), a company incorporated in the PRC in December 2022 with the initial intention of pursuing PRC government-led projects in western saline-alkali land remediation, land consolidation, river-lake connectivity initiatives and water supply projects, but which has remained inactive (or has had only minimal operations) since its incorporation.

As at the Latest Practicable Date, Mr. C held approximately 99% of the equity interest in JW Engineering and served as its executive director and general manager, while Mr. Luo held the remaining approximately 1% and served as its supervisor. Mr. C acquired his 99% equity interest in JW Engineering in around May 2024 from an independent third party, on the basis of Mr. Cai’s industry experience with PRC government-related institutions in bulk purchasing, and became the legal representative, executive director and general manager of JW Engineering at that time.

Each of Customer D and Mr. Luo has confirmed to us in writing that they are independent of each other, are not parties acting in concert, and have not given to or received from each other any operational instructions, financing or financial assistance.

Mr. Luo and the beneficial owner of Customer E

Customer E is wholly owned by Mr. Y, who serves as its legal representative, executive director and general manager. Mr. Y and Mr. Luo are co-investors in Jilin Shengyi Auction Co., Ltd. (吉林省晟億拍賣有限公司) (“**JS Auction**”), a company which was acquired by Mr. Luo and Mr. Y from Ms. Pan as an investment holding company, and which has not engaged in any auction-related activities or other operations since acquisition.

As at the Latest Practicable Date, Mr. Luo held 60% of the equity interest in JS Auction and served as its supervisor, while Mr. Y held the remaining 40% and served as its legal representative, executive director and general manager.

Each of Customer E and Mr. Luo has confirmed to us in writing that they are independent of each other, are not parties acting in concert, and have not given to or received from each other any operational instructions, financing or financial assistance.

BUSINESS

Comparability of pricing, other terms and gross profit margins for Customer D and Customer E

Our Directors confirm that the pricing, other terms of sale and gross profit margins of our Group’s transactions with Customer D and Customer E during the Track Record Period were on substantially the same terms as, and on no more favourable terms than, those of our Group’s transactions with our other distributors for comparable products.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no past or present relationship of family, business, employment, trust, financing, shareholding, transfer of fund flows or any other nature, between our Group, on the one hand, and any of our distributors (other than Customer A, Customer B, Customer D, Customer E and Customer F) or any of their respective associates, on the other hand.

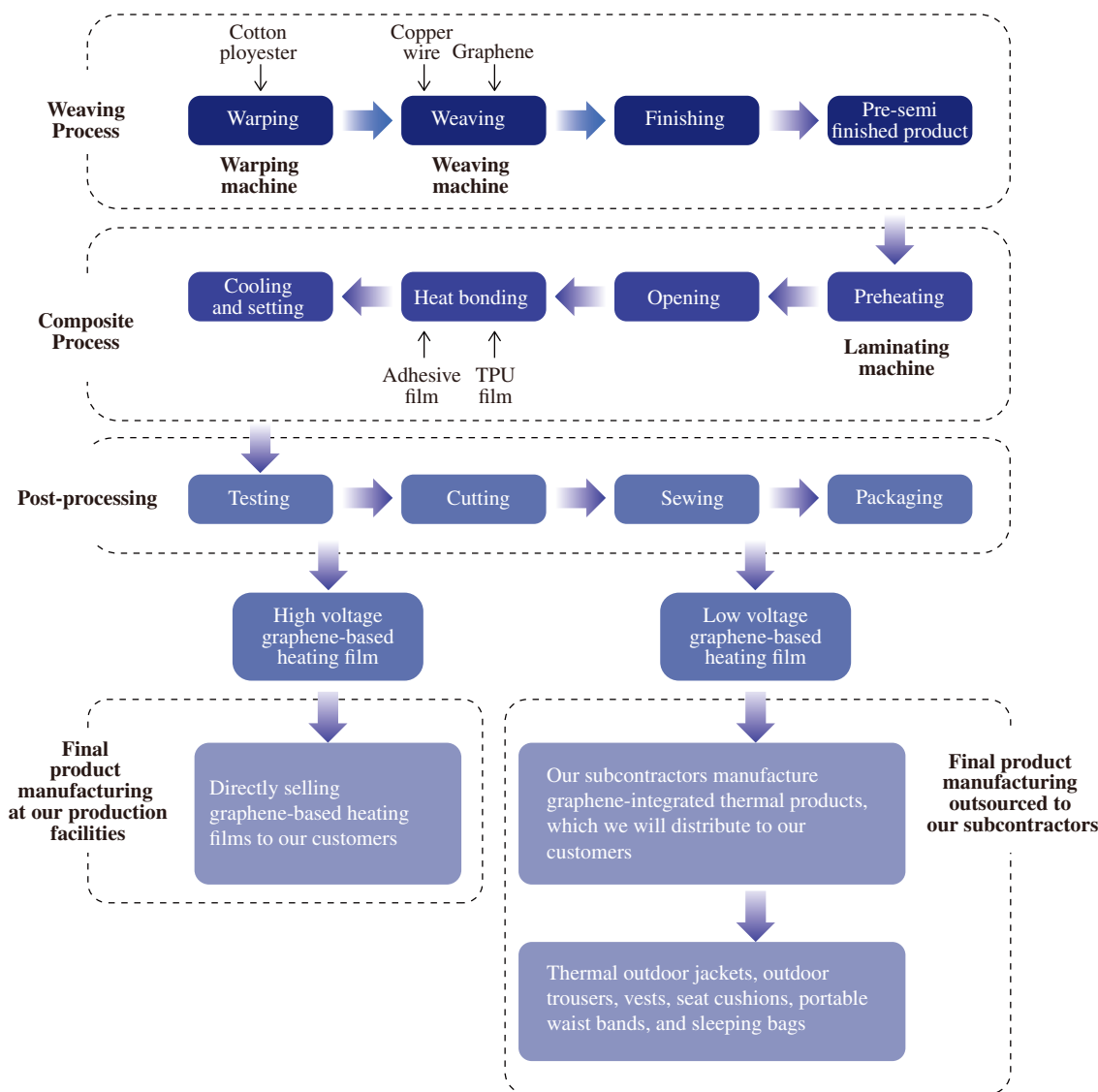
PRODUCTION

We produce graphene-based heating films at our production facilities located in the Advanced Manufacturing Industrial Park, Changchun International Logistics Economic Development Zone, South Yingtai Road, Yingjun West Street West, Changchun International Logistics Economic Development Zone, Erdao District, Changchun City, Jilin Province.

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Production process

The following flow chart summarises the key steps to produce our graphene-based heating films and graphene-integrated thermal products:



1. Weaving process:

- a. Warping: cotton polyester is wound onto a beam, ensuring the required thread count and length. Tension is maintained throughout for uniformity. The prepared warp beam is then mounted on the loom.
- b. Weaving: using shuttles and rapier mechanisms, weft threads are interlaced with warp threads. This process combines three components: cotton polyester for the base film, copper wire for conductivity, and graphene yarn for heating functionality.
- c. Finishing: the newly woven film undergoes finishing processes, including shaping techniques to stabilise its structure.

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- d. Pre-semi-finished product: at this stage, the film is considered a pre-semi-finished product, ready for the next phase of production.
2. Composite process:
- a. Preheating: the laminating machine is preheated to 140°C for bonding.
 - b. Opening: the pre-semi-finished film is unrolled and spread to ensure uniform treatment in subsequent steps.
 - c. Heat bonding: the prepared film enters the laminating machine. TPU film or breathable fabric and adhesive film are applied, with pressure and heat securing these films to the woven fabric.
 - d. Cooling and setting: after heat bonding, the laminated film is cooled to set and stabilise the newly formed composite structure. An integrated rewinding machine then collects the finished laminated fabric.
3. Post-processing:
- a. Testing: the laminated film undergoes quality control to ensure all performance parameters meet product standards.
 - b. Cutting: the film is cut according to required dimensions or patterns, preparing it for further processing.
 - c. Sewing: depending on the product design, cut pieces may be sewn together. This step is optional based on the intended final product.
 - d. Packaging: the processed fabric, now called graphene-based heating film is packaged for transport.
4. Final product manufacturing:
- a. For our direct sales segment under the Hua Chen brand, the processed graphene-based heating film completes its production process at this stage. These films are packaged as final products and sold directly to manufacturers and construction companies, who then incorporate our films into their own products such as heating systems and automotive parts.
 - b. For our distribution sales segment, operating under the Fan Xi, Mei Shi Kang, and Die Lian Qing Feng brands, the production process continues through our subcontractors. As our Company specializes in graphene-based heating film production and does not maintain production lines for consumer products, we engage subcontractors with specialized facilities for consumer product manufacturing. These subcontractors integrate our graphene-based heating films into consumer-ready products such as thermal outdoor jacket, thermal sleeping bags, and thermal seat cushions, following our specific designs and requirements. Once manufacturing is completed, all finished products are returned to our facility for inspection and quality control before distribution through our retail network.

This production process allows us to maximise efficiency by focusing on our core competency on graphene-based heating film production, while leveraging our subcontractors for consumer product manufacturing.

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Our subcontractors

Reasons for engaging subcontractors

During the Track Record Period, the subcontracting fees increased from approximately RMB45.3 million in FY2024 to RMB55.5 million in FY2025, constituting a substantial 76.7% and 80.3% of the total cost of sales in each respective year. This increase was primarily due to the increase in our sales revenue from graphene-based thermal products.

Our Directors consider engaging subcontractors allows the Company to enhance its operational efficiency while focusing on its strengths. By concentrating on core competencies, such as producing the graphene-based heating film with technical expertise and proprietary design, we can prioritise innovation and quality control, outsourcing final assembly to subcontractors. This approach also promotes cost efficiency, as leveraging subcontractors’ existing infrastructure and labour reduces the need for significant capital investment in non-core manufacturing processes.

Basis of selecting subcontractors

We choose subcontractors based on several key criteria. For production capability, we require subcontractors to demonstrate their ability to meet strict timelines for production and delivery. For quality compliance, subcontractors must have a proven track record of adhering to stringent standards, including testing, in-process inspections, and accommodating post-delivery inspection. We also require confidentiality commitment, with strict enforcement of obligations to protect our proprietary designs.

Salient terms of our subcontracting agreement

Our subcontractors are required to comply with our standard subcontracting arrangements they entered into with us. The salient terms of our standard subcontracting arrangements with our subcontractors as at the Latest Practicable Date are as follows:

Duration:	1 year, with renewal subject to mutual agreement.
Responsibilities of subcontractors:	Production: execute orders according to specifications. Quality Assurance: implement full-process quality control, provide test reports, and rectify defects at no cost. Confidentiality: maintain protection of our intellectual property for at least one year post-termination.
Raw materials procurement:	Subcontractors responsible for sourcing outer materials. The Company provides graphene-based heating films. Price adjustments may be negotiated for significant raw material cost fluctuations.
Quality compliance:	Final products must pass our inspection. Failure to meet our standards will result in rework, replacement, or financial penalties.
Fee basis:	Pricing is tied to confirmed purchase orders. Payment terms are set at 90 days post-delivery via bank transfer.

