BUSINESS OBJECTIVE AND FUTURE PLANS

For a detailed description of our future plans, please refer to the section headed "Business — Our business strategies" in this document.

USE OF [REDACTED]

We estimate that the aggregate **[REDACTED]** to our Company from the **[REDACTED]** (after deducting **[REDACTED]** fees and estimated expenses in connection with the **[REDACTED]** payable by us and assuming that there is no exercise of the **[REDACTED]** 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]** and an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range stated in this document) will be approximately HK$**[REDACTED]** million. We currently intend to apply such **[REDACTED]** for the following purposes:

(a) approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** million will be used for purchasing new production equipment and machinery and leasing new factories and warehouse to expand our production capacity. The breakdown of the intended use of **[REDACTED]** is set out below:

- approximately **[REDACTED]**% or approximately HK$**[REDACTED]** million will be used for purchasing new production equipment;
- approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** million will be used for leasing new factories and warehouses.

(b) approximately **[REDACTED]**%, or approximately HK$**[REDACTED]** million will be used for research and development of new products and material performance improvement.

(c) approximately **[REDACTED]**% or approximately HK$**[REDACTED]** million will be used for working capital and other general corporate purposes.

In summary, for the period from the **[REDACTED]** to 31 December 2028, we expect to make use of the **[REDACTED]** from the **[REDACTED]** as below:

	From the [REDACTED] to 31 December 2026	From 1 January 2027 to 30 June 2027	From 1 July 2027 to 31 December 2027	From 1 January 2028 to 30 June 2028	From 1 July 2028 to 31 December 2028	Total	% of total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Intended use of [REDACTED]							
Purchasing new production equipment and machinery	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Leasing new factories and warehouses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Research and development	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
General working capital	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

If the **[REDACTED]** is fixed at the high end of the indicative **[REDACTED]** range, being HK$**[REDACTED]** per **[REDACTED]**, the **[REDACTED]** to be received from the **[REDACTED]** will increase to approximately HK$**[REDACTED]** million (assuming that there is no exercise of the **[REDACTED]** 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]**). If the **[REDACTED]** is set at the low end of the indicative **[REDACTED]** range, being HK$**[REDACTED]** per **[REDACTED]**, the **[REDACTED]** to be received from the **[REDACTED]** will decrease to approximately HK$**[REDACTED]** million (assuming that there is no exercise of the **[REDACTED]** 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]**).

If the **[REDACTED]** is exercised in full, our Group estimates that the additional **[REDACTED]** from the **[REDACTED]** of these additional Shares to be received by our Group, after deducting **[REDACTED]** fees and estimated expenses payable by it, will be approximately (i) HK$**[REDACTED]** million, assuming the **[REDACTED]** is fixed at the high end of the indicative **[REDACTED]** range, being HK$**[REDACTED]** per **[REDACTED]**; (ii) HK$**[REDACTED]** million, assuming the **[REDACTED]** is fixed at the mid-point of the indicative **[REDACTED]** range, being HK$**[REDACTED]** per **[REDACTED]**; and (iii) HK$**[REDACTED]** million, assuming the **[REDACTED]** is fixed at the low end of the indicative **[REDACTED]** range, being HK$**[REDACTED]** per **[REDACTED]**. Any additional **[REDACTED]** to be received by our Group from the exercise of the **[REDACTED]** will also be allocated to the above businesses and projects on a pro-rata basis. To the extent that the **[REDACTED]** are not immediately applied to the above purposes, the Group will only deposit the net **[REDACTED]** into short-term interest-bearing accounts with authorised financial institutions and/or licensed banks in Hong Kong (as defined under the Securities and Futures Ordinance or other applicable PRC laws and regulations).

We will issue an appropriate announcement if there is any material change to any of the above proposed use of **[REDACTED]**.

REASONS FOR THE [REDACTED] AND THE [REDACTED]

We intend to raise funds by the **[REDACTED]** in order to facilitate the implementation of our business strategies which we deem necessary for our Group's long-term development.

Achieving our business strategies

The **[REDACTED]** will enable us to have sufficient financial resources to achieve our business strategies, in particular the followings:

- Expanding production capacity to meet growing market demand; and
- Enhancing technological innovation and product development

We consider it is essential for us to expand our production capacity. As at 31 December 2025, the utilization rate of our weaving and heating-related product production lines has reached approximately 84.6% and 62.8%, respectively and is restricting us from developing new business opportunities and accepting new orders. It is also important to raise our customer awareness by marketing and promotion efforts, which enable our brand and products reaching out to our potential customers and in turn boosting our sales. Moreover, it is necessary to strengthen our R&D capabilities for our sustainable growth and development.

Long-term capital needs

Notwithstanding that we had bank balances and cash of approximately RMB23.1 million as at 31 December 2025, our Directors consider that such an amount of cash are only sufficient for our Group's working capital purpose but will be insufficient to fulfil our long-term capital needs in relation to our business strategies and expansion plans. Given the increasing demand of our Group's products and the almost-full utilisation rate of our production lines, our Directors recognised the imminent need for additional long-term capital to expand our production facilities in order to capture the expected demand in the new heat-generating materials industry in the PRC.

Enhancing our group's corporate profile and customer awareness and increasing our competitiveness

Our Directors believe that a public **[REDACTED]** status will enhance our corporate profile and assist us in reinforcing our customer awareness and reputation. We believe that a public **[REDACTED]** status on the **[REDACTED]** is a complementary advertising for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public and potential business partners given a public **[REDACTED]** company's greater transparency, relevant regulatory supervision and stability generally. The **[REDACTED]** will therefore serve to promote our corporate profile and customer awareness. Moreover, we believe that the **[REDACTED]** will strengthen our internal control and corporate governance practices, which in turn would increase our customers' confidence in us and attract potential customers.

Enhancing market status amongst customers, suppliers and employees

Our Directors believe that a **[REDACTED]** status on the **[REDACTED]** will enhance our credibility with our customers and suppliers and thus, enhance our level of competitiveness in competing for customers and suppliers. With such status, our Group can be differentiated from market competitors, enhancing our capability to compete and to produce quality heat-generating products. Our Directors believe that as a **[REDACTED]** company, we will be able to retain our existing employees more effectively, at both operational and administrative level. Our employees will feel more stable and secured about their employment with us, rather than joining a private company, hence strengthening their morale at work. As a **[REDACTED]** company, we can also provide better remuneration package to our staff by means of share option scheme.

BASIS AND ASSUMPTIONS

Our future plans and business strategies are based on the following general assumptions:

- there will be no material change in the funding requirement for each of our future plans described in this document from the amount as estimated by our Directors;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- the **[REDACTED]** will be completed in accordance with and as described in the section headed "Structure and Conditions of the **[REDACTED]**" in this document;
- there will be no material changes in existing accounting policies from those stated in the audited combined financial information of our Group for FY2024 and FY2025;
- there will be no change in the effectiveness of the licenses, permits and qualifications obtained by our Group;
- our operations including our future plans will not be interrupted by any force majeure, unforeseeable factors, extraordinary items or economic changes in respect of inflation, interest rate and tax rate in the PRC;
- there will be no material changes in the bases or rates of taxation applicable to our activities;
- we will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in this document;

- we will continue our operation including but not limited to retaining our key staff member and maintaining our customers and suppliers in the same manner as we had operated during the Track Record Period;

- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political or market conditions in which we operate; and

- there will be no disasters, natural, political or otherwise, which would materially disrupt our businesses or operations.