The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company's independent reporting accountants, Forvis Mazars CPA Limited, Certified Public Accountants, Hong Kong.

[Forvis Mazars HK Logo]

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF LONG MACRO NEW MATERIAL GROUP LIMITED

The Directors
Long Macro New Material Group Limited

Introduction

We report on the historical financial information of Long Macro New Material Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages I-5 to I-68, which comprises the combined statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2024 and 2025, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2024 and 2025 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-5 to I-68 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the "**Document**") issued in connection with the **[REDACTED]** of shares of the Company (the "**[REDACTED]**") on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *"Accountants' Reports on Historical Financial Information in Investment Circulars"* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2024 and 2025, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which contains information about the dividends declared by entities now comprising the Group in respect of the Track Record Period.

Preparation or audit of financial statements

At the date of this report, no statutory audited financial statements have been prepared for the Company since its date of incorporation.

Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Group for the Track Record Period have been audited and, if applicable, the name of the auditors.

Forvis Mazars CPA Limited
Certified Public Accountants
Hong Kong

[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were prepared by the directors of the Company in accordance with the accounting policies that conform with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**") (the "**Underlying Financial Statements**") and were audited by Forvis Mazars CPA Limited, *Certified Public Accountants, Hong Kong,* in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand (RMB'000) except otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2024	**2025**
	Note	*RMB'000*	*RMB'000*
Revenue	5	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	6	(108)	(338)
[REDACTED]	6	**[REDACTED]**	**[REDACTED]**
Profit before tax	6	**[REDACTED]**	**[REDACTED]**
Income tax expenses	9	(6,475)	(4,926)
Profit for the year		**[REDACTED]**	**[REDACTED]**
Other comprehensive (loss) income:			
Item that will not be reclassified to profit or loss			
Exchange difference on translation of the Company's financial statements to presentation currency		(1)	334
Item that may be reclassified subsequently to profit or loss			
Exchange difference on combination/consolidation		—*	(72)
Total other comprehensive (loss) income for the year		(1)	262
Total comprehensive income for the year		17,109	21,462
Profit for the year attributable to owners of the Company		17,110	21,200
Total comprehensive income for the year attributable to owners of the Company		**[REDACTED]**	**[REDACTED]**

* *Represents amount less than RMB1,000.*

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December	
		2024	2025
	Note	*RMB'000*	*RMB'000*
Non-current assets			
Intangible assets	*12*	22	19
Property, plant and equipment	*13*	6,644	7,186
Right-of-use assets	*14*	2,552	2,077
Deferred tax assets	*21*	—	296
		9,218	9,578
Current assets			
Inventories	*15*	4,183	3,549
Trade and other receivables	*16*	17,592	47,685
Cash and cash equivalents	*17*	23,100	29,361
		44,875	80,595
Current liabilities			
Trade and other payables	*18*	15,953	24,094
Amount due to the Controlling Shareholder	*19*	563	3,893
Interest-bearing borrowings	*20*	3,958	7,926
Lease liabilities	*14*	556	657
Income tax payable		1,952	1,593
		22,982	38,163
Net current assets		21,893	42,432
Total assets less current liabilities		31,111	52,010
Non-current liabilities			
Lease liabilities	*14*	2,453	1,890
NET ASSETS		28,658	50,120
Capital and reserves			
Share capital	*22*	—*	—*
Reserves	*23*	28,658	50,120
TOTAL EQUITY		28,658	50,120

* *Represents amount less than RMB1,000.*

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At 31 December	
		2024	2025
	Note	*RMB'000*	*RMB'000*
Non-current assets			
Investment in subsidiaries	*22(b)*	—*	—*
Current assets			
Prepayment and other receivables	*22(e)*	117	90
Amount due from immediate holding company	*22(c)*	—*	—*
		117	90
Current liabilities			
Accruals and other payables	*22(f)*	4,478	6,204
Amount due to a subsidiary	*22(c)*	—*	7,726
Amount due to the Controlling Shareholder	*19*	174	174
		4,652	14,104
Net current liabilities		(4,535)	(14,014)
NET LIABILITIES		(4,535)	(14,014)
Capital and reserves			
Share capital	*22(a)*	—*	—*
Reserves	*22(d)*	(4,535)	(14,014)
TOTAL DEFICITS		(4,535)	(14,014)

* *Represents amount less than RMB1,000.*

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
		Reserves					
	Share capital	Capital reserve	Translation reserve	Statutory reserve	Accumulated (losses) profits	Total reserves	Total equity
	RMB'000 *(Note 22(a))*	*RMB'000* *(Note 23(a))*	*RMB'000* *(Note 23(b))*	*RMB'000* *(Note 23(c))*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	**—**	**3,892**	**—**	**—**	**1,249**	**5,141**	**5,141**
Profit for the year	**—**	**—**	**—**	**—**	**17,110**	**17,110**	**17,110**
Other comprehensive income:							
Item that will not be reclassified to profit or loss							
Exchange difference on translation	—	—	(1)	—	—	(1)	(1)
Item that may be reclassified subsequently to profit or loss							
Exchange difference on combination/consolidation	**—**	**—**	**—***	**—**	**—**	**—***	**—***
	—	**—**	**(1)**	**—**	**—**	**(1)**	**(1)**
Total comprehensive income	—	—	(1)	—	17,110	17,109	17,109
Transactions with owners							
Contributions and distributions							
Appropriation to statutory reserve	—	—	—	2,233	(2,233)	—	—
Issue of share *(Note 22(a))*	—*	—	—	—	—	—*	—*
Capital contribution by the Controlling Shareholder (as defined in Note 1) *(Note 23(a)(i))*	—	6,108	—	—	—	6,108	6,108
Capital contribution under the Pre-**[REDACTED]** Investment (as defined in Note 1) *(Note 23(a)(ii))*	**—**	**300**	**—**	**—**	**—**	**300**	**300**
Total transactions with owners	**—***	**6,408**	**—**	**2,233**	**(2,233)**	**6,408**	**6,408**
At 31 December 2024	**—***	**10,300**	**(1)**	**2,233**	**16,126**	**28,658**	**28,658**