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Renewal & termination:	Renewal: requires mutual written agreement upon completion of 1-year term.
	Termination: immediate termination permitted for material breaches after cure period ⁽¹⁾ .
	Force majeure events permit renegotiation or termination.
Ownership of final products:	The Company maintains ownership of final products and distribution rights.

Note:

- (1) The “cure period” refers to a contractually agreed timeframe during which a supplier is given an opportunity to rectify a material breach of the subcontracting agreement, such as quality failure, delivery delay, or breach of confidentiality. If the supplier fails to remedy the breach within the cure period, the Group has the right to immediately terminate the agreement. This arrangement ensures suppliers have a fair chance to address any non-compliance before termination and aligns with standard commercial practice, supporting a stable and reliable supply chain.

Our production equipment and machinery

We purchased our production equipment and machinery from Independent Third Parties in the PRC. We conduct regular inspection of our production equipment and machinery to ensure our production lines run smoothly and operate at optimal levels. Regular maintenance of our production facilities is generally performed on a monthly basis and is scheduled to rotate among different equipment to avoid complete shutdown of our operation. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged interruption to our production processes due to equipment or machinery failure.

The table below sets forth information on our major equipment and machineries as at 31 December 2025:

Type of major equipment and machineries	Number of equipment and machineries	Estimated average accounting useful lives	Average remaining accounting useful lives
		(years)	(years)
Laminating machine	2	10	6
Weaving machine	3	10	4
Warping machine	2	10	6
Weaving machine	3	5	5
Weaving machine	5	10	8

BUSINESS

Production capacity and utilisation rate

Our production enables us to satisfy market demands. The following table sets out the designed production capacity, actual production volume and utilisation rate of our production lines for the year indicated:

Type of production line	FY2024			FY2025		
	Designed production capacity ⁽¹⁾	Actual production volume ⁽²⁾	Utilisation rate ⁽³⁾	Designed production capacity ⁽¹⁾	Actual production volume ⁽²⁾	Utilisation rate ⁽³⁾
	(sq.m.)	(sq.m.)	(%)	(sq.m.)	(sq.m.)	(%)
Weaving	156,000	142,000	91.0 ⁽⁴⁾	156,000	132,000	84.6
Heating-related product ⁽⁴⁾	—	—	—	63,000	16,576	63.1 ⁽⁵⁾

Notes:

- (1) The designed production capacity is determined and calculated by multiplying the daily capacity of the production line with the applicable number of days of operation per year (excluding all the employees’ general holidays and public holidays but including downtime due to maintenance/inspection).
- (2) We assume daily operating hours for our production line to be 16 hours (2 shifts) for FY2024 and FY2025. It is assumed our production line will operate annually for 280 days in FY2024 and FY2025, respectively (excluding all the employees’ general holidays and public holidays but including downtime due to maintenance/inspection).
- (3) The utilisation rate for each of the relevant years/periods is derived by dividing the actual production volume by the designed production capacity.
- (4) In August 2025, we commissioned a new production line for the production of heating-related products on a trial basis, which contributed nil and less than 3.0% to our total revenue in FY2024 and FY2025, respectively.
- (5) The utilisation rate is calculated based on the actual production volume of this production line for the relevant period divided by its designed production capacity for the same period, time-weighted to reflect the actual period during which this production line was in operation.

Annual production plan

Generally, our annual production plans are formulated in the fourth quarter of each year. The sales and marketing department will coordinate with all our major departments and formulate the proposed annual production plan based on economic indicators of the year, the latest market trend, feedback from our distributors and current production and sales capabilities. They will then send the draft plan to the Board for discussion before finalisation.

SEASONALITY

Our business exhibits seasonal patterns inherent to the heat-generating materials and products industry in Northeast China. We typically experience stronger sales performance during the second half of the year, when demand for heat-generating materials and products peaks due to colder climate. Conversely, we generally record lower revenue during the first half of the year. The seasonality of our business aligns with the climate patterns of Northeast China, directly affecting the demand for our graphene-based heating films and graphene-integrated thermal products. This seasonal variation in demand is a characteristic feature of the heat-generating materials and products industry, where sales are predominantly concentrated in the pre-winter and winter seasons. See “Risk Factors — Risks Relating to Our Business and Industry — Our results of operations may be subject to seasonal fluctuations”.

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EXPANSION PLAN

Given the utilisation rate of the existing production lines are reaching their respective operation limits, we intend to allocate approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], to enhance and expand our production capacity, primarily to accommodate the increasing market demand for our products and to grasp the opportunities in the growing new heat-generating products market in the PRC.

As such, as part of our expansion plan, we intend to apply such portion of the net [REDACTED] from the [REDACTED] as follows:

- approximately [REDACTED]% or HK\$[REDACTED] million on purchasing new production equipment including intelligent laminating line, intelligent weaving machine pulp grinder, pulp mixer, printing machine, testing equipment and power distribution system; and
- approximately [REDACTED]%, or HK\$[REDACTED] million on leasing new factories and warehouses.

The new production lines and relevant production facilities located in our headquarters are expected to be in trial production by April 2027. We believe our expansion plan will not only enhance our production capability but also enable our Group to maintain its competitiveness in the future.

As at 31 December 2025, the designed annual production capacity of our weaving and heating-related product production lines is 156,000 sq.m. and 63,000 sq.m., respectively. The respective utilisation rate has reached 84.6% and 63.1%. Upon completing the purchase of the new production lines, it is expected that the designed annual production capacity of our new production lines will reach 306,000 sq.m..

We will file the applications for the construction of the aforementioned new production lines. As confirmed by our PRC Legal Advisers and Directors, provided that we submit all necessary documents required by the authorities, there is no legal impediment for us to complete such filing procedures.

Save for the above, no other licenses, permits, filings, registrations or approvals are required from our Group regarding such application filings.

Expected timeline for key milestones

As at the Latest Practicable Date, we had not yet commenced the expansion plan and had not incurred any expenditure. The following table sets out the intended use and nature of our expansion plan for the new production lines:

Intended use	Particulars	Estimated total costs (HK\$ million)	Amount of costs settled as at the Latest Practicable Date (HK\$ million)	Amount of costs expected to be settled using the [REDACTED] (HK\$ million)	Timing of completion/ expected completion
Intelligent weaving machine . . .	Used for weaving production	4.5	[0.2]	[REDACTED]	[December 2026]
Intelligent laminating machine . .	Used for composite of materials	4.2	[—]	[REDACTED]	[April 2027]
Sizing machine	Used for polyester thread sizing	1.3	[—]	[REDACTED]	[April 2027]
Pulp grinder	Used for sizing preparing	1.1	[—]	[REDACTED]	[April 2027]
Pulp mixer	Used for sizing preparing	0.7	[—]	[REDACTED]	[April 2027]

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Intended use	Particulars	Estimated total costs (HK\$ million)	Amount of costs settled as at the Latest Practicable Date (HK\$ million)	Amount of costs expected to be settled using the [REDACTED] (HK\$ million)	Timing of completion/ expected completion
Printing machine	Used for printing films	1.2	[—]	[REDACTED]	[April 2027]
Power system.	Including electrical transformer and distribution system	1.9	[—]	[REDACTED]	[April 2027]
Testing equipment	Used for testing	1.3	[—]	[REDACTED]	[April 2028]
				[REDACTED]	

RAW MATERIALS

Our raw materials are mainly composed of (i) TPU films; (ii) graphene; (iii) cotton polyester; and (iv) copper wire. The following table sets out the raw material components of our cost of sales for the years indicated:

	FY2024		FY2025	
	RMB'000	%	RMB'000	%
TPU films	3,947	42.2	1,644	29.3
Graphene	3,265	34.9	1,362	24.3
Cotton polyester	1,044	11.2	1,505	26.8
Copper wire	1,098	11.7	1,103	19.6
Total	9,354	100.0	5,614	100.0

SUPPLY, PROCUREMENT, INVENTORY AND LOGISTICS

Our in-house packaging process enables us to integrate procurement, production and packaging to ensure efficiency and avoid contamination in our production facilities. It also allows us to have better control over timing, production costs and production quality. We mainly procure packaging materials for labelling, inner packaging, and exterior packaging. Raw materials are purchased exclusively from a list of pre-approved suppliers that meet our quality standards. For each kind of raw materials, we engage multiple pre-approved suppliers to mitigate the risk of shortages. All of our raw materials are procured from suppliers based in China.

We confirm that during the Track Record Period and up to the Latest Practicable Date, we have not encountered any material quality issues on or shortages of raw materials or other principal materials that we use for production, which would have materially adversely affected our manufacturing process.

Procurement procedures

We prescribe transparent procurement procedures for selecting suitable suppliers required for our production. We procure our raw materials and supplies based on various factors, including but not limited to (i) the market comparison of the unit cost of the raw materials and supplies that is sourced from the suppliers; (ii) historical sales demand; and (iii) our production capacity, and have in place an inventory management system, which monitors the level of inventory for each type of raw materials and supplies utilised in our production processes. Before placing purchase orders with our suppliers, we will check the existing level of our inventories to avoid over-purchasing and accumulation of excess inventory.

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Supply and procurement agreements

Supplies required for our production are generally readily available in the market. Therefore, we generally are not required to enter and have not entered into any long-term supply agreements for our raw materials.

We enter into separate procurement agreements or purchase orders with suppliers in relation to TPU films, graphene, cotton polyester and copper wire. Key terms of these agreements or orders include product specifications and quality standards, delivery obligations, inspection rights, payment terms, and default liability.

Pursuant to such key terms, the suppliers provide specific types of raw materials in accordance with our standards under the product specification terms, and ship the raw materials to our warehouses and bear the logistics costs under the delivery obligations. We conduct inspection, examination and sample testing upon delivery to our warehouse according to inspection rights and quality standard terms. Any raw materials delivered to us that fail the quality inspection will be returned to the suppliers. Pursuant to default liability terms, the supplier remains responsible for the quality of the raw materials, until they have successfully passed the quality inspection. After the raw materials successfully pass the inspection, we will pay the relevant suppliers in accordance with the agreed payment terms. During the Track Record Period, our suppliers generally grant us a credit period of 90 days. We generally settle our procurement cost by bank transfers.

These arrangements provide procurement flexibility while ensuring product quality and timely delivery.

As at the Latest Practicable Date, we had 27 pre-approved suppliers, among which 21 are suppliers of raw materials and 6 are suppliers of processing services. Processing services refer to subcontract manufacturing services provided by third-party subcontractors, who integrate the Group’s graphene-based heating films into consumer-ready thermal products such as jackets and sleeping bags. These subcontractors are responsible for cutting, sewing, assembly, and packaging according to the Group’s product designs and must adhere to the Group’s quality control standards. The use of processing services has become increasingly significant as the Group’s sales of thermal products have grown, allowing the Group to focus on its core expertise in graphene-based heating film production while leveraging external skills for consumer goods assembly.

