You should read the discussion and analysis in conjunction with our financial statements, including the notes thereto, as set forth in the Accountant's Report included as Appendix I to this document. The Accountant's Report has been prepared on the basis set out in Appendix I to this document and in accordance with our accounting policies that are in conformity with IFRS. Our historical results do not necessarily indicate our performance for any future periods.

The following discussion and analysis of our financial condition and results of operations contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those discussed below due to a number of factors, including those set out in the sections headed "Risk Factors", "Forward-looking Statements", "Business" and elsewhere in this document.

Potential investors should read the whole of the Accountant's Report set out in Appendix I to this document and not rely merely on the information contained in this section.

For the purpose of this section, unless the context otherwise requires, references to FY2024 refer to our financial year ended 31 December 2024, and references to FY2025 refer to our financial year ended 31 December 2025.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are primarily engaged in the research, development, production and sales of new heat-generating materials and products in Northeast China, specializing in graphene-based materials and products. Since our establishment in 2017, we have focused on developing graphene-based materials and products. Our product portfolio primarily consists of graphene-based heating films and products, both designed to deliver efficient and uniform heating for consumer and industrial applications.

Our sales channels are strategically structured according to our two distinct business segments. In our sales of graphene-based heating films, operated under the Hua Chen (華晨) brand, we primarily engage in direct sales to manufacturers and construction companies. In contrast, our sales of graphene-integrated thermal products, comprising the Fan Xi (梵晞), Mei Shi Kang (美世康), and Die Lian Qing Feng (蝶戀清楓) brands, operates through a distribution network in Northeast China.

Our production facility, strategically located in Erdao District, Changchun City, is equipped with advanced technology and quality in our manufacturing of graphene-based heating films. For the factory direct sales segment under the Hua Chen brand, we manufacture graphene-based heating films in-house. For the distribution sales segment under the Fan Xi, Mei Shi Kang, and Die Lian Qing Feng brands, we engage subcontractors specializing in consumer product manufacturing. These subcontractors integrate our graphene-based heating films into final consumer-ready products such as thermal outdoor jackets, thermal sleeping bags, and thermal seat cushions, adhering to our specific designs. As of the date of the Latest Practicable Date, we have 15 direct sales customers and 29 distributors.

During the Track Record Period, our revenue was primarily generated from the sale of our products through our distribution network comprising distributors across Northeast China. For FY2024 and FY2025, we recorded revenue of approximately RMB97.9 million and RMB119.1 million, respectively. Our gross profit was approximately RMB38.8 million and RMB49.9 milllion for FY2024 and FY2025, representing gross profit margins of approximately 39.6% and 41.9%, respectively. Our profit for the year were approximately RMB17.1 million and RMB21.2 million for FY2024 and FY2025, respectively.

Our financial performance during the Track Record Period was primarily driven by (i) increasing market demand for graphene-based thermal products, (ii) our multi-brand strategy targeting different segments, and (iii) our established distribution network in Northeast China. We believe our integrated business model, combining R&D, manufacturing and sales capabilities, positions us well to capture the growing opportunities in the graphene-based materials and products market in Northeast China.

Based on the accounting standards and presentation requirements, our historical financial information during the Track Record Period has been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**") and is presented in RMB, our functional and presentation currency.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 August 2024. Following the completion of the Reorganisation on 10 December 2024, our Company became the holding company of the entities now comprising our Group. Prior to the Reorganisation, Jilin Huachen, our main operating subsidiary, was controlled by Ms. Li (the Controlling Shareholder). The control was not transitional, resulting in a continuation of risks and benefits to the Controlling Shareholder. Consequently, the Reorganisation is considered as a combination of entities under common control. For more details, see "History, Reorganisation and Corporate Structure".

The financial information in the Accountants' Report presented in Appendix I to this document has been prepared by applying the principles of merger accounting, where our Group is treated as a continuation of Jilin Huachen, with the assets and liabilities recognized and measured at their historical carrying amounts prior to the Reorganisation. The corporate restructure has been accounted for using a principle similar to that for a reverse acquisition, with Jilin Huachen being treated as the acquirer for accounting purposes.

Our Combined Statements of Financial Position as at 31 December 2024 and 2025 presented in the Accountants' Report in Appendix I to this document have been prepared to present our financial position as at the respective dates as if the current group structure had been in existence at these dates. Our Combined Statements of Profit or Loss and Other Comprehensive Income, the Combined Statements of Financial Position, the Combined Statements of Changes in Equity, and the Combined Statements of Cash Flows for the Track Record Period include the results, the assets and liabilities, and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries first came under the control of our Company or Jilin Huachen, where this is a shorter period.

Our combined financial statements, which are presented in RMB, have been prepared in accordance with IFRS Accounting Standards issued by the IASB and comply with the disclosure requirements of the Companies Ordinance and GEM Listing Rules. Details regarding the basis of presentation and preparation of our combined financial statements for the Track Record Period are set out in note 2 to the Accountants' Report in Appendix I to this document.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and will continue to be, affected by a number of factors, including those set forth in the section headed "Risk Factors" in this document and the following factors:

Sales mix and market development

Our operational results depend on factors such as sales mix, including the proportion of graphene-based film business (graphene-based film) and graphene-integrated thermal products business (consumer products), and the economic conditions of the regions where our products are sold. The balance between our graphene-based film and graphene-integrated thermal products segments affects our overall profit margin. During the Track Record Period, our graphene-integrated thermal products business remained a driving force of our performance, accounting for approximately 81.4% and 83.4% of our total revenue in FY2024 and FY2025.

According to Frost & Sullivan, China's new heat-generating materials industry may be significantly affected by technological breakthroughs and national policies. The market size achieved growth from approximately RMB33.0 billion in 2020 to RMB46.1 billion in 2025, representing a CAGR of 6.9%. The market is expected to further grow to approximately RMB57.6 billion in 2030, with a CAGR of 4.6% from 2025 to 2030.

Economic shifts may arise from changes in regulations or policies. For example, the northeast local government has launched supportive policies to promote the development of new heat-generating materials. For instance, the Heilongjiang Provincial Department of Industry and Information Technology has introduced the Special Action Plan for the Revitalization of the Graphite Industry in Heilongjiang Province (2022–2026)《黑龍江省石墨產業振興專項行動方案(2022–2026年)》. The plan emphasises R&D in applications of graphene, including composite materials, graphene-based thermal and electrical conductive materials, and functional graphene additives to encourage the development of the new heat-generating materials industry. These policies create opportunities for our products, particularly as our distribution network continues to expand.

Consumer preferences in our target markets have evolved with growing environmental awareness and increasing health consciousness. According to Frost & Sullivan, environmentally friendly heat-generating materials are being increasingly highlighted, driving demand for green, and sustainable products.

Demand for graphene-based heating films and graphene-integrated thermal products

Our revenue and operating results are substantially influenced by consumer demand for our graphene-based heating films and graphene-integrated thermal products, which fall into four main categories: graphene-based heating films for home decoration and construction, smart thermal clothing, personal relaxation products, and travel and outdoor products. The demand for these products is shaped by factors including regional climate conditions, seasonal patterns, product safety perceptions, purchasing power, living standards, and economic conditions.