* *Represents amount less than RMB1,000.*

	Attributable to owners of the Company						
		Reserves					
	Share capital	Capital reserve	Translation reserve	Statutory reserve	Accumulated profits	Total reserves	Total equity
	RMB'000 *(Note 22(a))*	*RMB'000* *(Note 23(a))*	*RMB'000* *(Note 23(b))*	*RMB'000* *(Note 23(c))*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	—*	10,300	(1)	2,233	16,126	28,658	28,658
Profit for the year	—	—	—	—	21,200	21,200	21,200
Other comprehensive income:							
Item that will not be reclassified to profit or loss							
Exchange difference on translation	—	—	334	—	—	334	334
Item that may be reclassified subsequently to profit or loss							
Exchange difference on consolidation	—	—	(72)	—	—	(72)	(72)
	—	—	262	—	—	262	262
Total comprehensive income	—	—	262	—	21,200	21,462	21,462
Transaction with owners							
Contributions and distributions							
Appropriation to statutory reserve	—	—	—	2,818	(2,818)	—	—
At 31 December 2025	**—***	**10,300**	**261**	**5,051**	**34,508**	**50,120**	**50,120**

* *Represents amount less than RMB1,000.*

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December	
		2024	2025
	Note	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before tax		23,585	26,126
Adjustments for:			
Amortisation of intangible assets	*6*	3	3
Depreciation of property, plant and equipment	*6*	105	1,676
Depreciation of right-of-use assets	*6*	391	598
Finance costs	*6*	108	338
Provision for loss allowance of trade receivables	*6*	75	149
Operating cash inflows before movements in working capital		24,267	28,890
Changes in working capital:			
Inventories		5,828	634
Trade and other receivables		(14,412)	(30,242)
Trade and other payables		7,438	8,403
Cash generated from operations		23,121	7,685
Income tax paid		(4,000)	(5,581)
Net cash from operating activities		19,121	2,104

		Year ended 31 December	
		2024	2025
	Note	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		(6,432)	(2,218)
Net cash used in investing activities		(6,432)	(2,218)
FINANCING ACTIVITIES			
Issue of shares	*22(a)*	—*	—
Capital contribution by the Controlling Shareholder (as defined in Note 1)	*23(a)(i)*	6,108	—
Capital contribution under the Pre-**[REDACTED]** Investment (as defined in Note1)	*23(a)(ii)*	300	—
Repayment of interest-bearing borrowings	*25(b)*	(511)	(2,703)
Addition of interest-bearing borrowings	*25(b)*	4,469	6,671
Repayment of lease liabilities (including financing components)	*25(b)*	(14)	(696)
Interest paid		(29)	(227)
(Repayment to) Advance from the Controlling Shareholder, net	*25(b)*	(1,927)	3,330
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 reporting period		2,016	23,100
Cash and cash equivalents at the end of the reporting period	*17*	23,100	29,361

* *Represents amount less than RMB1,000.*

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 August 2024. The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands. The Company's principal place of business in Hong Kong is situated at Unit 1910, 19/F, C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong and the Group's head office and principal place of business activities are situated at Warehouse 19, The Construction Project, Advance 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 People's Republic of China (the "**PRC**").

The Company is an investment holding company and its subsidiaries are principally engaged in research, development, production and sales of graphene-based film materials and related products in the PRC.

At the date of this report, the immediate holding company of the Company is Hengfu Technology Holdings Limited, which is incorporated in the British Virgin Islands (the "**BVI**"). In the opinion of the directors of the Company, the ultimate controlling party is Ms. Li Xinyan ("**Ms. Li**" or the "**Controlling Shareholder**").

Pursuant to a group reorganisation (the "**Reorganisation**"), which was completed on 10 December 2024, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Document issued in connection with the **[REDACTED]** on GEM of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

At the date of this report, the particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct or indirect interests, are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued capital	Attributable equity interest held by the Company	Principal activities/ place of operation
Directly held					
Jiaheng International New Material Group Limited ("**Jiaheng BVI**") *(Note a)*	The BVI	13 August 2024	No par value	100%	Investment holding/ The BVI
Hengyi Invest Holdings Limited *(*"**Hengyi BVI**") *(Note a)*	The BVI	10 April 2024	No par value	100%	Investment holding/ The BVI
Indirectly held					
Hong Kong Jiaheng International Group Limited ("**Jiaheng HK**") *(Note b)*.	Hong Kong	2 September 2024	United States Dollars ("**US$**") 1	100%	Investment holding/ Hong Kong

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued capital	Attributable equity interest held by the Company	Principal activities/ place of operation
Hong Kong Dingtai Group Co., Limited ("**Dingtai HK**") *(Note b)*	Hong Kong	19 April 2024	US$1	100%	Investment holding/ Hong Kong
Jilin Huachen New Materials Technology Development Co., Ltd. (吉林華晨新材料科技開發有限公司) ("**Jilin Huachen**") *(Notes c and d)*	The PRC	28 March 2017	RMB10,101,000	100%	Research, development and sales of graphene-based film materials and related products /the PRC

Set forth below is the information of the financial statements, as prepared in accordance with respective local financial reporting standards, of the Company's subsidiary that have been audited and fall into the Track Record Period.