We maintain at least two suppliers for each principal raw material in our pre-approved suppliers list and we select from not less than three suppliers in order to diversify our supplier base and help to ensure a reliable supply of raw materials at reasonable prices.

Relationship with our suppliers

In both FY2024 and FY2025, the two largest suppliers in each respective year were enterprises providing subcontracting services, and the remaining three largest suppliers were enterprises from which we purchased raw materials such as graphene and TPU film.

For FY2024 and FY2025, purchases from our five largest suppliers in each year accounted for approximately 87.6% and 87.9% of our total purchases for the corresponding years, with Supplier A, a Beijing-based subcontractor, being the largest supplier in both years. In the same years, purchases from Supplier A accounted for approximately, 42.8% and 43.9% of our total purchases. However, none of the top five suppliers constituted a single point of failure, as no individual supplier exceeded 50% of total procurement in FY2024 and FY2025, and multiple suppliers were available for each type of raw material. The Directors are of the view that the risk of termination or material adverse change in the Group’s relationships with its suppliers is low.

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This assessment is based on the Group’s long-standing relationships with its major suppliers, which have been in place since 2019–2022, as well as a stable transaction history and consistent on-time delivery records. All key suppliers are Independent Third Parties with no conflicts of interest with the Group, and no significant disputes or payment delays occurred during the Track Record Period. The Directors’ confidence in the stability of supplier relationships is further supported by proactive supplier management practices, including regular performance reviews and maintaining a diversified supplier base.

In terms of contingency planning, the Group maintains a pre-approved supplier list comprising 21 raw material suppliers and 6 subcontractors. For each key raw material, the Group engages at least two suppliers, thereby ensuring supply chain redundancy. Should any existing key supplier terminate its business relationship with the Group, management is confident that alternative suppliers can be sourced on similar terms and costs, given the wide availability of key materials such as TPU film, cotton polyester, and copper wire in the open market, as well as the use of standardized subcontracting practices for product assembly. Notably, the Group has not experienced any interruption in supply during the Track Record Period, reflecting the effectiveness of its contingency planning and multiple-supplier approach.

We confirm that, as at the Latest Practicable Date, all of our five largest suppliers in each year were Independent Third Parties and none of our Directors or their close associates or our existing Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year during the Track Record Period.

During the Track Record Period, Jilin Jiuzhou Yuhua Clothing Co., Ltd. (吉林市九州裕華服裝有限公司) was our overlapping customer and supplier. For more details, please see the subsection headed “Business — Overlapping of customer and supplier” in this document.

Our major suppliers

The following tables set out our top five suppliers (within the relevant year) and certain other information for the year indicated. Each supplier is an Independent Third Party, with no close connections to the Group or its Directors. These suppliers operate within their specialized sectors, and all have several years of operational history and established business scale. Further information regarding the principal business activities, years of establishment, and other public details of these suppliers is available from public sources and can be provided upon request.

For FY2025

Rank	Name	Background and principal business	Major products/services provided	Commencement of business relationship with our Group	Credit term	Payment method	Total purchases (RMB’000)	% of Group’s total purchase
1	Supplier A . . .	See note 1	Subcontracting services	July 2022	90 days	Bank transfer	27,972	43.9%
2	Supplier B . . .	See note 2	Subcontracting services	July 2022	90 days	Bank transfer	25,291	39.7%
3	Supplier C . . .	See note 3	Raw materials	June 2020	90 days	Bank transfer	1,000	1.6%
4	Supplier D . . .	See note 4	Raw materials	December 2019	90 days	Bank transfer	903	1.4%

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Rank	Name	Background and principal business	Major products/services provided	Commencement of business relationship with our Group	Credit term	Payment method	Total purchases (RMB'000)	% of Group's total purchase
5	Supplier E . . .	See note 5	Raw materials	December 2019	90 days	Bank transfer	840	1.3%
Total							56,006	87.9%

For FY2024

Rank	Name	Background and principal business	Major products/services provided	Commencement of business relationship with our Group	Credit term	Payment method	Total purchases (RMB'000)	% of our Group's total purchase
1	Supplier A . . .	See note 1	Subcontracting services	July 2022	90 days	Bank transfer	21,325	42.8%
2	Supplier B . . .	See note 2	Subcontracting services	July 2022	90 days	Bank transfer	18,330	36.8%
3	Supplier E . . .	See note 5	Raw materials	February 2019	90 days	Bank transfer	1,530	3.1%
4	Supplier C . . .	See note 3	Raw materials	June 2020	90 days	Bank transfer	1,455	2.9%
5	Supplier D . . .	See note 4	Raw materials	December 2019	90 days	Bank transfer	989	2.0%
Total							43,629	87.6%

Notes:

- Supplier A is a privately owned PRC limited liability company established in the PRC in 2013 with a registered capital of RMB3 million. Supplier A had approximately 140 employees. Supplier A is principally engaged in the wholesale of outdoor products and the provision of subcontracting services for outdoor and apparel products. We first became acquainted with Supplier A in 2022 through an introduction by peers in the same industry. During the Track Record Period, our Group procured subcontracting services from Supplier A for the assembly of our travel and outdoor products and graphene-integrated thermal products.
- Supplier B is a privately owned PRC limited liability company established in the PRC in 2018, with a registered capital of RMB0.5 million. Supplier B had approximately 120 employees. Supplier B is principally engaged in the manufacturing and sale of clothing and accessories and the provision of subcontracting services for apparel products. We first became acquainted with Supplier B in 2022 through an introduction by peers in the same industry. During the Track Record Period, our Group procured subcontracting services from Supplier B for the assembly of our graphene-integrated thermal products and travel and outdoor products. Supplier B is also a customer of our Group, please refer to the sub-section headed “Business — Overlapping of customer and supplier” in this document.
- Supplier C is a privately owned PRC enterprise established in the PRC in 2003, with a registered capital of RMB3 million. Supplier C had approximately 59 employees. Supplier C is principally engaged in the production of TPU film, polytetrafluoroethylene (Teflon) products and ultra-high-molecular-weight polyethylene products. We first became acquainted with Supplier C in 2018 through e-commerce platform, and entered into our first purchase order with Supplier C in 2019. During the Track Record Period, our Group procured raw materials, principally TPU film, from Supplier C for use in the production of our graphene-based heating films and graphene-integrated thermal products.

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- 4 Supplier D is a privately owned PRC limited liability company established in the PRC in 2020, with a registered capital of RMB10 million. Supplier D had approximately 95 employees. Supplier D is principally engaged in the research, development and manufacture of nano-biotechnology products. We first became acquainted with Supplier D in 2020 through e-commerce platform. During the Track Record Period, our Group procured graphene nano Conductive Fiber from Supplier D for use in the production of our graphene-based heating films.
- 5 Supplier E is a privately owned PRC limited liability company established in the PRC in 1998, with a registered capital of RMB500,000. Supplier E had approximately 52 employees. Supplier E is principally engaged in the manufacture of polymer products. We first became acquainted with Supplier E in 2019 through industry conference. During the Track Record Period, our Group procured polymer raw materials from Supplier E for use in the production of our graphene-based heating films and graphene-integrated thermal products.

Overlapping of customer and supplier

The following table sets out the details of our major customer with a dual role as our supplier during the Track Record Period:

Name of entity	Amount of sales and percentage to our total revenue	Ranking among our customers	Major products sold by us	Amount of purchases and percentage to our total purchases	Ranking among our suppliers	Major service purchased by us
	(RMB'000)			(RMB'000)		
Supplier B	FY2024: 3,711, 3.8%	FY2024: 8th	High voltage graphene-based heating film	FY2024: 18,330, 36.8%	FY2024: 2nd	Subcontracting services
	FY2025: 1,408, 1.2%	FY2025: 20th		FY2025: 25,291, 39.7%	FY2025: 2nd	

Note:

- (1) Each sales transaction and purchase transaction was negotiated, made and settled on a separate and individual standalone basis.

We sold to and purchased from Supplier B during the Track Record Period because, to the best knowledge and belief of our Directors, Supplier B specialises in apparel manufacturing and was able to provide the required subcontracting services within the designated timeframe.

In FY2024, the gross profit attributable to supplier B was RMB1.4 million, with a gross profit margin of 39.0%. In comparison, the gross profit margin was of 39.7%. In FY2025, the gross profit attributable to supplier B was RMB0.4 million, with a gross profit margin of 27.1%, as against our Group’s overall gross profit margin of approximately 41.9%. Overall, our Directors are of the view that the gross profit margin achieved on sales to Supplier B in FY2024 was broadly comparable to our Group’s overall gross profit margin and, in FY2025, the lower gross profit margin on sales to Supplier B reflected the limited scale of those sales (approximately 1.2% of our Group’s revenue in FY2025) and the effect of pricing terms agreed on an arm’s-length basis with Supplier B as one of a number of customers within the same product category.

To the best knowledge and belief of our Directors, Supplier B and its ultimate beneficial owners are Independent Third Parties. Our Directors confirm that each transaction with Supplier B was (i) conducted through arm’s length negotiation; (ii) conducted with the terms thereof being subject to negotiation in each individual order; (iii) independent and not inter-connected nor inter-conditional with each other; and (iv) made on a separate individual standalone order-by-order basis.

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QUALITY CONTROL

We have implemented a comprehensive quality control system in accordance with the requirements under the relevant PRC laws and regulations throughout our manufacturing process. Our quality control system is accredited with the quality management certificate ISO 9001:2015. Our dedicated quality control team is responsible for quality control management, identifying quality control issues, and providing solutions to the production team.

Graphene-based heating films

For our direct sales segment, we emphasise technical specifications and enterprise standard compliance. Our quality control measures focus on physical inspection, where our Company will check for any visible defects such as holes, tears, or irregularities in the weave, uneven threads, or irregular stitching, ensuring uniform color and texture across the film. We verify that copper wire and graphene yarn are properly integrated, and ensure all components (zippers, buttons, etc.) meet specifications. Quality testing for products sold through direct sales includes electrical conductivity tests, heating functionality tests, flexibility tests, and waterproofing tests to ensure compliance with enterprise standard.

Graphene-integrated thermal products

In our distribution sales segment, we implement enhanced testing protocols focusing on consumer safety and user experience. For each batch of products, our quality control team performs physical inspection, quality testing, and sample testing. We randomly select a percentage of products for enhanced testing. Our quality control process under distribution sales places additional emphasis on durability assessments and safety specific to consumer products.

Overall approach

For all products, our quality control team conducts thorough packaging inspection to ensure all required labels are present and accurate on the packaging. We verify that the packaging is intact and properly labeled, and all items are properly included before dispatch. All test results and observations are documented with batch numbers for traceability.