The Chinese government has emerged as a supporter of the industry through policies and fiscal initiatives. Agencies have recognized graphene as an encouraged new material and provided financial support, tax exemptions, and grants, particularly in the northeast region. This government backing, combined with China's position in graphene technology (35,570 patents in 2023), has fostered the evolution toward integrated manufacturing.

The industry has adopted technology advancement on multiple fronts. Manufacturing processes operate through production technologies, utilizing IoT, big data, and AI to ensure quality. Product innovation continues to expand, driven by health consciousness and environmental considerations. Graphene-integrated thermal products produce no emissions while delivering energy efficiency and durability.

The ice and snow economy in China drives market growth. The winter sports industry has grown following the 2022 Winter Olympics, with ice and snow tourism expected to exceed 360 million visitors in the 2025–2026 season. The scale of this economy is projected to reach approximately RMB1.5 trillion by 2030, creating demand for thermal products. This growth spans winter sports equipment, thermal wear, and heating solutions for tourism facilities. The development of indoor winter sports facilities in southern regions has expanded the market for thermal products.

The industrial transformation in Northeast China presents growth opportunities. The region's infrastructure development includes investments of 300 billion yuan in transportation, urban renewal, and industrial projects. Winter conditions in this region, with temperatures below -30°C, create challenges for construction and operations. Graphene-integrated thermal products serve worker safety and operational efficiency. Applications include workwear for construction workers, thermal products for equipment operation, and heating systems for construction sites. The adoption of these products in industrial applications has contributed to revenue growth and market expansion.

Changes in these demand drivers and resulting product mix have impacted, and will continue to influence, our revenue and profitability. The industry's adaptation to market conditions, combined with government support and technology development, positions it for growth.

Availability and costs of our critical raw materials

During the Track Record Period, we purchased various raw materials for our production, with TPU film, graphene, cotton polyester and copper wire being the critical components in manufacturing our graphene-based heating films and products. Direct raw materials costs represented accounting for approximately 15.8% and 10.3% of our cost of sales during FY2024 and FY2025, respectively. Consequently, raw material costs significantly affect our operating results.

For FY2024 and FY2025, the average import purchase cost per tonne of graphene fluctuated between USD0.62/kg to USD0.59/kg. According to Frost & Sullivan, the prices of graphene raw materials fluctuated constantly, particularly since 2020, affected by the changes in demand from the electric vehicle sector and power battery industry. Moreover, the demand for high-purity graphite raw materials has contributed to price fluctuation in the graphene market. As one of the world's major graphite exporters, China's export prices have been influenced by these market dynamics. According to Frost & Sullivan, TPU film prices remained relatively stable during this period, with minor fluctuations influenced by several factors. The slight decrease was primarily attributed to improved production efficiencies among major manufacturers and increased market competition in the Asia-Pacific region. Additionally, the stability of oil prices, a key raw material in TPU production, may have also influenced TPU film price consistency. While demand from the automotive and electronics sectors continued to grow, expanded production capacity from key suppliers helped balance the market, preventing significant price volatility. Our ability to maintain strategic relationships with multiple suppliers and implement efficient procurement practices has helped us manage these cost pressures. However, continued raw material price increases could impact our gross profit margin if we are unable to pass these costs on to customers through price adjustments.

The table below presents a sensitivity analysis illustrating the impact of changes in the costs of our key raw materials, TPU film and graphene on our profit before tax during the Track Record Period. This analysis aligns with historical fluctuations in our profit before tax attributable to variations in the direct material cost of key raw materials throughout the Track Record Period.

Hypothetical fluctuations

	Impact on profit before tax for	
	FY2024	**FY2025**
TPU film costs		
-/+ 5%	197	82
-/+ 10%	395	164
-/+ 15%	592	247

	Impact on profit before tax for	
	FY2024	**FY2025**
	RMB'000	*RMB'000*
Graphene costs		
-/+ 5%	163	68
-/+ 10%	327	136
-/+ 15%	490	204

In addition, the availability of key raw materials significantly impacts our business, financial condition, and operational results. We procure our raw materials from a variety of independent third-party suppliers, some of which operate overseas. Consequently, we experience longer inventory turnover times for materials purchased from abroad. To maintain strong relationships with our key suppliers, some of whom are dominant players in the market, we typically place orders on a regular basis, regardless of periodic fluctuations in our operations. Our procurement process involves annual supply agreements with our suppliers, with purchases made on a purchase order basis. Each purchase order details the product type and specifications, unit price, quantity, and delivery terms. During the Track Record Period, we did not experience any material shortages in our raw material supply, partly due to our strategic sourcing and strong relationship with key suppliers.

Our production capacity and operating efficiency

Our production capacity and operating efficiency are crucial to the growth of our revenue, market share, and diversifying our product mix. Our production facility, strategically located in Erdao District, Changchun City, is equipped with advanced technology and production equipment. As at 31 December 2025, our production facility had a total of 11 production lines. As at 31 December 2025, the designed annual production capacity of our weaving and heating-related product production line is 156,000 sq.m., and 63,000 sq.m., respectively. The respective utilisation rate has reached 84.6% and 63.1%.

To support growth, we aim to expand our production capacity by acquiring more production lines and machinery. With this expansion, we expect to meet rising product demand and increase sales volume. For more details about our production capacity, see "Business — Our Production Facilities". Moving forward, we plan to further improve our production efficiency to lower production costs.

MATERIAL ACCOUNTING POLICIES

Our financial information have been prepared in accordance with accounting policies which conform to the IFRS Accounting Standards issued by the International Accounting Standards Board. We have identified certain accounting policies that are material to the preparation of our financial information and are important in understanding our financial condition and results of operations. Some of these policies involve subjective assumptions and estimates, as well as complex judgments related to specific accounting items. In each case, the determination of these items requires management judgment based on information and financial data that may change in future periods. Uncertainty regarding these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amounts of the affected assets or liabilities in the future. For further details on our material accounting policies, judgments, and estimates, see Note 3 to the Accountants' Report in Appendix I this document.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of our accounting policies, which are described in note 3 to the Accountants' Report in Appendix I to this document, estimates and assumptions concerning the future and judgements are made by the management of our Group in the preparation of our historical financial information. They affect the application of our accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

SUMMARY OF RESULTS OF OPERATIONS

The following table sets forth a summary of financial information for the years indicated, which have been extracted from the Accountants' Report in Appendix I to this document.

	FY2024	**FY2025**
	RMB'000	*RMB'000*
Revenue	97,882	119,060
Cost of sales	(59,082)	(69,123)
Gross Profit	38,800	49,937
Selling and distribution expenses	(1,643)	(3,484)
Administrative and other operating expenses	(7,872)	(9,146)
Finance costs	(108)	(338)
[REDACTED]	**[REDACTED]**	**[REDACTED]**
Profit before tax	**[REDACTED]**	**[REDACTED]**
Income tax credit (expenses)	(6,475)	(4,926)
Profit for the year	17,110	21,200
Other comprehensive (loss)/income for the year	(1)	262
Total comprehensive income for the year	**[REDACTED]**	**[REDACTED]**

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS OF OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

(a) Revenue by our sales channels

The following table sets out a breakdown of revenue of our Group by our sales segment 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

Our Group's revenue increased by approximately 21.6% from approximately RMB97.9 million for FY2024 to approximately RMB119.1 million for FY2025. Such increase was primarily attributable to the growth in our revenue from distribution sales, which increased by approximately 24.6% from approximately RMB79.7 million (representing approximately 81.4% of our total revenue) for FY2024 to approximately RMB99.3 million (representing approximately 83.4% of our total revenue) for FY2025, accompanied by an increase in sales volume of our distribution sales by approximately 117,000 pieces, or approximately 38.2%.