Subsidiary	Financial period	Auditors
Jilin Huachen	For the years ended 31 December 2024 and 2025	(Jilin Zhongyi Certified Public Accountants LLP) (吉林中益會計師事務所(普通合夥)) *(Note c)*

Notes:

(a) No statutory audited financial statements have been prepared by Jiaheng BVI and Hengyi BVI for the period from the date of incorporation to the date of this report as they are not required to issue audited financial statements under relevant statutory requirements at the place of incorporation.

(b) The first set of statutory audited financial statements of Jiaheng HK and Dingtai HK is yet due for issuance according to the Companies Ordinance.

(c) The English name is translated for identification purpose only.

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

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Document, the Company became the holding company of the entities now comprising the Group on 10 December 2024. Immediately prior to and after the Reorganisation, the Group's business is mainly conducted through Jilin Huachen while the Company, Jiaheng BVI, Hengyi BVI, Jiaheng HK and Dingtai HK are investment holding companies and have not been involved in any other significant activities except for the Reorganisation and certain fund-raising activities.

Jilin Huachen was established on 28 March 2017. On 7 August 2023, Ms. Li acquired 79% and 1% equity interests in Jilin Huachen from Mr. Zhu Youxin and Mr. Zhou Shujie, the then shareholders of Jilin Huachen, respectively. On 5 December 2023, Ms. Li further acquired 20% equity interests in Jilin Huachen from Mr. Zhu You Xin and became the then sole shareholder of Jilin Huachen.

On 28 May 2024, Ms. Li and Dingtai HK entered into an equity increase agreement (the "**Capital Increase Agreement**"), pursuant to which, Dingtai HK agreed to invest a total of RMB101,000 by increasing the registered capital of Jilin Huachen (the "**Pre-[REDACTED] investment**"). Upon the completion of the Pre-**[REDACTED]** Investment, equity interests of Jilin Huachen were owned as to 99% and 1% by Ms. Li and Dingtai HK.

On 12 September 2024, Jilin Huachen become an indirectly owned subsidiary of the Company upon the shares transfer of 99% equity interests in Jilin Huachen from Ms. Li to Jiaheng HK, a subsidiary of the Company.

As the objective for the Reorganisation is to streamline the corporate structure in **[REDACTED]** of the business for the research, development and sales of graphene-based film materials and related products in the PRC that are carried out solely by Jilin Huachen, the above-mentioned corporate restructure transactions (the "**Corporate Restructure**") did not result in any significant change in resources employed by the Group during the Track Record Period and any change in ultimate control of the Group upon the acquisition of 99% equity interest in Jilin Huachen on 12 September 2024, the Corporate Restructure has been accounted for using a principle similar to that for a reverse acquisition for Jilin Huachen be treated as the acquirer for accounting purposes. The Historical Financial Information has been prepared and presented as a continuation of the combined financial statements of Jilin Huachen, with the assets and liabilities of the group entities recognised and measured at their historical carrying amounts prior to the Corporate Restructure, and as if the financial records of the Group had been in existence since 28 March 2017, the date of incorporation of Jilin Huachen, and throughout the entire Track Record Period.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the control of Jilin Huachen, where this is a shorter period.

3. MATERIAL ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards issued by the IASB, which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB. The Historical Financial Information also complies with the disclosure requirements of the Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The IASB has issued a number of new/revised IFRS Accounting Standards during the Track Record Period. For the purpose of the preparation of the Historical Financial Information, the Group has consistently adopted all those new/revised IFRS Accounting Standards that are relevant to its operations and are effective throughout the Track Record Period. The adoption of those new/revised IFRS Accounting Standards does not have any significant impact on the Historical Financial Information.

A summary of material accounting policies adopted by the Group in preparing the Historical Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

Basis of combinations

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are combined from the date on which the Group obtains control and continue to be combined until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the combined statements of profit or loss and other comprehensive income and within equity in the combined statements of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRS Accounting Standards.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Business combinations

(a) Acquisition method of accounting

The acquisition method is used to account for the acquisition of subsidiaries of the Group, except for the Reorganisation which is accounted for using reverse acquisition guidance.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are principally recognised at their fair value, except that:

— deferred tax assets or liabilities, and assets and liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19, respectively;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and

— assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests that are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

(b) Reverse acquisition accounting of non-operating entities

The Historical Financial Information presents the financial statements of the operating entity (i.e. Jilin Huachen) which is the legal acquiree/accounting acquirer as continuation of its financial statements regardless the date of acquisition except for the equity structure which reflects the equity structure of the legal acquirer/accounting acquiree under reverse acquisition.

The net assets of the combining entities or businesses are combined using their historical carrying values. No amount is recognised as consideration for goodwill or excess of accounting acquirer's interest in the net fair value of accounting acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Corporate Restructure. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recognised directly in equity as part of the capital reserve. The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows include the results and cash flows of each of the combining entities or businesses from the earliest date presented.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statements of financial position, which is presented within these notes, an investment in a subsidiary is stated at cost less impairment loss (if any). The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The result of the subsidiary is accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Construction in progress represents property, plant and equipment under construction and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of construction and acquisition and capitalised borrowing costs (if any). No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated below.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Plant, machinery and office equipment	5-10 years
Leasehold improvement	Over the lease terms

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately — trademarks

The initial cost of licensed trademarks is capitalised. Trademarks are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of based on 10 years.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over their estimated useful lives.