This approach ensures we maintain consistent quality across both our industrial and consumer product lines while meeting the specific requirements of each market segment. Through documentation and continuous monitoring, we maintain our commitment to quality excellence in accordance with enterprise standard.

INVENTORY MANAGEMENT

Our inventory comprises raw materials and finished products. We do not record work-in-progress products. We have implemented an inventory control system that requires co-ordination among our various functional departments including the procurement, production, R&D and finance departments. We closely monitor our inventory level to meet our production requirements, minimise any wastage on inventory and avoid obsolete inventory. The following table sets forth the details of our inventories as at the dates indicated:

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	As at 31 December 2024	As at 31 December 2025
	<i>RMB'000</i>	<i>RMB'000</i>
Inventories		
Raw materials	954	703
Finished goods	3,229	2,846
Less: Provision for impairment loss	—	—
Total	4,183	3,549

Raw materials

Our inventory level is determined primarily by our production requirements and the orders received by us; and we order additional raw materials on a needed basis. We continuously monitor our inventory level by conducting regular checks on quality and quantity. In addition, our procurement staff members work closely with our production staff members to formulate our procurement plan and budget.

Finished goods

We consider we do not maintain excessive inventory for finished goods.

Logistics

During the Track Record Period, our customers arrange the collection of our finished products directly from our warehouse. Our warehouse department would verify the order confirmation to ensure the finished products to be collected and dispatched. As such, we do not engage logistics companies to transport and deliver our finished products from our warehouse to the warehouse designated by our customers. We believe such practice will allow us to reduce our capital investment and transfer the risks associated with the delivery of our products to the logistics service provider engaged by our customers (including those arising from traffic accidents or delivery delays).

Measures to prevent and monitor counterfeit products

We actively monitor and investigate potential counterfeit products in the market through our dedicated marketing staff. Our monitoring efforts encompass regular market surveillance, investigations of suspicious products, and assessment of potential intellectual property infringements. Our marketing team conducts routine physical inspections at retail locations and online marketplaces, whilst maintaining close communication with our distributors who provide market intelligence about suspicious products. We also work closely with local authorities when necessary to address any potential counterfeiting issues. Additionally, we have implemented product authentication features in our packaging to help consumers and distributors identify genuine products. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any counterfeits of our products in the PRC market.

RESEARCH AND DEVELOPMENT

As at the Latest Practicable Date, our R&D Department comprised a team of three members. Our development process begins with feedback from the sales and marketing department regarding user experience, followed by preliminary research into potential product enhancements. We then collaborate with universities for technical research. We retain all intellectual property rights associated with our R&D projects, and all profits and economic benefits derived from these projects belong to our Group exclusively.

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As at 31 December 2025, we held three utility model patents and one invention patent. Our research and development covers areas including new electrothermal materials development, thermal efficiency optimization, and overall product performance enhancement.

Collaboration with research institutions

We have established research partnerships with two universities in Jilin Province, PRC, namely University A and University B. These collaborations focus on graphene material R&D and product expertise enhancement. Our joint research projects include:

1. *Enhancement of graphene structural integrity and stability*
 - a. Development of oxidation-resistant graphene composites
 - b. Optimization of graphene dispersion in polymer matrices
 - c. Research on surface modification techniques for improved interfacial bonding
2. *R&D of graphene-integrated thermal textile in outdoor environment*
 - a. Development of scalable graphene incorporation methods for textile substrates
 - b. Optimization of electrothermal performance in fabric-based heating elements
 - c. Investigation of uniform heat distribution mechanisms in large-scale applications
 - d. Enhancement of power efficiency and thermal response characteristics
3. *Industrial applications of graphene-based thermoelectric materials in automotive*
 - a. Research on graphene-polymer composites for automotive heating applications
 - b. Development of pre-heating system for in-vehicle use
 - c. Optimization of power consumption and thermal management systems

These research initiatives focus on advancing our core competencies in smart graphene-based heating films and expanding their applications across various consumer and industrial sectors, while maintaining our commitment to scientific excellence and technological innovation.

Background of University A

Founded in 1952, University A’s materials science and engineering and mechanical engineering departments were selected for the “World-class Academic Department Cultivation Program (世界一流學科培育計劃)” for Jilin province universities in 2022. As at the Latest Practicable Date, the university maintains three national-level research platforms, one national-level technology transfer centre, and 45 provincial-level research platforms.

Background of University B

Established in 1946, University B is a member of both Project 211 and Project 985. As at the Latest Practicable Date, the university’s research infrastructure includes:

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- Seven national-level key laboratories
- One national-level engineering laboratory
- Six national-local joint engineering laboratories
- One national-level engineering technology research centre
- Eighteen laboratories/research centres of the Ministry of Education

The university employs over 6,000 full-time faculty members, including approximately 2,400 full professors and 12 fellows of the Chinese Academy of Sciences and Chinese Academy of Engineering.

The salient terms of the R&D agreements are set out below:

- *Parties’ obligations.* We are responsible for, among others, (i) paying the research funding to the research partner in accordance with the amount and schedule stipulated in the agreement; (ii) providing the necessary raw materials, samples and testing facilities required for the research; and (iii) designating internal research and development liaison staff to co-ordinate with the research partner’s research team. The research partner is responsible for, among others, (i) conducting the research in accordance with the agreed project plan, methodology and timeline; (ii) deploying the requisite faculty researchers and graduate students to the project; and (iii) delivering the agreed research outputs, together with periodic progress reports, upon completion of each project phase.
- *Scope and duration.* Each agreement covers the research and development of the subject matter set out against the relevant project in the sub-paragraph headed “R&D projects” in this sub-section above. The individual project durations range from approximately 12 months, for the completed projects with University A, to approximately 36 months, for the ongoing project with University B.
- *Research funding.* The aggregate research funding committed by our Group under the agreements amounts to approximately RMB13.6 million to University A, across the five projects with University A, and approximately RMB6.0 million to University B. As at the Latest Practicable Date, approximately RMB8.7 million of the funding committed to University A had been utilised and approximately RMB4.9 million remained unutilised. Of the total funding committed to University B, approximately RMB0.9 million will be funded from our internal resources and the remaining approximately RMB[REDACTED] million will be funded from the [REDACTED] of the [REDACTED].
- *Confidentiality.* Each party to the agreement shall keep confidential the technical information, research methodology, research data, software and design materials and other trade secrets and confidential information of the other party, and shall not disclose such information to any third party, nor use such information for any purpose other than the performance of the agreement, without the prior written consent of the other party, during the term of the agreement and for a specified period thereafter.
- *Intellectual property.* All intellectual property rights arising from the performance of each agreement, including patents, patent applications, know-how, technical data and product designs, are owned exclusively by our Group, and all profits and economic benefits derived from the relevant projects belong exclusively to our Group. The research partner’s

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sole entitlement under the agreement is to receive the agreed research funding for its services, and neither University A nor University B holds any residual interest, royalty right, profit-share or licence in respect of the intellectual property arising from the collaborations.

- *Termination.* Each agreement may be terminated by the parties by mutual consent or by either party in the event of material breach, insolvency of the other party, a change of control of our Group, or the occurrence of force majeure or other technical risks that renders the continued performance of the agreement impossible.

R&D projects

As at 31 December 2025, we conducted six R&D projects with our research partners:

Research Partner	Duration	Project Goals	Utilised Project Cost	Unutilised Project Cost	Total Project Cost	Status
			RMB'000	RMB'000	RMB'000	
University A	January 2022 — December 2022	Research and development of graphene-integrated thermal textile in geothermal panel	400	—	400	Completed
University A	January 2022– December 2022	Research and development of stabilising of polyester graphene yarn	600	—	600	Completed
University A	January 2023– September 2023	Research and development of graphene-integrated thermal tent	600	—	600	Completed
University A	January 2024– December 2026	Research and development on the resistance value of graphene yarn and preheating system for vehicle	6,604	1,576	8,180	Ongoing
University A	November 2025– June 2027	Research and development on novel composite dielectric materials and multi-layer coating processes	545	3,305	3,850	Ongoing
University B	September 2024– August 2027	Research and development on the production of graphene slurry, polyester graphene yarn and graphene-integrated thermal products	[REDACTED]	[REDACTED]	6,000	Ongoing

For all projects, we provide necessary raw materials for research and testing. All profits and economic benefits derived from these R&D projects belong exclusively to us. The research institutions will receive the agreed payment for their services. For additional information, please refer to the subsections headed “Business — Our business strategies” and “Future Plans and Use of [REDACTED] — Use of [REDACTED]” in this document.

QUALIFICATIONS

After years of development, our business has accomplished a number of milestones and we have obtained a number of important awards and qualifications as set out below:

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Award/Qualification	Awarding organisation	Year/Month of issue
Certificate of High and New Technology Enterprise*	Jilin Provincial Department of Science and Technology, Jilin Province Department of Finance, Jilin Provincial Taxation Service Bureau of SAT	November 2024

COMPETITION

According to the Frost & Sullivan Report, in 2025, the top 5 companies (by revenue) in China’s new heat-generating materials industry accounted for only approximately 0.7% of the total industry revenue, and the top 5 companies (by revenue) in China’s new heat-generating products industry accounted for only approximately 1.7% of the total industry revenue.

We compete directly with the manufacturers of similar products and face additional competition when expanding into new markets or when new competitors enter our existing markets. Our competitors vary by products, financial resources, marketing capabilities and/or market share by region. According to the Frost & Sullivan Report, we mainly compete with a number of domestic graphene-based heating film manufacturers, and we are in a fragmented market.

Please refer to the section headed “Industry Overview” in this document for further details.

EMPLOYEES

As at 31 December 2025, we employed a total of 68 employees that are classified as follows:

Function	Number of employees
Administrative Department	8
Executive Management	4
Production Department	33
Procurement Department	2
Sales and Marketing Department	8
Finance Department	5
Warehouse Department	2
Quality Management Department	3
Research and Development Department	6
Total:	68

When we make hiring decisions, we take into account various factors such as our business strategies, our development plans, industry trends and the competitive environment. We recruit our employees from the open market based on a number of factors such as their work experience, education background and professional qualification. We provide training to enhance our employees’ skills, knowledge and capability.

Social security and housing provident funds

As required under the applicable PRC laws and regulations, we are obliged to participate in the social welfare schemes which provide pension insurance, medical insurance, work injury insurance, maternity insurance and unemployment insurance for our employees based on the actual wages of

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employees. We are also required to provide our employees with social welfare schemes covering housing provident funds and housing benefits based on their actual wages. For further information, please refer to the subsection headed “Legal proceedings and regulatory compliance” in this section.

In FY2024 and FY2025, we incurred staff costs (excluding Directors’ remuneration) of approximately RMB4.4 million and 6.3 million.