Our revenue from direct sales also recorded an increase of approximately 8.7% from approximately RMB18.2 million (representing approximately 18.6% of our total revenue) for FY2024 to approximately RMB19.8 million (representing approximately 16.6% of our total revenue) for FY2025. The continued growth in the revenue contribution from our distribution sales reflects the sustained demand for our graphene-integrated thermal products, which continued to constitute a significant portion of our total revenue for FY2025.

(b) Revenue by product category

The following table sets out a breakdown of revenue of our Group by product category for the years 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	100.0		

Graphene-based heating films

Our revenue from graphene-based heating films increased by approximately 8.7% from approximately RMB18.2 million for FY2024 to approximately RMB19.8 million for FY2025. Such increase was primarily attributable to the increase in the average selling price, from approximately RMB46 per piece for FY2024 to approximately RMB95 per piece for FY2025, reflecting a shift in product mix towards higher-voltage, industrial-grade graphene-based heating films sold to manufacturers and construction companies for integration into floor heating systems, automotive parts and home-living applications, which contributed approximately RMB13.4 million in revenue for FY2025. The revenue growth was partially offset by a decrease in sales volume of approximately 47.0% from approximately 396,000 pieces to approximately 209,000 pieces, reflecting our Group's strategic focus on higher-specification applications commanding higher average selling prices. The shift in customer demand towards such higher-specification applications was driven by the continued growth of the new heat-generating products market in the PRC at a projected CAGR of approximately 7.8% from 2025 to 2030, according to Frost & Sullivan, underpinned by rising demand for energy-efficient heating solutions in the home-living, automotive and construction sectors.

Smart thermal clothing

Our revenue from smart thermal clothing decreased by approximately 18.2% from approximately RMB47.8 million for FY2024 to approximately RMB39.1 million for FY2025. Such decrease was primarily attributable to the decrease in the average selling price, from approximately RMB514 per piece to approximately RMB439 per piece, reflecting a shift in product mix towards lower-priced stock-keeping units, with the revenue contribution from our heated ski suits decreasing from approximately RMB40.3 million to approximately RMB30.7 million, partially offset by an increase in the revenue contribution from our heated vest from approximately RMB7.4 million to approximately RMB8.4 million, together with a modest decrease in sales volume from approximately 93,000 pieces to approximately 89,000 pieces.

Personal relaxation products

Our Group's revenue from personal relaxation products increased by approximately 39.7% from approximately RMB11.5 million for FY2024 to approximately RMB16.0 million for FY2025. Such increase was primarily attributable to the increase in the average selling price, from approximately RMB74 per piece to approximately RMB92 per piece, reflecting a shift in product mix towards higher-priced stock-keeping units. In particular, the revenue contribution from our graphene-based heating tatami mats amounted to approximately RMB3.0 million for FY2025, and the revenue contribution from our portable thermal waist bands increased from approximately RMB5.7 million to approximately RMB7.3 million. Sales volume also recorded a modest increase from approximately 154,000 pieces for FY2024 to approximately 174,000 pieces for FY2025.

Travel and outdoor products

Our revenue from travel and outdoor products increased by approximately 116.0% from approximately RMB20.4 million for FY2024 to approximately RMB44.2 million for FY2025, with our gross profit margin improving from approximately 38.5% to approximately 40.7% over the same period. Such increase was primarily attributable to the robust end-consumer demand for our thermal sleeping bag products in the Northeast China outdoor and winter tourism retail channel, driven by the sustained growth in the ice and snow economy in Northeast China, supported by the continued expansion of our distribution network.

Such demand translated into an increase in our sales volume of approximately 170.1% from approximately 59,000 pieces to approximately 160,000 pieces, led by our 5VDC 10W thermal sleeping bag, the revenue contribution of which increased by approximately 205.1% from approximately RMB6.5 million to approximately RMB19.8 million, and our 12VDC 10W thermal sleeping, the revenue contribution of which increased by approximately 74.5% from approximately RMB14.0 million to approximately RMB24.3 million. The revenue growth was partially offset by a decrease in the average selling price from approximately RMB347 per piece to approximately RMB276 per piece, reflecting a shift in our product mix towards the 5VDC 10W thermal sleeping bag, which carries a lower average selling price than the 12VDC 10W thermal sleeping bag.

Cost of sales

The table below sets forth a breakdown of our cost of sales for the year indicated:

	FY2024		FY2025	
	RMB'000	*%*	*RMB'000*	*%*
Subcontracting fees	45,338	76.7	55,525	80.3
Direct raw materials costs	9,354	15.8	7,141	10.3
Direct labor costs	2,056	3.5	2,003	2.9
Production overhead	2,334	4.0	4,454	6.5
Total	59,082	100.0	69,123	100.0

Subcontracting fees

Our subcontracting fees mainly include outsourcing of certain production processes to third-party manufacturers for our graphene-integrated thermal products. Our subcontracting fees increased by approximately RMB10.2 million, or approximately 22.5%, from approximately RMB45.3 million for FY2024 to approximately RMB55.5 million for FY2025, which was primarily attributable to the increase in the sales volume of our graphene-integrated thermal products from approximately 306,000 pieces for FY2024 to approximately 423,000 pieces for FY2025, or approximately 38.1%, led by our travel and outdoor products.

Direct raw materials costs

Our direct raw materials costs mainly include (i) TPU film, (ii) graphene, (iii) cotton polyester, and (iv) copper wire. Our direct raw material costs decreased by approximately RMB2.2 million, or approximately 23.7%, from approximately RMB9.4 million for FY2024 to approximately RMB7.1 million for FY2025, which was primarily attributable to the decrease in the production volume of our graphene-based heating films by approximately 46.9%, as such products are manufactured in-house and consume our directly procured raw materials.

Direct labour costs

Our direct labour costs, which include the wages, salaries, and retirement benefit scheme contributions for employees under costs of sales. For FY2025, our direct labour costs decreased slightly by approximately RMB0.1 million or approximately 2.6% from RMB2.1 million in FY2024 to RMB2.0 million in FY2025. This decrease in costs was primarily due to a modest decrease in production staff headcount, coupled with the streamlining of our operational processes.

Production overhead

Our production overhead mainly include (i) tax surcharges, (ii) depreciation, and (iii) utilities and maintenance costs. Our production overhead increased by approximately 90.8%, from approximately RMB2.3 million for FY2024 to approximately RMB4.5 million for FY2025, and as a percentage of our total cost of sales increased from approximately 4.0% to 6.5% over the same period. Such increase was primarily attributable to the higher depreciation charges following the commissioning of the leasehold improvement works at our production facility during FY2025, upon which approximately RMB7.3 million of leasehold improvements commenced depreciation, contributing approximately RMB1.5 million of depreciation for FY2025, as compared to nil for FY2024.

Gross profit and gross profit margin

The table below sets forth the gross profit and gross profit margin by sales channel and product category for the year indicated.