During the Track Record Period, no development cost was capitalised by the Group.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("**FVOCI**"); (iii) equity investment measured at FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first interim reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information;

(ii) nature of financial instruments;

(iii) nature of collateral (if any);

(iv) industry of debtors;

(v) geographical location of debtors; and

(vi) external credit risk ratings.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria:

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;

- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group's other receivables and cash and cash equivalents are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts (if any).

Revenue recognition

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is sales of graphene-based film materials and related products.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from sales of goods are recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are accepted and collected by customers and the title is passed.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or **[REDACTED]** to which it expects to be entitled in exchange for specified goods or services to be provided by the other party.

The Group is acting as a principal for all of its goods as the Group controls all of its goods before the good transferred to its customers and its performance obligation is to transfer those goods to its customers.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in RMB and rounded to the nearest thousands unless otherwise indicated. The Company's functional currency is HK$ and the functional currency of majority of the Group's subsidiaries is RMB.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and
- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that the Group's intangible assets, property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate stand-alone price of the non-lease components.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives at the annual rates/useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leased properties . . . . Over the lease terms

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;

(b) the Group determines the lease term of the modified contract;

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and/or

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group, that is defined as:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a holding company of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management of the Group in the preparation of the Historical Financial Information. They affect the application of the Group's 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.

Key sources of estimation uncertainty:

(i) Useful lives of intangible assets, property, plant and equipment and right-of-use assets

The management of the Group determines the estimated useful lives of the Group's intangible assets, property, plant and equipment and right-of-use assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(ii) Impairment of non-financial assets

The management of the Group determines whether the Group's intangible assets, property, plant and equipment and right-of-use assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of intangible assets, property, plant and equipment and right-of-use assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from intangible assets, property, plant and equipment and right-of-use assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) Allowance for inventories

The management of the Group reviews the inventory ageing analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

(iv) Loss allowance for ECL

The management of the Group estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables.

(v) Income taxes

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

Future changes in IFRS Accounting Standards

At the date of approving the Historical Financial Information, the IASB has issued the following new/revised IFRS Accounting Standards that are not yet effective for the Track Record Period, which the Group has not early adopted.

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurements of Financial Instruments(1)
Annual Improvements to IFRS Accounting Standards	Volume 11(1)
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity(1)
IFRS 18	Presentation and Disclosure in Financial Statements(2)
IFRS 19	Subsidiaries without Public Accountability: Disclosure(2)
Amendments to IAS 21	Translation to Hyperinflationary Presentation Currency(2)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(3)

(1) Effective for annual periods beginning on or after 1 January 2026
(2) Effective for annual periods beginning on or after 1 January 2027
(3) The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised IFRS Accounting Standards in future periods will have any material impact on the Group's combined financial results.

4. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the Track Record Period, as the Group manages its business as a whole as the research, development, production and sales of graphene-based film materials and related products. The executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group.

Geographical information

(a) Revenue from external customers

All the Group's revenue from external customers were from the PRC.

(b) Non-current assets

The non-current assets information is based on the locations of assets and included the Group's intangible assets, property, plant and equipment and right-of-use assets (the "**Non-current Assets**"). All of the Group's Non-current Assets were located in the PRC.

Information about major customers

Details of the customers (presented by entities under common control, if appropriate) individually accounting for 10% or more of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Sales of graphene-based film materials and related products		
Customer A	12,859	11,968
Customer B	11,328	*Note*
Customer C	9,945	*Note*

Note: These customers contributed less than 10% of the Group's total revenue during the respective periods for the Track Record Period.

5. REVENUE

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Revenue from contracts with customers within IFRS 15		
At a point in time		
Sales of graphene-integrated thermal products	79,675	99,261
Sales of graphene-based film	18,207	19,799
	97,882	119,060

6. PROFIT BEFORE TAX

This is stated after charging:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Finance costs		
Interest on interest-bearing borrowings	29	227
Interest on lease liabilities	79	111
	108	338
Staff costs (including directors' emoluments)		
Salaries, discretionary bonus, allowances and other benefits in kind	4,486	5,613
Contributions to defined contribution plans	537	1,452
	5,023	7,065
Other items		
Auditors' remuneration	5	11
Amortisation of intangible assets (charged to "administrative and other operating expenses")	3	3
Cost of inventories *(Note (a))*	57,363	67,830
Depreciation of property, plant and equipment (charged to "cost of sales" and "administrative and other operating expenses")	105	1,676
Depreciation of right-of-use assets (charged to "cost of sales" and "administrative and other operating expenses")	391	598
Expenses recognised under short-term leases	49	85
Provision for loss allowance of trade receivables	75	149
Research and development expenses *(Note (b))*	6,095	6,965
[REDACTED]	**[REDACTED]**	**[REDACTED]**

Note:

(a) Cost of inventories included approximately RMB45,338,000 and RMB55,413,000 relating to subcontracting costs during the years ended 31 December 2024 and 2025, and approximately RMB2,817,000, and RMB5,088,000 relating to the aggregated amount of certain staff costs, depreciation of property, plant and equipment and right-of-use assets which were included in the respective amounts as disclosed above during the years ended 31 December 2024 and 2025, respectively.