INTELLECTUAL PROPERTY

We rely primarily on a combination of patents, copyrights, technologies and trade secrets, as well as third party confidentiality agreements to protect our intellectual property. As at the Latest Practicable Date, we registered a total of four utility model patents, one invention patent (which are material to our business) in China, along with one pending invention patent application in China. Further, we had five registered trademarks in China as at the Latest Practicable Date. For further information on our intellectual property rights, please refer to the subsection headed “Appendix IV — Statutory and General Information — B. Further information about our business — 2. Intellectual property rights”.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened claims against our Group, nor has any claim been made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties which had material impact on our Group.

With respect to, among other things, proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests. While we believe that certain elements in our operations are not covered by patents or copyrights, we have taken security measures to protect these elements. We require our distributors to enter into distribution agreements, in which they are bound by the confidentiality clauses contained therein. Therefore, our distributors are obligated not to disclose any sensitive aspects of our operations, technology or business plans to any third party.

In addition to protecting our own intellectual property rights, it is also essential to minimise the risk that any of our products or production technologies may infringe the intellectual property rights of others. Please refer to the subsection headed “Risk Factors — Risks relating to our business and industry — Any failure to protect our intellectual property rights could harm our business and competitive position” in this document for more details.

INSURANCE

There is no national mandatory provision under the relevant PRC laws and regulations requiring graphene-based heating film manufacturers to maintain insurance coverage with respect to their manufacturing operations or product liability. We currently maintain the following insurance policies: government-mandated insurance and benefits for our employees, including medical insurance, pension insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund as required by the relevant PRC laws and regulations. As at the Latest Practicable Date, we did not maintain product liability insurance. We will continue to monitor our risk portfolio and make adjustments to our insurance practice as necessary. However, there are certain risks for which we are not insured, and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. Please refer to “Risk Factors — Risks relating to our business and industry — Our insurance coverage may be insufficient to protect our Group” for further details.

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PROPERTIES

Leased property

As at the Latest Practicable Date, we leased two properties in the PRC. The following table sets out a summary of certain information regarding our leased properties as at the Latest Practicable Date:

Address	Approximate gross floor area (sq.m.)	Use of property	Expiry date of the lease
Warehouse 19, the Construction Project, Advanced Manufacturing Industrial Park, Changchun International Logistics Economic Development Zone, South Yingtai Road, Yingjun West Street West, Changchun International Logistics Economic Development Zone, Erdao District, Changchun City, Jilin Province, the PRC	2,513	Factory and office	July 2029
Room 2315B, Block B, Zhong Shen Garden, Caitian South Road, Futian District, Shenzhen City, Guangdong Province, the PRC	60	Office	February 2027

The relevant lease agreements have lease expiration dates ranging from July 2025 to July 2029. The renewal process for the lease expiring July 2025 is proceeding as scheduled, and we do not foresee any major difficulties or impediments in renewing the relevant leases upon their expiration.

As at the Latest Practicable Date, we had not completed the filing for lease agreements for our production facilities with the relevant government authorities in the PRC. The usage of the property is for factory and office use. The failure to register the lease agreements for the factory and office was primarily due to the lessor, Changchun Ruitong Investment Co., Ltd., not cooperating with the registration process.

As advised by our PRC Legal Advisors, the failure to register the lease agreements for our leased properties will not affect the validity of such lease agreements or our right to use the property, but relevant competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging up to RMB10,000 for each non-registered lease agreement if we fail to complete the registration within the prescribed timeframe. Currently, Jilin Huachen has one leased property that has not been registered as required, and accordingly, the maximum potential fine for Jilin Huachen is RMB10,000. As at the Latest Practicable Date, we had not experienced any termination or interruption of business operations or major property loss because of the failure to file the lease agreements as described above. Our Directors and the PRC Legal Advisor are of the view that such non-compliance will not have a material adverse impact on the Group’s business operations, financial condition, or results of operations.

Jilin Huachen has confirmed that it has not been penalized for failing to register the lease agreements and has not received any notice requiring rectification. Should the lessor agree to cooperate or if the relevant authorities require rectification within a specified period, Jilin Huachen will promptly complete the registration in accordance with applicable regulations.

The calculated percentage attributable to the Group’s property interests is below the 15% threshold specified in rule 5.01A(2) for non-property activities. Accordingly, the Group is not required to include a valuation report on its leased or owned properties under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

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Save as disclosed above, we have obtained all the material licences and permits under the PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. Details on risk categories, internal and external reporting mechanism, remedial measures and contingency management have been codified in policies adopted by us. For details of the major risks identified by our management, please refer to the subsection headed “Risk Factors — Risks relating to our business and industry” in this document. To monitor the ongoing implementation of our risk management policies, corporate governance and internal control measures, we have adopted the following actions:

- the establishment of an audit committee responsible for overseeing the financial records, internal control procedures and risk management system of our Company;
- the appointment of Mr. Yeung Kwong Wai as our company secretary to ensure the compliance of our operation with the relevant laws and regulations. For his biographical details, please refer to the section headed “Directors and Senior Management” of this document;
- the appointment of VBG Capital Limited as our compliance advisor upon [REDACTED] to advise us on compliance with the GEM Listing Rules;
- the engagement of external legal advisors to advise us on the compliance with the GEM Listing Rules and to ensure we will not be in breach of any relevant regulatory requirements or applicable laws; and
- trainings for our employees on compliance matters and to provide training to employees of managerial level on an annual basis and training to all relevant employees when we find it necessary in order to develop a corporate culture and to enhance employee compliance perception and responsibility.

Further, the relevant departments in our Company, including but not limited to the production department, sales and marketing department, administration department and finance department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalise risk management practice and the standard for risk management performance for different departments and individuals across the Group, the relevant departments will: (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritisation, measurement and categorisation of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for our chief executive officer’s review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

In preparation for the [REDACTED], we engaged an independent internal control advisor, SHINEWING Risk Services Limited, in December 2024 to perform an internal control review (the “**IC Review**”) of our internal control system based on an agreed scope. During the course of the IC Review, the internal control advisor identified a number of findings related to our internal control policies and procedures, pursuant to which we have taken the internal control enhancement measures recommended

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by the internal control advisor. In March 2025, the internal control advisor performed a follow-up review on the enhancement measures taken by us and no material deficiencies were observed and outstanding in our risk management and internal control system.

Details of the findings and corresponding internal control enhancement measures are as follows:

Findings	Internal Control Enhancement Measures
The conflict of interest declaration has not been fully implemented.	Senior management has been regularly submitting conflict of interest declaration forms for approval.
A succession plan for senior management has not been established.	A succession plan has been established for senior management and will be reviewed regularly to reflect the Group’s operations and development.
Policies and procedures have not been established for some operational and compliance processes.	Policies and procedures have been established and approved by management , and these documents have been circulated to relevant staff for follow-up.
A budget and cash flow forecast has not been established , and the financial performance has not been analyzed regularly.	A budget and cash flow forecast has been established and is monitored regularly by management, while the financial performance of the Group is also analyzed regularly.
Quotations are not obtained when procurement transactions are made with existing suppliers. . .	Quotations are obtained whenever there is significant variance from the market price.
Some process documents are not properly maintained for audit trail purposes.	Process documents are properly retained.
CCTV was not installed in the warehouse.	CCTV has been installed in the warehouse.
A register was not established to record the details of each license.	A register has been established to record the details of each license.
A checklist was not established to record handover processes and details.	A handover checklist has been established.
Background checks were not performed for candidates.	Background checks are now conducted for candidates.
Approval evidence was not maintained in the payroll summary.	Management approval is now documented in the payroll summary.
A bank list was not established or regularly checked.	A bank list has been established and is checked regularly.
A stamp register was not established to record the use of stamps.	A register has been established to record the use of stamps.
Regular checks were not conducted on software usage, and there was no management of antivirus software.	Regular checks are now conducted on software usage, and a designated staff member has been assigned to manage antivirus software.

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Findings	Internal Control Enhancement Measures
A disaster recovery plan and business continuity plan were not established.	A disaster recovery plan and business continuity plan have been established.
Staff training was not provided for environmental protection.. . . .	Training on environmental protection has been provided to relevant staff.
Insurance was not acquired to protect inventory, factory, and equipment.	Insurance has been acquired to protect inventory, factory, and equipment.

After considering the implementation of the enhancement measures and the result of such follow-up review, our Directors are satisfied that our internal control system is adequate and effective for our current operation environment.

ENVIRONMENTAL, SOCIAL AND HEALTH AND SAFETY MATTERS

ESG governance

We recognise the significance of ESG for long-term corporate success. In a changing global context, we embed sustainability in our corporate strategy, tackling issues like climate change, resource depletion, and social inequality. Our ESG strategy encompasses environmental commitment, corporate governance improvement, and enhanced social responsibility awareness. Our Board regularly reviews and updates these strategies to meet industry standards and national goals, and we enhance transparency and engage in dialogue with stakeholders.

We understand that our Board’s oversight is essential for ESG progress. It bears ultimate responsibility for ESG, integrating strategies into operations and establishing risk management and control systems. Our Board assesses their effectiveness regularly. Our dedicated ESG working group led by Ms. Li Xinyan, is designated to support the Board in implementing the ESG Policy, monitoring ESG risks, promote internal communication on ESG related matters and report to the Board regularly.

Our Board reviews ESG management policies, strategies, and related issues. It reports and assesses ESG performance, discusses key issues, and approves ESG report disclosures annually. Board members are attentive to ESG, promoting sustainability awareness. We maintain open communication to adjust strategies.

Stakeholder engagement

We engaged a professional external consultant to assist in the assessment of material ESG issues, with the aim of evaluating the influence of ESG risks on our business operations. By carrying out in-depth industry research and carefully examining national policies as well as market-focused areas, we were able to pinpoint the key ESG issues associated with our environmental and social performance. Subsequently, surveys were disseminated to stakeholders in order to collect their perspectives. The survey results were analysed, and these issues were ranked according to their potential impact. A matrix was then formulated to clearly illustrate their significance both to our stakeholders and to our business. During the entire reporting period, we made certain to adhere to all applicable ESG laws and regulations.

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Anti-corruption

Our Group holds a zero-tolerance stance towards any form of corruption, fraud, or other breaches of professional ethics. To this end, we have established internal regulations on anti-corruption and anti-fraud, including the *Anti-Fraud System* (《反舞弊制度》) and *Whistleblower System* (《告密者制度》).

The audit department of our Group functions as a permanent entity in the fight against fraud. It provides and publicly discloses reporting hotlines, email addresses, and other channels for receiving and investigating reports of misconduct and unethical behavior, such as suspected corruption, fraud, and bribery. In the event that any related actions violate criminal laws, the cases will be transferred to the judicial authorities for legal handling.

We encourage our employees to abide by laws and engage in ethical conduct in their daily work and interactions. Messages promoting compliance with laws and ethical standards are appropriately communicated to all stakeholders, both internal and external, who have direct or indirect relationships with the Group. Additionally, our Group regularly offers anti-corruption training courses to assist employees in dealing with potential conflicts of interest and improper inducements that may occur in their work.