	FY2024		FY2025	
	Gross profit (RMB '000)	*Gross profit margin (%)*	*Gross profit (RMB '000)*	*Gross profit margin (%)*
By sales channel				
Distribution sales	31,258	39.2	40,052	40.4
Direct sales	7,542	41.4	9,885	49.9
Subtotal	38,800	39.6	49,937	41.9
By product category				
Graphene-integrated thermal products				
Smart thermal clothing	19,107	40.0	16,059	41.1
Personal relaxation products	4,273	37.3	6,002	37.5
Travel and outdoor products	7,878	38.5	17,991	40.7
Subtotal of graphene-integrated thermal products	31,258	39.2	40,052	40.4
Graphene-based heating films	7,542	41.4	9,885	49.9
Total	38,800	39.6	49,937	41.9

Distribution sales

Overall, through our distribution sales segment, our Group's gross profit increased by approximately 28.1%, from approximately RMB31.3 million for FY2024 to approximately RMB40.1 million for FY2025, while the gross profit margin of distribution sales increased from approximately 39.2% for FY2024 to approximately 40.4% for FY2025.

Such increase was primarily attributable to the strong growth in our travel and outdoor products, the gross profit of which increased by approximately RMB10.1 million from approximately RMB7.9 million for FY2024 to approximately RMB18.0 million for FY2025 and the gross profit margin of which increased from approximately 38.5% for FY2024 to approximately 40.7% for FY2025, driven by the growth in sales of our thermal sleeping bags in connection with the ice and snow economy in the PRC, partially offset by the decrease in gross profit of our smart thermal clothing from approximately RMB19.1 million for FY2024 to approximately RMB16.1 million for FY2025 following the decrease in sales volume of our heated ski suits over the same period.

Smart thermal clothing

Our gross profit margin from our smart thermal clothing products remained relatively stable between approximately 40.0% for FY2024 and approximately 41.1% for FY2025, reflecting a shift in our revenue mix within this product category towards heated vests, the revenue of which increased from approximately RMB7.4 million for FY2024 to approximately RMB8.4 million for FY2025, while the revenue of our heated ski suits decreased from approximately RMB40.3 million for FY2024 to approximately RMB30.7 million for FY2025.

Personal relaxation products

Our Group's gross profit margin from our personal relaxation products remained relatively stable between approximately 37.3% for FY2024 and approximately 37.5% for FY2025, during which the average selling price of our personal relaxation products and the corresponding unit cost increased broadly in tandem, from approximately RMB74 per piece for FY2024 to approximately RMB92 per piece for FY2025, primarily reflecting the contribution of the sales of graphene-based heating tatami mat during FY2025.

Travel and outdoor products

Our gross profit margin from our travel and outdoor products increased from approximately 38.5% for FY2024 to approximately 40.7% for FY2025, primarily reflecting the economies of scale achieved following the approximately 170.1% increase in the sales volume of our travel and outdoor products, from approximately 59,000 pieces for FY2024 to approximately 160,000 pieces for FY2025, led by our thermal sleeping bags.

Direct sales and Graphene-based heating films

Our gross profit margin from our direct sales segment increased from approximately 41.4% for FY2024 to approximately 49.9% for FY2025, primarily reflecting the shift in our product mix within this segment towards higher-voltage industrial-grade graphene-based heating films, which contributed revenue of approximately RMB13.4 million for FY2025) and our based heating tatami mats, which generally carry higher average selling prices.

Selling and distribution expenses

The table below sets forth a breakdown of our selling and distribution expenses for the year indicated:

	FY2024	FY2025
	RMB'000	*RMB'000*
Staff cost	1,404	1,525
Travelling and marketing expenses	224	1,954
Others	15	5
Total	1,643	3,484

Our selling and distribution expenses increased by approximately 112.1% from approximately RMB1.6 million in FY2024 to approximately RMB3.5 million for FY2025. Such increase was primarily attributable to the recognition of advertising expenses of approximately RMB1.9 million for FY2025 (FY2024: nil), representing services rendered by a third-party service provider for which a prepayment of approximately RMB2.0 million had been made in FY2024, partially offset by the decrease in our travelling expenses over the same period.

Our staff cost primarily consist of wages, salaries, and contributions to the retirement benefit scheme for the sales and distribution department. Our staff cost increased by approximately RMB0.1 million or approximately 8.6% from RMB1.4 million in FY2024 to RMB1.5 million in FY2025, mainly due to the increase in headcount as a result of increased sales volume.

Administrative and other operating expenses

The table below sets forth a breakdown of our administrative and other operating expenses for the year indicated.

	FY2024	FY2025
	RMB'000	*RMB'000*
Research and development expenses	6,095	6,965
Staff cost	1,000	1,692
Office expenses	342	178
Amortisation and depreciation	43	94
Others	392	218
Total	7,872	9,147

Our research and development expenses increased by approximately RMB0.9 million, or approximately 14.3%, from approximately RMB6.1 million for FY2024 to approximately RMB7.0 million for FY2025. Such increase was primarily attributable to the continued expansion of our research and development activities during the Track Record Period, including our ongoing research and development collaborations with University A and University B, in line with our strategy to enhance the quality and production efficiency of our existing products and to develop new products.

Our staff costs within administrative and other operating expenses primarily comprise wages, salaries and contributions to the retirement benefit scheme for our administrative department. Our staff costs within administrative and other operating expenses increased by approximately RMB0.7 million, or approximately 69.2%, from approximately RMB1.0 million for FY2024 to approximately RMB1.7 million for FY2025.

Finance costs

Our finance costs mainly represented the interest on lease liabilities and interest-bearing borrowings. Our finance costs slightly increased from approximately RMB108,000 in FY2024 to RMB338,000 in FY2025, which was generally in line with the level of our bank borrowing.

[REDACTED]

[REDACTED] comprise professional and other expenses in relation to our **[REDACTED]**. Our **[REDACTED]** amounted to RMB**[REDACTED]** million and RMB**[REDACTED]** million in FY2024 and FY2025, respectively.

Income tax credit / expenses

Our income tax expenses amounted to approximately RMB6.5 million for FY2024 and approximately RMB4.9 million for FY2025, with effective tax rates of approximately 27.5% for FY2024 and approximately 18.2% for FY2025.

The decrease in our effective tax rate from approximately 27.5% for FY2024 to approximately 18.2% for FY2025 was primarily attributable to the effect of the preferential tax rate applicable to Jilin Huachen, our principal operating subsidiary in the PRC, which was officially recognised as a High and

New Technology Enterprise in November 2024 and became entitled to a preferential enterprise income tax rate of 15% for a period of three years from 2025 to 2027, resulting in a reduction in our income tax expenses of approximately RMB3.7 million for FY2025 (FY2024: nil), partially offset by the increase in our non-deductible expenses during the same period. Further details of our income tax expenses are set out in notes 9 and 21 to the Accountants' Report in Appendix I to this document.

Profit for the year attributable to the owners of the Company

As a result of the foregoing, our profit for the year attributable to the owners of the Company increased by approximately 33.7%, from approximately RMB17.1 million for FY2024 to approximately RMB22.9 million for FY2025. Our net profit margin increased from approximately 17.5% for FY2024 to approximately 19.2% for FY2025. Such increase in our net profit margin was primarily attributable to (i) the expansion of our gross profit margin from approximately 39.6% for FY2024 to approximately 41.9% for FY2025, and (ii) the decrease in our effective tax rate following the preferential tax treatment applicable to Jilin Huachen, partially offset by the increase in our **[REDACTED]** from approximately RMB**[REDACTED]** million for FY2024 to approximately RMB**[REDACTED]** million for FY2025.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

During the Track Record Period, our primary use of cash had been the payment for purchases of raw materials, staff costs, production costs and various operating expenses. Historically, our working capital and other capital requirements were principally satisfied by shareholders' funds and cash generated from our operations.