(b) During the Track Record Period, the Group carried out several research and development projects for (i) enhancement of the existing products quality and production efficiency and (ii) development of new products (together, the "Research and Development Activities"). Having considered the enhancement to the existing products' quality and production efficiency cannot be clearly quantified and the technical feasibility for the completion of new projects are uncontrollable, the costs incurred in the Research and Development Activities are recognised in the profit or loss as incurred during the Track Record Period.

7. DIRECTORS' REMUNERATION

The Company was incorporated in the Cayman Islands on 7 August 2024. Ms. Li Xinyan, Mr. Sun Guomin, Mr. Zhu Youxin and Ms. Liu Jinfang were appointed as executive directors of the Company on 23 August 2024, 25 March 2025, 25 March 2025 and 14 April 2026, respectively. Mr. Luo Hua was appointed as executive director of the Company on 25 March 2025 and resigned on 14 April 2026. Dr. Lai King Yin , Mr. Li Wen Yao and Mr. Kuang Jian were appointed as independent non-executive directors of the Company on [•], [•] and [•], respectively.

Certain directors of the Company received remuneration from the Group during the Track Record Period for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company during the Track Record Period are set out below.

Year ended 31 December 2024

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Li Xinyan[(1)]	—	180	—	5	185
Mr. Luo Hua[(3)]	—	119	—	3	122
Mr. Sun Guomin[(2)].	—	138	—	3	141
Mr. Zhu Youxin[(2)]	—	120	—	14	134
	—	557	—	25	582

Year ended 31 December 2025

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Li Xinyan[(1)]	—	195	—	59	254
Mr. Luo Hua[(3)]	—	130		39	169
Mr. Sun Guomin[(2)].	—	150	—	45	195
Mr. Zhu Youxin[(2)]	—	130	—	39	169
	—	605	—	182	787

(1) Ms. Li Xinyan was appointed as executive Director of the Company on 23 August 2024.

(2) Mr. Sun Guomin and Mr. Zhu Youxin were appointed as executive directors of the Company on 25 March 2025.

(3) Mr. Luo Hua was appointed as executive director of the Company on 25 March 2025 and resigned on 14 April 2026.

(4) Ms. Liu Jinfang was appointed as executive director of the Company on 14 April 2026.

During the Track Record Period, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

8. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Track Record Period is as follows:

	Year ended 31 December	
	2024	**2025**
Director	4	4
Non-director	1	1
	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Salaries, discretionary bonus, allowances and other benefits in kind	119	126
Contributions to defined contribution plans	—	—
	119	126

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December	
	2024	2025
Nil to HK$1,000,000	1	1

During the Track Record Period, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Track Record Period.

9. TAXATION

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("PRC EIT")	5,952	5,222
Deferred tax		
Origination and reversal of temporary differences (Note 21)	523	(296)
Total income tax expenses for the year	6,475	4,926

The Group's entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the Track Record Period.

The Group's entities established in the PRC are subject to the PRC EIT at a statutory rate of 25% during the Track Record Period.

In November 2024, Jilin Huachen received official recognition as High and New Technology Enterprise qualification from the respective tax bureau in the PRC and therefore is entitled to a preferential tax rate of 15% for a period of three years from 2025 to 2027.

Reconciliation of income tax expenses

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Profit before tax	23,585	26,126
Income tax at statutory tax rate applicable in respective territories	5,896	6,532
Effect of preferential tax treatments in the PRC	—	(3,740)
Non-deductible expenses	1,612	2,772
Additional tax deduction for research and development expenses	(1,033)	(638)
Income tax expenses	6,475	4,926

10. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

11. DIVIDENDS

During the Track Record Period, no dividends have been declared or paid by the entities now comprising the Group.

12. INTANGIBLE ASSETS

	Trademarks
	RMB'000
Reconciliation of carrying amount — year ended 31 December 2024	
At 1 January 2024	25
Amortisation	(3)
At 31 December 2024	22
Reconciliation of carrying amount — year ended 31 December 2025	
At 1 January 2025	22
Amortisation	(3)
At 31 December 2025	19
At 31 December 2024	
Cost	31
Accumulated amortisation	(9)
	22
At 31 December 2025	
Cost	31
Accumulated amortisation	(12)
	19

Trademarks were licensed from independent third parties in relation to the Group's ordinary business for a period of 10 years.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant, machinery and office equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount — year ended 31 December 2024				
At 1 January 2024	317	—	—	317
Additions	237	—	6,195	6,432
Depreciation	(105)	—	—	(105)
At 31 December 2024	449	—	6,195	6,644
Reconciliation of carrying amount — year ended 31 December 2025				
At 1 January 2025	449	—	6,195	6,644
Additions	1,073	—	1,145	2,218
Transfer	—	7,340	(7,340)	—
Depreciation	(153)	(1,523)	—	(1,676)
At 31 December 2025	1,369	5,817	—	7,186
At 31 December 2024				
Cost	1,252	—	6,195	7,447
Accumulated depreciation	(803)	—	—	(803)
	449	—	6,195	6,644
At 31 December 2025				
Cost	2,325	7,340	—	9,665
Accumulated depreciation	(956)	(1,523)	—	(2,479)
	1,369	5,817	—	7,186

14. LEASE

Right-of-use assets

	Leased properties
	RMB'000
Reconciliation of carrying amount — year ended 31 December 2024	
At 1 January 2024	13
Additions	2,930
Depreciation	(391)
At 31 December 2024	2,552
Reconciliation of carrying amount — year ended 31 December 2025	
At 1 January 2025	2,552
Additions	123
Depreciation	(598)
At 31 December 2025	2,077
At 31 December 2024	
Cost	2,930
Accumulated depreciation	(378)
	2,552
At 31 December 2025	
Cost	3,053
Accumulated depreciation	(976)
	2,077

The Group leases properties for its daily operations with the initial lease terms ranging from 2 to 5 years during the Track Record Period.