Our Group strictly adheres to laws and regulations related to anti-corruption, such as the *Advertising Law of the People’s Republic of China* (《中華人民共和國廣告法》), *Anti-Money Laundering Law of the People’s Republic of China* (《中華人民共和國反洗錢法》), *Criminal Law of the People’s Republic of China* (《中華人民共和國刑法》), and the *Interim Provisions on Prohibiting Commercial Bribery* (《關於禁止商業賄賂行為暫行規定》). Throughout the Track Record Period, no instances of corruption, bribery, or money laundering have occurred within our Group.

Our Group is also committed to protecting whistleblowers in anti-corruption efforts, we ensure confidentiality when handling reports. Whistleblowers are guaranteed fair treatment, protection from unfair dismissal, harm, or improper discipline. We provide a secure reporting channel and take action against retaliatory behavior.

Environment

Undoubtedly, the environment is a crucial aspect of corporate operations. It is closely linked to both humanity and businesses, involving the use of natural resources, pollution control, and the protection of ecosystems. As climate change and resource shortages become increasingly severe, businesses face mounting pressure to transition to sustainable operational strategies.

Our Group aims to reduce its carbon footprint, enhance energy efficiency, and promote the use of renewable energy while balancing business performance. We strive to minimise our environmental impact by establishing clear environmental policies, adopting green technologies, conducting carbon assessments, and preparing ESG reports. We believe that prioritizing environmental performance can drive the integration of environmental issues into core strategies, enabling us to adapt to future challenges and opportunities.

Our Group’s production process does not involve significant use of natural resources, resulting in minimal environmental impact and resource consumption. The primary environmental impact of the business arises from gas emissions produced by vehicle usage during business travel, as well as the indirect impact of carbon dioxide emissions from electricity and paper usage. Our Group has implemented measures to reduce its carbon footprint and prevent environmental damage by adopting energy-saving measures.

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During the Track Record Period and up to the Latest Practicable Date, our Group has complied with the environmental laws of the People’s Republic of China and has not encountered any violations, including but not limited to the *Environmental Protection Law* (《環境保護法》), the *Environmental Protection Tax Law* (《環境保護稅法》), the *Water Pollution Prevention and Control Law* (《水污染防治法》), the *Air Pollution Prevention and Control Law* (《大氣污染防治法》), and the *Solid Waste Pollution Prevention and Control Law* (《固體廢物污染環境防治法》).

Environmental management goals

China is committed to enhancing its national contributions through the implementation of more rigorous policies and measures, with the aspiration of reaching carbon peak prior to 2030 and attaining carbon neutrality by 2060. Our Group, in response, has also established a series of goals. We aim to align with the government’s targets while simultaneously enhancing our market competitiveness and bolstering our brand image.

By integrating sustainable development into our core strategy, we not only position ourselves to better address future environmental challenges but also contribute to the achievement of long-term social and economic benefits within the overarching vision of carbon neutrality.

Aspect	Our Goals
Greenhouse Gas (GHG) Emissions . . .	Reduce GHG emissions intensity by 10% by the year 2030, with 2023 as the base year.
Energy Management	Reduce energy consumption intensity by 10% by the year 2030, with 2023 as the base year.
Water Resource Management	Reduce water consumption intensity by 10% by the year 2030, with 2023 as the base year.
Waste Management	Reduce hazardous waste intensity by 5% by the year 2030, with 2023 as the base year.
	Reduce non-hazardous waste intensity by 5% by the year 2030, with 2023 as the base year.

To achieve the above goals, our Group has established policies related to environmental protection, including the *Regulations on Environmental Management and Policy Management* (《環境管理與政策管理規定》). These policies provide a series of environmental guidelines for employees and company operations, covering aspects such as solid waste, wastewater treatment, chemical safety management, personal protective equipment management, and hazardous energy control. To minimise environmental impact, our Group is committed to integrating environmental management into daily operations.

Pollutant emission management

Our Group strictly adheres to national standards in the production process while implementing various internal policies, including but not limited to the *Solid Waste Management Regulations* (《固體廢棄物管理規定》) and *Hazardous Energy Control Procedures* (《有害能源控制程序》). Our products undergo several monitored steps from raw materials to processing, including winding cotton polyester, textile manufacturing, coating, quality inspection, and shipment. In addition to quality control in the production process, we pay significant attention to pollutant emissions. Electricity is the primary energy used in production, without contributing to exhaust emissions. Cutting waste is collected uniformly and treated as waste; waste oil and hazardous materials are stored separately and labelled, with disposal managed by a hazardous waste company.

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During the Track Record Period, our Group has not been aware of any non-compliance or violations concerning environmental protection that could adversely affect our business operations.

Waste gas management

Our Group’s air pollutants primarily stem from vehicle usage, including nitrogen oxides (NO_x), sulfur oxides (SO_x), and particulate matter (PM). We strive to reduce unnecessary business trips to minimise pollutant emissions.

The following table sets forth our air pollutant emissions during the Track Record Period (Note 1):

	Unit	Ended 31 December,	
		2024 ^(Note 2)	2025
Nitrogen oxides (NO_x)	kg	11.4	8.7
Particulate Matter (PM)	kg	0.02	0.01
Sulphur Oxides (SO_x)	kg	1.1	0.8

Notes:

1. Our Group’s air pollutant emission data include all emissions in its in-house manufacturing practices.
2. The increase in amount of pollutants in 2024 is mainly due to the increase in travel demand caused by business development.

Waste management

To fulfill our corporate social responsibility, our Group strictly complies with all laws and regulations regarding hazardous and non-hazardous waste, and manages the disposal of various waste types according to national and industry requirements. During the Track Record Period and up to the Latest Practicable Date, our Group has not been aware of any non-compliance or violations concerning environmental protection that could adversely affect our business operations, and there have been no environmental pollution disputes, controversies, or penalties reported. We take appropriate measures to ensure that waste is properly disposed of. For hazardous waste, the production process generates waste oil. Our Group has designated a separate area for storing waste oil, which is labelled and collected for disposal by a hazardous waste company. Non-hazardous waste primarily includes daily office waste (such as paper and plastic), which is collected and managed by the property management. There have been no environmental pollution disputes, controversies, or penalties reported.

The following table sets forth our waste generation during the Track Record Period^(Note 1):

	Unit	Ended 31 December,	
		2024	2025
Hazardous Waste	kg	2.0	0.0
Intensity — Hazardous Waste Generated per Employee.	kg per employee	0.04	0.00
Non-hazardous Waste	kg	1,755.3	150.0
Intensity — Non-hazardous Waste Generated per Employee	kg per employee	30.8	2.2

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Notes:

1. Our Group’s waste generation data include all waste generated in its in-house manufacturing practices.

Use of resource

Our Group clearly understands the link between resources and business operations. Recognising that resource — efficient operations are key to both cost-control and long-term sustainability, we focus on nurturing energy saving awareness among employees.

We urge all departments to collaborate in conserving energy and shunning waste. For example, we encourage employees to power off unused office equipment like computers and monitors at the end of the workday. We also promote more efficient use of company vehicles to control petrol consumption. By fostering such habits, we aim to embed a sustainable mind-set within the Group, with each employee playing an active role in resource conservation.

We also incorporate the sustainable use of water resources into our long-term ESG strategy, promoting the restoration and protection of the natural environment. Wastewater is discharged into municipal drainage systems and treated by sewage treatment plants, with no direct discharge into water or land. Our group advocates for water conservation among employees to reduce unnecessary waste. We implement various water-saving measures, such as recycling water and posting water-saving signs.

The following table sets forth our energy consumption during the Track Record Period^(Note 1):

	Unit	Ended 31 December,	
		2024	2025
Petrol	MWh	12.2	9.2
Electricity	MWh	127.7	99.3
Total Energy Consumption	MWh	139.9	108.5
Intensity — Energy Consumption per Employee	MWh per employee	2.5	1.6
Total Water Consumption	m ³	828.1	1,017.7
Intensity — water Consumption per Employee	m ³ per employee	14.5	15.0

Note:

1. Our Group’s energy consumption data include all energy consumed in its in-house manufacturing practices.

Packaging materials

The packaging materials used in our Group’s business processes include plastics and paper. We continuously monitor the usage of packaging materials to maximise utilisation and avoid overstocking and waste. Additionally, we are striving to seek more environmentally friendly and sustainable packaging materials.

The table below sets forth our packaging materials consumption during the Track Record Period^(Note 1):

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	Unit	Ended 31 December,	
		2024	2025
Packaging Material	tonne	50.7	3.6
Intensity — Packaging Material per Employee	tonne per employee	0.9	0.1

Notes:

1. Our Group’s packaging material consumption data include all materials utilised in its in-house manufacturing practices.

Climate change

Governance

To tackle the risks that climate change presents to both our business and the environment, our Board adheres to relevant legislation and widely-recognised ethical norms. Our governance framework is designed to evaluate risks associated with ESG and climate change matters. Our Board evaluates significant transactions in light of the identified ESG risks and opportunities. This evaluation ensures compliance with sustainable development requirements and relevant social responsibility standards, all the while capitalising on related ESG opportunities.

Ultimately, our Board shoulders the responsibility of reviewing, approving, and amending our ESG policies. This is to guarantee that our policies are in line with the latest standards and regulations, enabling us to better navigate the challenges and opportunities in the realm of ESG and climate change.

Strategy

Our group has adopted corresponding strategies to address climate change issues. On one hand, we develop contingency plans, and monitor weather forecasts to alert employees promptly. On the other hand, we promote the use of clean energy in production and daily operation, and develop more environmental-friendly products to adapt to changes in user preferences.

Risk management

As our production site is based in Changchun, we have relatively low-risk areas for acute physical risks like floods and storms. However, our Group has established intervention measures to address the potential impacts and risks of climate change on our business, such as issuing official weather warnings to remind employees to prepare for the protection of the facility.

Our business is also facing transition risks, such as stricter regulatory requirements and challenges to raw material supply. We value business innovation and constantly refine our products to adapt to changes in regulatory requirements and market demand.