As at 31 December 2024 and 31 December 2025, we had cash and bank balances of approximately RMB23.1 million, and RMB29.4 million, respectively, which were primarily held in RMB. Going forward, our Group expects to continue to generate cash from operations as our principal source of liquidity, and we may use a portion of the **[REDACTED]** from the **[REDACTED]** to finance our liquidity requirements. See "Future Plans and Use of **[REDACTED]**" for details. Our Directors believe that, in the long term, our Group's operations will be funded by internal resources and, if necessary, bank borrowings.

The table below sets forth the condensed summary of the combined statements of cash flows for the year indicated:

	FY2024	FY2025
	RMB'000	*RMB'000*
Operating cash flows before movement in working capital	24,267	28,890
Changes in working capital	(1,146)	(21,205)
Income tax paid	(4,000)	(5,581)
Net cash from operating activities	19,121	2,104
Net cash used in investing activities	(6,432)	(2,218)
Net cash from financing activities	8,396	6,375
Net increase in cash and cash equivalents	21,085	6,261
Effect of exchange difference	(1)	—
Cash and cash equivalents at the beginning of the year	2,016	23,100
Cash and cash equivalents at the end of the year	23,100	29,361

Net cash from operating activities

For FY2025, our net cash generated from operating activities was approximately RMB2.1 million, primarily comprising cash generated from operations of approximately RMB7.7 million, less income tax paid of approximately RMB5.6 million. Our cash generated from operations reflected profit before tax of approximately RMB27.8 million for FY2025, as adjusted primarily for depreciation of property, plant and equipment and right-of-use assets of approximately RMB2.3 million and finance costs of approximately RMB0.3 million, partially offset by a net working capital outflow of approximately RMB22.9 million. Such working capital outflow was primarily due to an increase in trade and other receivables of approximately RMB30.6 million, partially offset by an increase in trade and other payables of approximately RMB7.1 million and a decrease in inventories of approximately RMB0.6 million.

For FY2024, our net cash generated from operating activities was approximately RMB19.1 million, primarily comprising cash generated from operations of approximately RMB23.1 million and income tax paid of RMB4.0 million. Our cash generated from operations reflected profit before tax for the year of approximately RMB23.6 million, as adjusted by depreciation of property, plant and equipment and right-of-use assets of approximately RMB0.5 million, finance costs of RMB0.1 million, and provision for loss allowance of trade receivables of RMB75,000. Our change in working capital contributed to a cash outflow of approximately RMB1.1 million, which was primarily due to the increase in trade and other receivables of approximately RMB14.4 million from increased sales and decrease in inventory of approximately RMB5.8 million due to improved inventory management; and partially offset by increase in trade and other payables of approximately RMB7.4 million due to increased sales during the year.

Net cash used in investing activities

For FY2025, our net cash used in investing activities was approximately RMB2.2 million, representing payments for the purchase of property, plant and equipment, comprising (i) additions of plant, machinery and office equipment of approximately RMB1.1 million and (ii) additions to construction in progress of approximately RMB1.1 million, in connection with the continued upgrade of our production facility in Changchun, Jilin Province.

For FY2024, our net cash used in investing activities was approximately RMB6.4 million, primarily representing the payment for purchase of property, plant and equipment to support our business expansion.

Net cash from financing activities

For FY2025, our net cash from financing activities was approximately RMB6.4 million, primarily representing the addition of interest-bearing borrowings of approximately RMB7.3 million and net advance from our Controlling Shareholder of approximately RMB2.7 million, partially offset by the repayment of interest-bearing borrowings of approximately RMB2.7 million, the repayment of lease liabilities of approximately RMB0.7 million and interest paid of approximately RMB0.2 million.

For FY2024, our net cash from financing activities was approximately RMB8.4 million, primarily representing capital injection by the Controlling Shareholder and under the Pre-**[REDACTED]** Investment in total of approximately RMB6.4 million and addition of interest-bearing borrowings of approximately RMB4.5 million, which was partially offset by repayment to the Controlling Shareholder of approximately RMB1.9 million, repayment of interest-bearing borrowings of approximately RMB0.5 million, and lease liabilities totaling approximately RMB43,000.

NET CURRENT ASSETS

	As at 31 December 2024	As at 31 December 2025	As at 31 March 2026
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Inventories	4,183	3,549	4,295
Trade and other receivables	17,592	47,685	38,378
Cash and cash equivalents	23,100	29,361	32,924
	44,875	80,595	75,597
Current liabilities			
Trade and other payables	15,953	24,094	4,951
Amount due to the Controlling Shareholder	563	3,283	4,855
Interest-bearing borrowings	3,958	7,926	7,926
Lease liabilities	556	657	655
Income tax payable	1,952	1,593	920
	22,982	38,163	19,307
Net current assets	21,893	42,432	56,290

Our net current assets increased from approximately RMB42.4 million as at 31 December 2025 to approximately RMB56.3 million as at 31 March 2026, representing an increase in net current assets of approximately RMB13.9 million. This increase was primarily attributable to (i) a decrease in trade and other payables from approximately RMB24.1 million as at 31 December 2025 to approximately RMB5.0 million as at 31 March 2026; and (ii) an increase in cash and cash equivalents from approximately RMB29.4 million as at 31 December 2025 to approximately RMB32.9 million as at 31 March 2026, partially offset by (iii) a decrease in trade and other receivables from approximately RMB47.7 million as at 31 December 2025 to approximately RMB38.8 million as at 31 March 2026; and (iv) an increase in the amount due to the Controlling Shareholder from approximately RMB3.3 million as at 31 December 2025 to approximately RMB4.9 million as at 31 March 2026.

DESCRIPTION AND ANALYSIS OF SELECTED ITEMS OF OUR COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

Our raw materials mainly consisted of cotton polyester, copper wire, graphene as well as packing materials.

The table below sets forth a breakdown of our inventories balance as at the date indicated.

	As at 31 December 2024	As at 31 December 2025
	RMB'000	*RMB'000*
Raw materials	954	703
Finished goods	3,229	2,846
Total	4,183	3,549

Pursuant to our inventory policy, the value of inventory shall be stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis and net realisable value means the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. As at 31 December 2024, and 31 December 2025, our Group had no write-down provision as a result of damaged or unsold finished goods.

The table below sets forth an ageing analysis for our inventories, net of loss allowances as at the date indicated.

	As at 31 December 2024	As at 31 December 2025
	RMB'000	*RMB'000*
Less than 1 year	4,053	2,995
Between 1 and 2 years	130	554
Total	4,183	3,549

The table below sets forth the turnover days of our inventories during the Track Record Period.

	FY2024	FY2025
Inventory turnover days	45	21

Note: The number of inventory turnover days is calculated using the average balance of inventory divided by the cost of sales for the relevant year and multiplied by the number of days in the relevant year, meaning 365 days for a year. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant year, divided by two.