Extension and termination options

The lease contracts of leased properties contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. The extension option of the leased properties is normally exercised after the contracts terms and conditions are renegotiated and agreed between the Group and the lessor because the Group does not want to incur additional costs, such as leasehold improvements, while exercising the termination option is normally unusual unless the Group could replace the leased properties without significant costs or acquisition of new properties. The Group seldom exercises termination options that were included in the leases. During the Track Record Period, all of lease contracts for leased properties contain an extension or termination option, in which the total lease payment made amounted to approximately RMB14,000 and RMB696,000, respectively, representing the total cash outflows for leased properties for the years ended 31 December 2024 and 2025.

Restriction or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessors, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

Lease liabilities

	At 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Current portion	556	657
Non-current portion	2,453	1,890
	3,009	2,547

Commitments and present value of lease liabilities:

	Lease payments		Present value of lease payments	
	At 31 December 2024	**At 31 December 2025**	**At 31 December 2024**	**At 31 December 2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable:				
Within one year	663	744	556	657
More than 1 year but within 2 years	663	677	576	614
More than 2 years but within 5 years	1,992	1,326	1,877	1,276
	3,318	2,747	3,009	2,547
Less: future finance charges	(309)	(200)	—	—
Total lease liabilities	3,009	2,547	3,009	2,547

As at 31 December 2024 and 2025, the weighted average effective interest rates of the lease liabilities of the Group were approximately 4.28% and 3.48% per annum, respectively.

The total cash flows in relation to leases for the years ended 31 December 2024 and 2025 were approximately RMB63,000 and RMB781,000, respectively.

The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Interest on lease liabilities	79	111
Depreciation of right-of-use assets	391	598
Expenses relating to short-term leases	49	85
	519	794

Commitments under leases

As at 31 December 2024 and 2025, the Group was committed to RMB46,000 and Nil for short-term leases.

15. INVENTORIES

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

16. TRADE AND OTHER RECEIVABLES

		At 31 December	
		2024	2025
	Note	*RMB'000*	*RMB'000*
Trade receivables			
From third parties		14,955	44,770
Less: Loss allowances	*26*	(75)	(224)
	16(a)	14,880	44,546
Other receivables			
Prepaid **[REDACTED]**		50	—
Prepaid advertising expenses	*16(b)*	**[REDACTED]**	**[REDACTED]**
Prepaid research and development expenses	*16(c)*	300	2,603
Other prepayment, deposits and receivables		362	536
		2,712	3,139
		[REDACTED]	**[REDACTED]**

16(a) Trade receivables

The ageing analysis of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

	At 31 December	
	2024	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
	14,880	44,546

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	At 31 December	
	2024	2025
	RMB'000	*RMB'000*
Not past due	14,880	44,546

As at 31 December 2024 and 31 December 2025, the Group normally grant credit terms up to 90 days from the date of issuance of invoices.

Information about the Group's exposure to credit risks and loss allowance on trade receivables is included in Note 26 to the Historical Financial Information.

16(b) The Group entered into an agreement with a service provider for the provision of advertisement service, and made prepayment of approximately RMB2,000,000 during the year ended 31 December 2024. The entire amount of prepayment has been fully utilised subsequent to the end of the reporting period.

16(c) The prepaid research and development expenses at the end of each reporting period were made in accordance with the payment schedule agreed with the service providers and will be recognised as expenses according to the stage of completion of relevant projects.

17. CASH AND CASH EQUIVALENTS

	At 31 December	
	2024	2025
	RMB'000	*RMB'000*
Cash at bank and in hand	23,100	29,361

At 31 December 2024 and 2025, cash and bank balances that were placed in the PRC amounted to approximately RMB22,894,000 and RMB29,239,000, respectively. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

18. TRADE AND OTHER PAYABLES

		At 31 December	
		2024	2025
	Note	*RMB'000*	*RMB'000*
Trade payables to third parties	*18(a)*	7,699	13,527
Other payables			
Salary payables		382	455
Value-added tax and other tax payables		259	1,250
Accruals and other payables		2,846	1,620
Accrued research and development expenses		—	300
Accrued **[REDACTED]**		**[REDACTED]**	**[REDACTED]**
		[REDACTED]	**[REDACTED]**
		[REDACTED]	**[REDACTED]**

18(a) Trade payables

The trade payables were unsecured, interest-free and with normal credit terms up to 90 days.

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	At 31 December	
	2024	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
	7,699	13,527

19. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

At 31 December 2024 and 2025, the amount due to the Controlling Shareholder was non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled prior to the **[REDACTED]**.

20. INTEREST-BEARING BORROWINGS

	At 31 December	
	2024	2025
	RMB'000	*RMB'000*
Fixed-rate borrowings		
Bank loans — Unsecured		
— within one year	3,958	7,926

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, as is commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. At the end of each reporting period, none of the covenants relating to drawn down facilities had been breached.