During the Track Record Period, our Group analysed the following climate-related risks:

	Climate-related risk	Actual or potential impact	Mitigating steps
Short-term (1-3 years).	Energy shortage	Reduction or halt in production and reduced revenue, supply chain disruptions	Utilisation of staggered production plans and enhancement of production technologies Increased use of new energy to reduce reliance on purchased electricity

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	Climate-related risk	Actual or potential impact	Mitigating steps
	Compulsory requirements by regulators on climate-related financial disclosures	Potential adverse reputational impact due to failure to comply caused by lack of historical statistics and accurate accounting methods	Formation of working groups to regularly report on the latest disclosure requirements imposed by regulators to ensure quality of the Group’s disclosures
Medium to long-term (4-9 years)	More stringent climate policies (such as implementation of carbon-pricing mechanisms and the shift of energy use towards renewable energy)	Increased transition costs for reducing use of high-emission energy sources Potential impact on cash flow by fluctuations in carbon-pricing	Change in energy consumption structure through active reduction in reliance on non-renewable energy by increased installation of solar panels on our production bases and purchases of green energy Appointment of external advisers to regularly report on the latest policies relating to carbon trading to assess any potential financial impact on the Group
Long-term (10 years or more)	Increased severity and frequency of extreme weather conditions such as heatwaves, flooding and typhoons	Increased cost in insurance and depreciation of facilities Reduction or halt in production and reduced revenue, supply chain disruptions Threatened health and safety of employees	Emergency response plan for environmental incidents to ensure timely reaction Increased training and drills to enhance employee awareness Improve production machinery with enhanced heat dissipation and water proofing features and regular inspections to increase service life
	Worldwide and national initiatives on carbon neutrality and heightened environmental standards	Increased operating and compliance costs and reduced profit Increased research and development (R&D) costs for green production	Formation of working groups to regularly report on the latest environmental policies to avoid increased compliance costs Promotion of the usage of recycled raw material and hence to achieve carbon neutrality and reduce cost

Metrics and targets

Our Group closely monitors GHG emission levels and is committed to exploring ways to reduce them. We have taken relevant measures to minimise GHG emissions, such as apply computer technology to reduce paper usage. For content that must be printed, we encourage double-sided printing and reuse of printing paper. We also stipulate to turn off electrical equipment during non-working hours to reduce electricity consumption.

The table below sets forth our GHG emissions during the Track Record Period^(Note 1):

		Ended 31 December,	
	Unit	2024	2025
Scope 1 Direct GHG Emissions ^(Note 2)	tCO ₂ e	4.4	2.3

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	Unit	Ended 31 December,	
		2024	2025
Scope 2 Energy Indirect GHG Emissions ^(Note 3)	tCO ₂ e	71.1	55.3
Scope 3 Other Indirect GHG Emissions ^(Note 4)	tCO ₂ e	0.6	0.6
Total GHG Emissions (Scope 1 + Scope 2 + Scope 3)	tCO ₂ e	76.1	58.1
GHG Emission intensity per employee	tCO ₂ e per employee	1.3	0.9

Notes:

1. Our Group’s GHG emission data include all GHG emissions in its in-house manufacturing practices..
2. Scope 1 (direct GHG emissions): including the combustion of vehicle fuel and the consumption of refrigerants. The increase in amount of emissions in 2024 is mainly due to the increase in travel demand caused by business development.
3. Scope 2 (energy indirect GHG emissions): including purchased electricity for daily production and office use.
4. Scope 3 (other indirect GHG emissions): including disposal of wastepaper in landfills and electricity used by government departments in treating drinking water and sewage.

Social

Employment

Employees are our Group’s most valuable asset. We are committed to creating an inclusive and respectful work environment where employees can maximise their potential, and we have implemented diverse recruitment policies to bring in talent from different backgrounds, which promotes innovation and job satisfaction. We also offer continuous training and development opportunities to enhance team capabilities.

Our labour employment policies and standards strictly adhere to *Labour Law of the People’s Republic of China* (《中華人民共和國勞動法》) and *Labour Contract Law of the People’s Republic of China* (《中華人民共和國勞動合同法》), and other relevant regulations. Internally, we have developed the *Employee Handbook* (《員工手冊》) to clarify employment related regulations. Employment terms like duration, working hours, and leave follow legal requirements, and labour contracts clearly define labour protection, working conditions, and occupational hazard prevention. Our hiring procedures, documentation, and processes comply with national and regional regulations. We closely monitor government law updates and timely adjust internal policies. Each year, we analyse and optimise current policies and systems.

We firmly oppose child labour and forced labour. We strictly follow laws such as the *Regulations on the Prohibition of Child Labour* (《禁止使用童工規定》), having clear recruitment and human resources management systems. During recruitment, we verify applicants’ identification to prevent illegal hiring of minors, and we also check migrant workers’ details to ensure they’re not coerced.

We regularly inspect production workshops to monitor employees’ working hours, rest periods, and living conditions. Any violations are promptly corrected. If child labour or forced labour is found, we will immediately terminate employment and hold the responsible parties legally accountable. We believe protecting employees’ legal rights is crucial for harmonious labour relations and enterprise

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development. In the future, we will continue to strengthen employee management and improve relevant systems to create better conditions for employees. During the Track Record Period and up to the Latest Practicable Date, we have complied with Chinese labour-related laws and regulations.

Employment compensation and benefits policy

We aware that employee satisfaction and engagement are pivotal for the sustainable development of our enterprise. Our Group offers fair and reasonable remuneration, based on the established *Human Resources and Salary Management System* (《人力資源與薪資管理制度》). Salaries are determined based on market standards, job responsibilities, annual performance, and professional qualifications. Employees work fixed hours and are entitled to all statutory holidays and benefits. These include annual leave, sick leave, maternity leave, marriage leave, and paternity leave. In compliance with the *Labour Contract Law of the People’s Republic of China* (《中華人民共和國勞動合同法》), employees receive social insurance benefits as specified in their labour contracts, such as pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, and housing provident fund. We also provide employees in hazardous occupations with necessary protective equipment.

Equal opportunity and diverse workforce

Our Group is firmly committed to the principles of diversity and inclusion, strictly forbidding any form of discrimination against employees and candidates. In all labour-related matters within the Group, be it recruitment, promotion, or termination, we base our decisions solely on the abilities, qualifications, experience, and performance of candidates or employees.

Our recruitment policy emphasises comprehensive candidate evaluations. We strive to select the most suitable individuals, promote talent on the basis of merit, and prioritise internal promotions over external hiring. Employees are obligated to conduct annual self-assessments and engage in discussions with their supervisors.

In our hiring practices, the Group adheres to the principle of “gender equality and ethnic equality”, with some positions having specific provisions related to gender and ethnicity. A fundamental part of our Group’s values and culture is the continuous commitment to providing equal employment opportunities in all aspects. We prevent harassment and discrimination based on factors such as colour, religion, location, nationality, age, sexual orientation, and marital status, and are dedicated to maintaining a professional and positive work environment. During the Track Record Period and up to the Latest Practicable Date, our Group did not receive any cases or reports of discrimination or harassment. If such incidents occur in the future, we will handle them with utmost seriousness, ensuring fair and legal resolution.

The following table sets forth the details of the total workforce and employee turnover rate by gender and age groups during the Track Record Period:

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	Ended 31 December,			
	2024 No. of employee	2024 Turnover rate	2025 No. of employee	2025 Turnover rate
By Gender				
Male	29	3.4%	36	5.6%
Female	28	3.6%	32	18.8%
By Age				
Below 30 years old	1	0.0%	0	0.0%
Between 30 to 50 years old	42	4.8%	50	4.0%
Over 50 years old	14	0.0%	18	33.3%
Total	57	3.5%	68	11.8%

Health and safety

The Group continuously monitors safety hazards in the workplace and invests the necessary resources to prevent and manage various safety risks. We have established a safety management system, developed detailed safety operating procedures, and require all employees to strictly adhere to these standards. Regular safety inspections are conducted across production units, and any identified issues are promptly addressed to ensure the safe and reliable operation of equipment. Additionally, we provide various safety training courses to equip employees with the necessary knowledge and skills to enhance safety awareness.

The Group has formulated the *Safety Production Management System* (《安全生產管理制度》) and the *Employee Occupational Disease Prevention and Control System* (《員工職業病防治制度》). We continually improve conditions such as air quality and lighting in production areas, ensuring that employees work in a comfortable and safe environment, and regularly monitor occupational disease hazard factors in the workplace and take effective measures for prevention and control, creating safe and hygienic working conditions for employees. Beyond physical health, we also prioritise employees’ mental well-being, offering necessary medical support and encouraging employees to manage work-related stress to maintain their mental health.

To strengthen safety awareness among all employees and fully implement the “Safety First, Prevention Foremost” principle, we have developed specific safety production regulations and workshop management systems based on national laws and regulations, combined with the Company’s actual situation. During the Track Record Period and up to the Latest Practicable Date, the Group complied with relevant Chinese laws and regulations, including but not limited to the *Prevention and Control of Occupational Diseases Law* (《中華人民共和國職業病防治法》) and *Production Safety Law of the People’s Republic of China* (《中華人民共和國安全生產法》).

The following tables sets forth the safety and health data of our employees during the Track Record Period:

	Unit	Year ended 31 Dec	
		2025	2024
Employee fatalities	No. of employee	0	0
	Unit	Year ended 31 Dec	
		2025	2024
Work injuries	No. of employee	0	0

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	Unit	Year ended 31 Dec	
		2025	2024
Lost days due to work injuries	hours	0	0

Development and training

To boost employees’ skills, knowledge, and capabilities, our Group furnishes all new employees with a training manual to facilitate their acquaintance with the Group. We conduct internal training tailored to departmental responsibilities. Additionally, safety production training and environmental protection training are incorporated into our corporate training programs. This comprehensive approach ensures that employees not only gain job-specific skills but also understand the importance of safety and environmental stewardship within our corporate framework, thus contributing to the overall development of the enterprise and the effective transmission of our values.

Supply chain management

Our Group takes measures to mitigate ESG risks across both our supply chain. In 2024, 100% of suppliers were subject to ESG risk assessments covering core indicators such as environmental compliance, supply chain resilience, and service sustainability. We have formalised evaluation frameworks under the *Procurement Management System* (《採購管理制度》) and *Supplier Assessment Form* (《供應商評估表》), integrating ESG risk metrics into standard supplier management.

New suppliers are vetted through a four-dimensional scoring criteria: corporate credentials, product delivery and after-sales service, pricing terms, and environmental impact. Suppliers must score 80+ to be qualified, 60-80 as alternative candidates, and below 60 are rejected. This same scoring framework applies to annual evaluations of existing suppliers: those scoring 60-80 are required to implement corrective actions, while scores below 60 result in immediate termination of cooperation. Our third-party processors for smart wearables and outdoor products are selected based on product quality compliance and a mandatory two-year warranty commitment, aligning with our supply chain ESG governance standards.

The following table sets forth the number of our suppliers during the Track Record Period:

	Ended 31 December,	
	2024	2025
No. of supplier ^(Note 1)	20	27

Note:

- 1. All suppliers were located in Mainland China during the Track Record Period.

Product liability

Product safety is a fundamental aspect of safeguarding consumer rights. Any safety hazards in products can pose threats to consumers’ lives and property, undermine their consumption confidence, and damage our Group’s market reputation. Our Group strictly complies with laws and regulations related to product liability, such as the *Consumer Rights Protection Law of the People’s Republic of China* (《中華人民共和國消費者權益保護法》). Throughout the Track Record Period and up to the Latest Practicable Date, no violations regarding product safety or advertising were detected, and the Group was not subject to any material product liability claims.