Our inventory turnover days were approximately 45 days and approximately 21 days during FY2024 and FY2025 of the Track Record Period, respectively. The decrease in our inventory turnover days from approximately 45 days in FY2024 to approximately 21 days in FY2025 was primarily attributable to our continued efforts to better align our production with sales demand, as evidenced by our revenue growth from approximately RMB97.9 million to approximately RMB119.1 million while maintaining a lower inventory level. During FY2025, to further align our production with sales demand, we reduced our inventory from approximately RMB4.2 million as at 31 December 2024 to approximately RMB3.5 million as at 31 December 2025 in line with accelerated shipment schedules to our distributors following confirmed purchase orders. This reflects our continued ability to convert inventory into sales and manage working capital more efficiently as our business scaled up.

As at the Latest Practicable Date, approximately RMB3.1 million or approximately 96.2% of our inventories as at 31 December 2025 had been sold or utilised.

Trade and other receivables

The table below sets forth a breakdown of our trade and other receivables balances, net of loss allowances, as at the date indicated.

	As at 31 December 2024	As at 31 December 2025
	RMB'000	*RMB'000*
Trade receivables, net of loss allowances	14,880	44,546
Other receivables	2,712	3,139
Total	17,592	47,685

Trade receivables, net of loss allowances

In FY2024 and FY2025, our Group generally granted credit period of 90 days to customers.

The table below sets forth an ageing analysis of our trade receivables, net of loss allowances, based on invoice date as at the date indicated.

	As at 31 December 2024	As at 31 December 2025
	RMB'000	*RMB'000*
Within 30 days	8,132	16,337
31 to 60 days	6,748	15,159
61 to 90 days	—	13,050
Total	14,880	44,546

Our trade receivables, net of loss allowances, increased from approximately RMB14.9 million as at 31 December 2024 to approximately RMB44.5 million as at 31 December 2025. The increase in our trade receivables from approximately RMB15.0 million as at 31 December 2024 to approximately RMB44.8 million as at 31 December 2025 is mainly due to the increase in sales orders confirmed towards the end of FY2025, in line with the growth in our revenue from approximately RMB97.9 million for FY2024 to approximately RMB119.1 million for FY2025, a portion of which remained outstanding as at 31 December 2025.

The table below sets forth the turnover days of our trade receivables during the Track Record Period.

	FY2024	FY2025
Trade receivables turnover days	28	92

Note: The number of trade receivables turnover days is calculated using the average balance of trade receivables divided by total revenue for the relevant year and multiplied by 365 days in the relevant year. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant year, divided by two.

Our trade receivables turnover days were approximately 28 days and approximately 92 days for FY2024 and FY2025 of the Track Record Period, respectively. The increase in our trade receivables turnover days from approximately 28 days for FY2024 to approximately 92 days for FY2025 is mainly attributable to the increase in sales orders confirmed towards the end of FY2025, a portion of which remained outstanding as at 31 December 2025 and was generally in line with the credit period of 90 days granted to customers.

As at 31 December 2024 and 31 December 2025, we had not recorded any expected credit loss (ECL) on our trade receivables. During the Track Record Period and up to the Latest Practicable Date, we did not have any overdue balances from our customers, as most of our customers settled their payments before the respective due dates.

As at the Latest Practicable Date, all of our trade receivables as at 31 December 2025 have been subsequently settled.

Other receivables

Our other receivables increased from approximately RMB2.7 million as at 31 December 2024 to approximately RMB3.1 million as at 31 December 2025. This increase was primarily attributable to (i) the increase in prepaid research and development expenses from approximately RMB0.3 million as at 31 December 2024 to approximately RMB2.6 million as at 31 December 2025, partially offset by (ii) the decrease in prepaid advertising expenses from approximately RMB2.0 million as at 31 December 2024 to nil as at 31 December 2025.

Trade payables and other payables

The following table sets forth a breakdown of our trade and other payables as at the date indicated.

	As at 31 December 2024	As at 31 December 2025
	RMB'000	*RMB'000*
Trade payables	7,699	13,527
Other payables	8,254	10,567
Total	15,953	24,094

Our suppliers generally offer our Group normal credit terms of up to 90 days.

Our trade payables increased from approximately RMB7.7 million as at 31 December 2024 to RMB13.5 million as at 31 December 2025, representing amount due to Supplier A and Supplier B.

The table below sets forth the ageing analysis of our trade payables based on the invoice date as at the date indicated.

	As at 31 December 2024	As at 31 December 2025
	RMB'000	*RMB'000*
Within 30 days	3,282	9,119
31 to 60 days	3,286	2,206
61 to 90 days	1,131	2,202
Total	7,699	13,527

As at the Latest Practicable Date, all of our trade payables as at 31 December 2025 have been subsequently settled.

The table below sets forth the turnover days of our trade payables during the Track Record Period.

	FY2024	FY2025
Trade payables turnover days	41	62

Note: The number of trade payables turnover days is calculated using the average balance of trade payables divided by cost of sales for the relevant year and multiplied by 365 days in the relevant year. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant year, divided by two.

Our trade payables turnover days increased from approximately 41 days for FY2024 to approximately 62 days for FY2025. Such increase was primarily attributable to the increase in subcontracting charges and raw material purchases towards the end of FY2025 to support our higher production volume, a portion of which remained outstanding as at 31 December 2025 and was within the credit period of up to 90 days generally granted by our suppliers, reflecting our improved payables management and cash conversion cycle during FY2025.

Other payables

Our other payables increased from approximately RMB8.3 million as at 31 December 2024 to approximately RMB10.6 million as at 31 December 2025, mainly due to the further accrual of **[REDACTED]** from approximately RMB**[REDACTED]** million as at 31 December 2024 to approximately RMB**[REDACTED]** million as at 31 December 2025.

INDEBTEDNESS

The following table sets forth the indebtedness of our Group as at the date indicated.

	As at 31 December 2024	As at 31 December 2025	As at 31 March 2026
	RMB'000	*RMB'000*	*RMB'000*
Amount due to the Controlling Shareholder	563	3,893	4,855
Lease liabilities	3,009	2,548	2,551
Interest-bearing borrowings	3,958	7,926	7,926
Total indebtedness	7,530	14,367	15,332

Amount due to the Controlling Shareholder

The amount due to the Controlling Shareholder was non-trade in nature, unsecured, interest-free, and repayable on demand.

The following table sets forth the breakdown of our amount due to the Controlling Shareholder as at the dates indicated:

	As at 31 December 2024	As at 31 December 2025	As at 31 March 2026
	RMB'000	*RMB'000*	*RMB'000*
Amount due to the Controlling Shareholder			
— Current	563	3,893	4,855

As at 31 December 2024 and 31 December 2025, the amounts due to the Controlling Shareholder were approximately RMB0.6 million and RMB3.9 million, respectively. The amount due to our Controlling Shareholder will be fully settled prior to the **[REDACTED]**.

Interest-bearing borrowings

The unsecured bank borrowings are repayable ranging from within one year since their inception. As at 31 December 2024, and 31 December 2025, our Group had bank borrowings of approximately RMB4.0 million and RMB7.9 million, respectively. These amounts are denominated in RMB. The interest-bearing borrowings bear interest at fixed rates ranging from 3.30% to 3.65% per annum.

All banking facilities are subject to the fulfilment of covenants typically found in lending arrangements with financial institutions. If we were to breach these covenants, the utilised facilities would become repayable on demand.