The Group and Ms. Li, the controlling shareholder, are joint borrowers for the interest-bearing borrowings of approximately RMB3,958,000 and RMB4,926,000, respectively, as at 31 December 2024 and 2025 under existing bank borrowings agreements with the banks, Jilin Huachen has obtained consent from these banks that all joint borrowings, including the 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 the **[REDACTED]**.

As at 31 December 2024 and 2025, the Group has available and unutilised facilities from the banks amounted to RMB150,000 and Nil, respectively.

21. DEFERRED TAXATION

The following is the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	Tax losses	Research and development expenses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024	801	(278)	523
(Charge) Credit to profit or loss	(801)	278	(523)
At 31 December 2024 and 1 January 2025	—	—	—
Credit to profit or loss	—	296	296
At 31 December 2025	—	296	296

At the end of each reporting period, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiary established in the PRC. In the opinion of the management of the Group, it is probable that the earnings will not be distributed in the foreseeable future. The unremitted accumulated profits were approximately RMB20,825,000 and RMB50,792,000 at 31 December 2024 and 2025, respectively.

22. SHARE CAPITA AND THE FINANCIAL INFORMATION OF THE COMPANY

22(a) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 7 August 2024. Upon its incorporation, the authorised share capital of HK$380,000 was divided into 38,000,000 ordinary shares at HK$0.01 each and 1 ordinary share with total consideration of HK$0.01 was issued. On 10 December 2024, further 99 ordinary shares were issued at HK$0.01 each.

Pursuant to the Reorganisation completed on 10 December 2024, the Company became the holding company of the entities now comprising the Group. Further details of the change in authorised and issued capital of the Company since its incorporation are set out in the paragraph headed "Reorganisation" of the section headed "History, Development and Reorganisation" of the Document.

Save as disclosed above, the Company has not commenced any significant business or operation since its incorporation.

22(b) Investment in subsidiaries

Investment in subsidiaries represents 100% of the issued share capital of Jiaheng BVI and Hengyi BVI.

22(c) Amounts due from/to immediate holding company/a subsidiary

The amounts due were non-trade in nature, unsecured, interest-free and repayable on demand.

22(d) Reserves of the Company

	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 7 August 2024 (date of incorporation)	—	—	—
Loss for the period	—	(4,534)	(4,534)
Other comprehensive income			
Exchange difference on translation	(1)	—	(1)
At 31 December 2024	(1)	(4,534)	(4,535)
At 1 January 2025	(1)	(4,534)	(4,535)
Loss for the year	—	(9,813)	(9,813)
Other comprehensive income			
Exchange difference on translation	334	—	334
At 31 December 2025	333	(14,347)	(14,014)

Note: During the years ended 31 December 2024 and 2025, the **[REDACTED]** of approximately RMB**[REDACTED]** and RMB**[REDACTED]**, respectively, were borne by the Company's subsidiaries without recharge.

22(e) Prepayment and other receivables

Included in the Company's statements of financial position as at 31 December 2024 and 2025, prepayment and other receivables mainly represented prepaid **[REDACTED]** with carrying amounts of approximately RMB**[REDACTED]** and **[REDACTED]**, respectively, and other prepayment with carrying amounts of approximately RMB67,000 and RMB90,000, respectively.

22(f) Accruals and other payables

Included in the Company's statements of financial position as at 31 December 2024 and 2025, accruals and other payables mainly represented accrued **[REDACTED]** with carrying amounts of approximately RMB**[REDACTED]** and RMB**[REDACTED]**, respectively, and other accrued expenses with carrying amounts of approximately RMB5,000 and RMB3,000, respectively.

23. RESERVES

23(a) Capital reserve

The capital reserve represents the aggregate amount of the nominal value of the issued/paid-up capital of the entities now comprising the Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation.

During the Track Record Period, the Group has the following movement on capital reserve:

(i) On 20 May 2024, the registered capital of Jilin Huachen of RMB10,000,000 was fully paid up through capital contribution of RMB6,108,000 from the Controlling Shareholder.

(ii) As disclosed in Note 2 to the Historical Financial Information and as part of the Pre-**[REDACTED]** Investment, pursuant to the Capital Increase Agreement, Dingtai HK made a capital contribution of RMB300,000 to Jilin Hauchen, of which RMB101,000 and approximately RMB199,000 were recognsied as the registered capital and the capital reserve of Jilin Huachen, respectively. Accordingly, the registered capital of Jilin Huachen was increased from RMB10,000,000 to RMB10,101,000 on 2 July 2024. Details of which are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Document.

23(b) Translation reserve

The translation reserve represents all foreign exchange differences arising from the translation of the Group's entities, including the Company, that have functional currency different from the Group's presentation currency for combinations/ consolidation.

23(c) Statutory reserve

As stipulated by the relevant laws and regulations for enterprise incorporated/established in the PRC, the Group's subsidiary in the PRC is required to appropriate to the statutory reserve an amount not less than 10% of the amount of profit after tax (as reported in the statutory financial statements of the PRC subsidiary prepared in accordance with the PRC accounting regulations). If the accumulated statutory reserve reaches 50% of the registered share capital of the PRC subsidiary, the subsidiary may not be required to make any further appropriation. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

24. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions during the Track Record Period.

(a) Related party transactions of the Group

Transactions between the group entities have been eliminated by combination and are not disclosed.

(b) Remuneration for key management personnel (including directors of the Company) of the Group

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Salaries, allowances, discretionary bonus, and other benefits in kind	557	605
Contributions to defined contribution plans	25	182
	582	787

Further details of the directors' remuneration are set out in Note 7.