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To guarantee that products, especially electric heating products, meet safety standards, our Group conducts random inspections at all stages. This includes physical inspection, quality testing, enhanced sample testing and packaging inspection. The heating mesh fabrics and flexible heating films we produce adhere to enterprise standard. For subcontractor-manufactured goods, we require subcontractors to supply annual third-party testing reports and internal testing reports with each shipment. We also conduct random inspections upon receipt of goods to ensure that all products leaving the factory are of high quality. In addition, our Group provides clear safety usage instructions to prevent consumers from misusing products and suffering harm.

Complaint handling and product recall

The Group places customer satisfaction at the forefront, a *Complaint Management System* (《客訴管理辦法》) has been set up to ensure timely resolution of quality complaints. When sales personnel report a customer complaint or quality issue, the Group assesses the situation to decide whether on-site visits are needed. If so, staff from the production and quality inspection departments will investigate, document the process, and analyse the root cause. After obtaining samples from the customer, the quality inspection department conducts a thorough examination and reviews production records. In case of detected problems, an urgent product recall will be carried out.

If there are serious quality issues reported by customers, management will immediately be informed, and an investigation will be launched. The heads of the production and quality inspection departments will convene a special meeting to discuss and resolve the issue while reporting to the general manager. During the Track Record Period and up to the Latest Practicable Date, no product-related complaints or incidents occurred.

In the *Customer Management System* (《客戶管理制度》), we have clearly defined matters related to product recalls. If a product is found non-compliant, the Group will promptly recall all affected products, bear return and exchange costs, and compensate affected customers. The Group offers a two-year warranty for customers, covering any quality issues during this period. For subcontractor-manufactured product quality issues within the warranty period, the Group will first negotiate with the consumer and then consult the subcontractor manufacturer as per the contractual agreement. During the Track Record Period and up to the Latest Practicable Date, there were no product recalls or liabilities due to product defects, nor any product recalls resulting from accusations of violating product quality and technical standard regulations.

Intellectual property

Some of our Group’s brands are relatively new, and market recognition requires enhancement. To tackle potential infringement incidents, the Group has fortified its patent application and protection processes, increased investment in brand promotion, and formulated the *Intellectual Property Management Regulations* (《知識產權管理辦法》) and *Procedures for IP Infringement and Remedies* (《知識產權侵權及補救措施程序》). The Group designates administrative departments to manage intellectual property and other intangible assets and has set up an intangible asset registry. Currently, the Group holds four utility model patents and one invention patent, with another invention patent pending acceptance. In 2021, the Group acquired trademarks from the holders of Mei Shi Kang, Fan Xi, and Die Lian Qing Feng, and the trademark ownership transfers were completed in 2024. Moreover, the Group collaborates with universities on research and development, with agreements stipulating the ownership of research outcomes and confidentiality clauses.

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Our Group strictly adheres to the *Patent Law of the People’s Republic of China* (《中華人民共和國專利法》) and the *Trademark Law of the People’s Republic of China* (《中華人民共和國商標法》) and regularly monitors relevant legal updates. During the Track Record Period, no significant legal proceedings, claims, disputes, or arbitrations related to intellectual property, either pending or threatened, were directed against any of our member companies or directors.

Customer privacy protection

Customer privacy is a vital element in safeguarding the Group’s reputation. Our Group is dedicated to safeguarding the personal privacy of customers. We adhere to the principle of data minimisation. That is, we collect, process, store, use, and delete only the minimum amount of personal information required to achieve specific objectives. The Group assigns dedicated personnel to manage the collected information, and only authorised employees have access to the data. Upon joining the company, employees are required to sign confidentiality agreements, strictly prohibiting the unauthorised disclosure of personal privacy information encountered in the course of their work.

During the Track Record Period and up to the Latest Practicable Date, our Group has fully complied with laws and regulations related to customer privacy protection, such as the *Personal Information Protection Law of the People’s Republic of China* (《中華人民共和國個人信息保護法》). Notably, no significant incidents of customer privacy information leaks have occurred.

Community investment

Our Group acknowledges its obligations towards the community and actively motivates our employees to identify opportunities for collaboration with charitable organisations and to take part in a diverse range of charitable activities. By doing so, we aim to spotlight the needs of the community and foster greater employee engagement in community service. We firmly believe that through active participation in community service activities, our employees can cultivate a strong sense of social responsibility. This, in turn, helps to enhance our Group’s standing as an active contributor to community building.

Moving forward, our Group will persist in upholding the principle of accountability towards shareholders, investors, suppliers, customers, and the general public. While seeking out additional development opportunities, we will also strive to maintain harmonious relationships with all our stakeholders.

LICENCES AND PERMITS

As a graphene-based heating film manufacturer, we are subject to regulation and oversight by different levels of the industry and commerce administration in the PRC. We are also subject to other PRC laws and regulations that are applicable to manufacturers and distributors in general. A summary of the relevant PRC laws and regulations which our business operations are subject to in the PRC is set out in the section headed “Regulatory Overview” in this document. We, as advised by our PRC Legal Advisors, confirm that during the Track Record Period and up to the Latest Practicable Date, except as disclosed in the subsection headed “Legal proceedings and regulatory compliance — Non-compliance” in this document, we had complied with all the relevant PRC laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for our operations in China.

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LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

Legal proceedings

We may from time to time be involved in a number of legal proceedings in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial position or reputation.

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Non-compliances

During the Track Record Period, our Group did not comply with certain applicable laws and regulations in the PRC. A summary of such non-compliances and our remedial measures are set out below:

No.	Non-compliance incidents	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
1.	During the Track Record Period, Jilin Huachen, our PRC subsidiary, did not make sufficient payments in relation to social insurance and housing provident fund for our employees as required by the relevant PRC laws and regulations.	As advised by our PRC Legal Advisors, under PRC laws and regulations, we might be subject to surcharges and fines for not making social security contributions in full amount in a timely manner. If any competent government authority is of the view that the social security payment we made for our employees does not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period and a surcharge that equals to 0.05% of the total unpaid amount per day may be imposed on us. If we fail to pay the unpaid amount or the late fee, we may be subject to a fine ranging from one to three times of the total unpaid amount of the social security fund contribution. In addition, as advised by our PRC Legal Advisors, if we fail to make full contribution to the housing provident fund, the relevant government authority may require the employer to make the unsubscribed contribution within a prescribed time limit, and if we still fail to do so upon the expiration of the abovementioned time limit, the relevant government authority may apply to a PRC court for an order to enforce the payment.	(i) Our Group has paid social security and housing provident fund contributions in full for all employees as of December 2025, and Jilin Huachen has completed its housing provident fund registrations for its employees as at December 2025; (ii) Jilin Huachen has obtained written confirmations from a local social security authority⁽¹⁾ and a housing provident fund authority⁽²⁾, each stating that, among others, Jilin Huachen has now duly complied with the applicable national and local laws, regulations and other regulatory documents in respect of social insurance and housing provident funds, and it did not have records of any administrative action, administrative penalty, investigations, disputes, complaints or claims with respect to the social insurance and housing provident fund contributions. We are advised by our PRC Legal Advisors that each of the aforesaid government authorities is a competent authority; (iii) The written confirmation from the local housing provident fund authority⁽²⁾ obtained by Jilin Huachen further stated that, Jilin Huachen has already established and maintained a housing provident fund account with such government authority in due compliance with the applicable national and local laws, regulations and other regulatory documents;

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No.	Non-compliance incidents	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
2.	During the Track Record Period, Jilin Huachen, our PRC subsidiary, failed to register with the relevant government authorities within a prescribed period for housing provident fund in accordance with the Regulations on the Administration of Housing Provident Fund.	Our PRC Legal Advisors have advised us that, we may also be liable to a fine of not less than RMB10,000 nor more than RMB50,000 for failing to make the housing provident fund registration within the prescribed time limit. The maximum exposure amount is RMB50,000 in this context.	(iv) For FY2024 and FY2025, we have made net provisions for the underpaid social insurance and housing provident fund contributions in the sum of approximately RMB0.5 million and RMB1.5 million, respectively. For details of the aforesaid provisions during the Track Record Period, please refer to “Financial Information” in this document. As at 31 December 2024 and 31 December 2025, the provision of the underpaid social insurance and housing provident fund contributions made by our Group amounted to approximately RMB2.8 million and RMB1.6 million, respectively; (v) Ms. Li, our Controlling Shareholder, has agreed to provide full indemnification for such contributions (if we are ordered to make any retrospective payments) and surcharges, fines and/or penalties that may arise as a result of such non-compliance incidents; (vi) We are advised by our PRC Legal Advisors that (1) the risk that our Group will be imposed a fine or penalty by the relevant competent social insurance and housing provident fund authorities is remote, and such non-compliance incidents will not result in any material impediment to the [REDACTED]; and (2) the failure to register Jilin Huachen’s housing provident fund with the relevant government authorities within a prescribed time limit would not have a material adverse impact on our Group’s business, financial condition and results of operations.

Notes:

- (1) The relevant social security authority is Changchun Erdao District Social Insurance Administration (長春市二道區社會保險事業管理局).
- (2) The relevant housing provident fund security authority is Changchun Housing Provident Fund Management Centre (長春市住房公積金管理中心).

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We have adopted the following enhanced internal control measures since March 2025 to monitor our ongoing compliance with the relevant employment laws and regulations in the PRC and prevent future occurrences of non-compliances in relation to our practices for social insurance and housing provident fund contribution, which includes (i) enhancing our human resources policies, which explicitly require social insurance and housing provident fund contributions to be made in accordance with applicable local requirements; (ii) regularly communicating with relevant government authorities and agencies to ensure that our contribution arrangements comply with the relevant laws and regulations; (iii) regularly consulting our PRC Legal Advisors to adequately understand and interpret the relevant PRC laws and regulations and timely identify any non-compliance issues and keep abreast of the latest regulatory developments in the PRC laws and regulations in relation to social insurance and housing provident funds; (iv) strengthening legal compliance training for our employees to enhance their awareness of the relevant PRC laws and regulations and encourage their cooperation in making payments for social insurance and housing provident funds; (v) preparing periodic reports regarding our contribution progress, including contribution amounts and payment methods, for review by our management; and (vi) designating our human resources department to review and monitor the reporting and contributions of social insurance and housing provident funds on a regular basis to ensure the social insurance and housing provident fund contributions of employees based therein have been made in such an amount and manner in compliance with the relevant laws and regulations. Having regard to (i) the insignificant amount of the underpaid social insurance and housing provident fund contributions during the Track Record Period; and (ii) the risk that our Group will be imposed a fine/penalty by the relevant competent social insurance and housing provident fund authorities is remote, our Directors and the Sole Sponsor are of the view that the foregoing internal control measures are adequate and effective in preventing the future occurrences of such non-compliances.

For further details, please refer to “Risk Factors — Risks relating to our business and industry — Failure to make adequate contributions to various employee benefit plans as required by PRC laws and regulations may subject us to penalties” in this document.