During the Track Record Period and up to the Latest Practicable Date, none of the covenants relating to drawn-down facilities had been breached. Certain material, customary affirmative and/or negative covenants in the loan agreements may limit us from carrying out mergers, restructuring, changes of control, allotment and issue of new shares, declaration of dividends, and creating any mortgages, debentures, or charges without the prior consent of our lenders. We do not anticipate these covenants from having an impact on the Company's **[REDACTED]**. As at the Latest Practicable Date, we have obtained consent from the banks that all joint borrowings with Ms. Li, our Controlling Shareholder, including our Group's banking facilities, bank overdrafts and interest-bearing borrowings, will be fully replaced by bank borrowings where Jilin Huachen will be the sole borrower upon **[REDACTED]**. All interest-bearing borrowings are joint borrowings with Ms. Li, meaning that such borrowing was not made with either party as a guarantor, and the full amount of the borrowing obligation is enforceable against any one or combination of our Group and Ms. Li.

As at 31 March 2026, which is the latest practicable date for the purpose of this indebtedness statement, we had aggregate banking facilities of approximately RMB7.9 million, which was fully utilized.

During the Track Record Period, our Directors confirmed that we did not experience any delays or defaults in the repayment of bank borrowings nor any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the Latest Practicable Date, we do not have any plan for material external debt financing.

As at 31 December 2024, 31 December 2025, the lease liabilities were approximately RMB3.0 million, and RMB2.5 million, respectively. The lease liabilities represent lease payments for our factory and office premises in relation to a long-term rental agreement entered during FY2024.

Contingent liabilities

As at 31 December 2024, and 31 December 2025, we had no contingent liabilities. We are currently not a party to any litigation that is likely to have a material adverse effect on our business, results of operations or financial condition taken as a whole. We have confirmed that there was no material change in our contingent liabilities since 31 March 2026 and up to the Latest Practicable Date.

Statement of indebtedness

As at 31 March 2026, the latest practicable date of indebtedness, save as disclosed in this sub-section headed "Indebtedness", we did not have any outstanding debt securities, charges, mortgages, or other similar indebtedness, finance lease commitments, any guarantees or other material contingent liabilities, or other banking facilities. Since 31 March 2026 and up to the Latest Practicable Date, there has been no material change in our indebtedness.

CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures during the Track Record Period were primarily related to the purchases of property, plant and equipment, which amounted to approximately RMB6.4 million and RMB2.2 million during FY2024, and FY2025, respectively. We have financed our capital expenditure through cash flow generated from operating activities and current account with the Controlling Shareholder.

Save for the planned capital expenditure as disclosed in the section headed "Future Plans and Use of **[REDACTED]**" in this document and the additions of furniture, fixtures and office equipment and production equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditure as at the Latest Practicable Date.

Commitments

Capital expenditure commitments

	As at 31 December 2024	**As at 31 December 2025**	**As at 31 March 2026**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided net of deposits paid for acquisition of property, plant and equipment	1,000	—	—

As at 31 December 2024 and 31 December 2025, the capital expenditure commitments were approximately RMB1.0 million, and nil, respectively.

Commitments under lease

Our Group maintains property leases with initial terms of 2-5 years, featuring both extension and termination options for operational flexibility. Extension options are typically exercised after renegotiating terms, while termination options are rarely used unless alternative properties can be secured cost-effectively. Lease payments totalled approximately RMB63,000 in FY2024 and increased to approximately RMB781,000 for FY2025, primarily because the new factory lease commenced its scheduled rental payments in FY2025. Lease payments in FY2025 totalled approximately RMB781,000. The leases include restrictions requiring lessor approval for any asset transfers, mandate proper maintenance, and require return of properties in original condition. The weighted average interest rates on lease liabilities were approximately 4.28% per annum in FY2024, and approximately 3.48% per annum in FY2025. Details are as follows:

	As at 31 December 2024	As at 31 December 2025	As at 31 March 2026
	RMB'000	*RMB'000*	*RMB'000*
Within one year	663	744	737
More than one year but less than two years	663	677	663
More than two years but less than five years	1,992	1,326	1,326
Total	3,318	2,747	2,726

As at 31 December 2024, and 31 December 2025, the commitments under lease were approximately RMB3.3 million, and RMB2.7 million, respectively. Details of which are set out in note 14 to the Accountants' Report in Appendix I to this document.

SUMMARY OF KEY FINANCIAL RATIOS

The following sets out our key financial ratios for the years and as at the date indicated.

	As at 31 December 2024/ FY2024	As at 31 December 2025/ FY2025
Profitability		
Gross profit margin(1)	39.6%	41.9%
Net profit margin(2)	17.5%	18.0%
Return on equity(3)	59.7%	42.8%
Return on total assets(4)	31.6%	23.8%
Liquidity		
Current ratios(5)	2.0 times	2.1 times
Quick ratios(6)	1.8 times	2.0 times
Capital sufficiency		
Gearing ratio(7)	13.8%	15.8%
Net debt to equity ratio(8)	N/A(10)	N/A(10)
Interest coverage ratio(9)	159.4	63.7

Notes:

(1) Gross profit margin is calculated based on the gross profit for the year divided by total revenue and multiplied by 100%.

(2) Net profit margin is calculated based on the profit for the year divided by total revenue and multiplied by 100%.

(3) Return on equity is calculated based on the profit for the year divided by the shareholders' equity as at the end of the year and multiplied by 100%.

(4) Return on total assets is calculated based on the profit for the year divided by total assets as at the end of the year and multiplied by 100%.

(5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year.

(6) Quick ratio is calculated based on the total current assets minus inventories divided by the total current liabilities as at the end of the year.

(7) Gearing ratio is calculated based on the sum of our interest-bearing borrowings divided by total equity at the end of the year.

(8) Net debt to equity ratio is calculated based on the sum of our interest-bearing borrowings, minus our cash and bank balances divided by total equity at the end of the year.

(9) Interest coverage ratio is calculated by profit before interest and tax divided by net interest expense for the year.

(10) As our cash and bank balances are larger than our interest-bearing borrowings, the ratio for the relevant year is not applicable.

Gross profit margin and net profit margin

Our gross profit margin maintained stable between approximately 39.6% and 41.9% for FY2024 and FY2025, respectively.

Net profit margin demonstrated an upward trend, increasing from approximately 17.5% in FY2024 to approximately 18.0% in FY2025, representing an increase of approximately 0.5%. This increase was primarily attributable to the application of the preferential tax rate of 15% to Jilin Huachen following its accreditation as a High and New Technology Enterprise in November 2024, partially offset by the incurrence of non-recurring **[REDACTED]** of approximately RMB**[REDACTED]** million in FY2024 and approximately RMB**[REDACTED]** million in FY2025.

Return on equity

Our return on equity demonstrated a notable shift from approximately 59.7% in FY2024 to 42.8% in FY2025. This decrease primarily reflected the substantial increase in our equity base due to retained earnings and capital injection, even as our net profit continued to grow significantly.

Return on total assets

Our return on total assets decreased from approximately 31.6% for FY2024 to 23.8% for FY2025, representing a decrease of 7.9%. This reduction was primarily due to the increase in our total assets from approximately RMB36.1 million to approximately RMB90.2 million as at 31 December 2025, representing an increase of approximately 66.6%, which outpaced the increase in our profit for the year from approximately RMB17.1 million for FY2024 to approximately RMB21.4 million for FY2025, representing an increase of approximately 25.1%. The increase in our total assets was primarily attributable to (i) the increase in our trade and other receivables by approximately RMB30.1 million, and (ii) the increase in our cash and cash equivalents by approximately RMB6.3 million, as at 31 December 2025 as compared to 31 December 2024.

Current ratio and quick ratio

Our liquidity position strengthened during the Track Record Period, with our current ratio improving from approximately 2.0 times to 2.1 times as at 31 December 2024 and 2025, respectively. Similarly, our quick ratio improved from approximately 1.8 times to 2.0 times as at 31 December 2024 and 2025, respectively. Such improvement was primarily attributable to the increase in our current assets by approximately RMB35.7 million, primarily driven by the increase in our trade and other receivables by approximately RMB30.1 million, partially offset by the increase in our current liabilities by approximately RMB15.2 million, primarily due to the increase in our trade and other payables by approximately RMB8.2 million.

Gearing ratio

Our capital structure increased during the Track Record Period, with our gearing ratio increased to 15.8% as at 31 December 2025 from 13.8% as at 31 December 2024, due to the increase in interest-bearing bank borrowing.

Net debt to equity ratio

Given we were at net cash position as at 31 December 2024 and 31 December 2025, our net debt to equity ratios are not applicable as at the respective dates.

Interest coverage

Our interest coverage ratio decreased from approximately 159.4 times in FY2024 to approximately 63.7 times in FY2025. Despite the decrease, the interest coverage ratio continues to demonstrate our ability to meet interest payment obligations through operating profits. The change in ratio primarily reflected the increase in finance costs associated with new borrowings and lease liabilities, which was well supported by our growth in operating profit before interest and tax.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks including credit risk, foreign risk and liquidity risk. Details of such risks are set out in note 26 to the Accountants' Report in Appendix I to this document.

RELATED PARTY TRANSACTIONS

Our related party transactions mainly represented the remuneration for key management personnel (including the Directors) of our Group during the Track Record Period, details of which are set out in note 24 to the Accountants' Report in Appendix I to this document. Our Directors are of the view that these related party transactions as a whole were conducted on normal commercial terms and on arm's length basis.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

For details of the risk to which we are exposed, please refer to "Financial risk management objectives and policies" in note 26 to the Accountants' Report which is set out in Appendix I to this document.

CAPITAL MANAGEMENT

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

We monitor our capital on basis of the gearing ratio regularly. As at 31 December 2024 and 2025, our gearing ratios increased from 13.8% as at 31 December 2024. As at 31 December 2025, our gearing ratio increased to 15.8%. We may adjust the amount of dividends paid to shareholder, issue new shares or sell assets to reduce debt to keep the capital structure optimal.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet commitments and arrangements.

[REDACTED]

Our estimated **[REDACTED]** primarily consisted of **[REDACTED]** fees and **[REDACTED]** as well as legal and professional fees in relation to the **[REDACTED]**. Assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the **[REDACTED]** range stated in this document, the **[REDACTED]** to be borne by our Company are estimated to be approximately HK$**[REDACTED]** million (representing approximately **[REDACTED]**% of the total gross **[REDACTED]** from the **[REDACTED]**), of which (i) approximately HK$**[REDACTED]** million is to be accounted for as a deduction from equity; (ii) nil and approximately HK$**[REDACTED]** million was recognised in our combined statement of profit and loss and other comprehensive income for FY2024 and FY2025, respectively; and (iii) approximately HK$**[REDACTED]** million is expected to be recognised in our combined statement of profit or loss and other comprehensive income for FY2026. The aforementioned total estimated **[REDACTED]** (based on the mid-point of the **[REDACTED]** range stated in this document and assuming that the **[REDACTED]** is not exercised and without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the **[REDACTED]**) in relation to the **[REDACTED]** includes (i) **[REDACTED]**-related expenses (including but not limited to **[REDACTED]** fees and **[REDACTED]**) of approximately HK$**[REDACTED]** million; and (ii) non-**[REDACTED]**-related expenses of approximately HK$**[REDACTED]** million, which can be further categorised into (a) fees and expenses of legal advisors and reporting accountants of approximately HK$**[REDACTED]** million; and (b) other fees and expenses of approximately HK$**[REDACTED]** million.

Our Directors would like to emphasise that the amount of the **[REDACTED]** is a current estimate for reference only and the final amount to be recognised in our combined financial statements for FY2025 is subject to adjustment based on audit and the then changes in variables and assumptions.

DIVIDENDS

No dividends were paid or declared to the then equity owners of the entities now comprising our Group during the Track Record Period. We do not have any predetermined dividend payout ratio. Our Board has absolute discretion as to whether to recommend any dividend payment for any financial year end and if any, the amount of dividend and the means of payment. Such discretion is subject to the applicable laws and regulations including the Companies Act and the Articles which also requires the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, amongst other things, (i) general financial conditions; (ii) actual and future operations and liquidity positions; (iii) future cash requirements and availability; (iv) restrictions on payment of dividends that may be imposed by our Group's lenders; (v) general market conditions; and (vi) any other factors which our Board may deem appropriate at such time.

DISTRIBUTABLE RESERVES

Under Companies Act, our Group may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business.

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 7 August 2024. As at the Latest Practicable Date, our Company did not have distributable reserves to our Shareholders.

LIQUIDITY MANAGEMENT

We have established a comprehensive centralized liquidity management system to optimize our capital utilization and reduce our liquidity risks. Our system is anchored by a robust annual budgeting process overseen by our finance department and approved by our executive Directors, with quarterly performance monitoring against our budget. Our finance department maintains regular oversight of our current and expected liquidity requirements on a monthly basis, ensuring we maintain adequate financial resources.

We manage our trade receivables through careful monitoring of aging accounts, with particular attention to overdue payments. We employ a systematic approach to handling late payments, including direct communication with our customers, regular assessment of recoverable amounts, and legal recourse when necessary. Similarly, we manage our trade payables through a structured system of payment processing, regular aging analysis, and prompt investigation of outstanding amounts.

To safeguard against potential liquidity shortfalls, we have established contingency measures including access to banking facilities and additional funding options. Our finance department continuously monitors our financial position and we can activate these backup resources when our internal funds are insufficient. This multi-layered approach ensures we maintain sufficient working capital while efficiently managing our cash flow cycle between customer receipts and supplier payments.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that after taking into account the existing financial resources available to our Group including internally generated funds from operating activities, existing banking facilities available and the estimated **[REDACTED]** from the **[REDACTED]**, our Group has sufficient working capital for its present requirements for the next 12 months from the date of this document.

DIRECTOR'S CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position or indebtedness since 31 March 2026 (being the date of our latest combined audited financial information) and up to the date of this document, and there have been no events in the same period which would materially affect the information shown in our combined financial statements set out in the Accountants' Report in Appendix I to this document.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that our business operations and business model have remained stable after the Track Record Period and up to the date of this document as there were no material changes to our business model and the general economic and regulatory environment in which we operate.

For our recent development subsequent to the Track Record Period, please see the paragraph headed "Summary — No Material Adverse Change".

[REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "**[REDACTED]** Statement of Adjusted Combined Net Tangible Assets" in Appendix II to this document for details.

DISCLOSURE PURSUANT TO RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.