(c) Balances with related parties

	At 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Amount due to the Controlling Shareholder		
— Ms. Li Xinyan *(Note 19)*	563	3,893

25. ADDITIONAL INFORMATION ON THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2024 and 2025, the Group recognised right-of-use assets by incurring lease liabilities of approximately RMB2,930,000 and RMB123,000, respectively.

(b) Reconciliation of liabilities arising from financing activities

The movements during the Track Record Period in the Group's liabilities arising from financing activities are as follows:

	At 1 January 2024	Net cash flows	Non-cash transactions: Addition of right-of-use assets	Non-cash transactions: Finance costs	At 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2024					
Amount due to the Controlling Shareholder	2,490	(1,927)	—	—	563
Interest-bearing borrowings	—	3,958	—	—	3,958
Lease liabilities	14	(14)	2,930	79	3,009
Total liabilities from financing activities	2,504	2,017	2,930	79	7,530

	At 1 January 2025	Net cash flows	Non-cash transactions: Addition of right-of-use assets	Non-cash transactions: Finance costs	At 31 December 2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2025					
Amount due to the Controlling Shareholder	563	3,330	—	—	3,893
Interest-bearing borrowings	3,958	3,968	—	—	7,926
Lease liabilities	3,009	(696)	123	111	2,547
Total liabilities from financing activities	7,530	6,602	123	111	14,366

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash and cash equivalents, amount due to the Controlling Shareholder, and lease liabilities. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The accounting policies for financial instruments have been applied to the line items below:

	At 31 December	
	2024	2025
	RMB'000	*RMB'000*
Financial assets — at amortised cost		
Financial assets included in trade and other receivables	15,242	45,082
Cash and cash equivalents	23,100	29,361
	38,342	74,443

	At 31 December	
	2024	2025
	RMB'000	*RMB'000*
Financial liabilities — at amortised cost		
Financial liabilities included in trade and other payables	12,505	20,806
Amount due to the Controlling Shareholder	563	3,893
Interest-bearing borrowings	3,958	7,926
Lease liabilities	3,009	2,547
	20,035	35,172

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The management of the Group reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Credit risk

The carrying amount of financial assets recognised on the Historical Financial Information, which is net of loss allowances, represents the Group's exposure to credit risk on these financial assets without taking into account the credit enhancements.

Trade receivables

The Group trades only with recognised, creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 90 days.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and region in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

As at 31 December 2024 and 2025, the Group had a concentration of credit risk as 16.4% and 16.5% of the total trade receivables was due from the Group's largest trade debtor, respectively, and 45.1% and 52.5% of the total trade receivables was due from the Group's largest five trade debtors, respectively.

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' domicile and abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises loss allowances based on lifetime ECL at the end of each reporting period.

As part of the Group's credit risk management, the Group has applied internal credit rating for its customers and established a provision matrix that is based on historical credit loss experience having considered the ageing of debtors, adjusted for forward-looking factors specific to the debtors, the economic environment and the domicile of the debtors' countries. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past periods and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

Considered no significant default history and no forward-looking factors that give rise to significant default risk on trade receivables for both past due or not yet past due balances at 31 December 2024 and 2025, and no material change in late payment and default risk as well as forward-looking factors throughout the Track Record Period, the management of the Group estimates that the ECL for those balances is insignificant and assign 0.5% as the expected loss rate, which represented a reasonable estimation of credit risk exposure, for the Track Record Period.

The Group does not hold any collateral over trade receivables as at 31 December 2024 and 2025.

None of the trade receivables were written off during the Track Record Period.

The following table provides information about the Group's exposures to credit risk and ECL for trade receivables as at 31 December 2024 and 2025.

	As at 31 December 2024				
	Lifetime ECL	**Gross carrying amount**	**Lifetime ECL**	**Net carrying amount**	**Credit Impaired**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*Yes/No*
Non-credit impaired					
Not past due	0.5	14,955	(75)	14,880	No

	As at 31 December 2025				
	Lifetime ECL	**Gross carrying amount**	**Lifetime ECL**	**Net carrying amount**	**Credit Impaired**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*Yes/No*
Non-credit impaired					
Not past due	0.5	44,770	(224)	44,546	No

The movements in loss allowances for trade receivables during the Track Record Period are summarised below.

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
At the beginning of the reporting period	—	75
Increase in loss allowance	75	149
At the end of the reporting period	75	224

Other financial assets carried at amortised costs

The Group's other financial assets carried at amortised costs mainly comprise cash and cash equivalents in the combined statements of financial position.

The Group's cash and cash equivalents include cash at banks and assets with similar nature as cash, of which cash at banks are deposited in major financial institutions located in the PRC and assets with similar nature as cash are deposited in high creditworthy financial institutions located in the PRC, which are of high credit rating. The management of the Group does not expect any losses arising from non-performance by these counterparties.

There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is summarised below:

	Total carrying amount	**Total contractual undiscounted cash flow**	**On demand or less than 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2024						
Trade and other payables	12,505	12,505	12,505	—	—	—
Amount due to the Controlling Shareholder	563	563	563			
Interest-bearing borrowings	3,958	4,099	4,099	—	—	—
Lease liabilities	3,009	3,318	663	663	663	1,329
	20,035	20,485	17,830	663	663	1,329
At 31 December 2025						
Trade and other payables	20,806	20,806	20,806	—	—	—
Amount due to the Controlling Shareholder	3,893	3,893	3,893	—	—	—

	Total carrying amount	Total contractual undiscounted cash flow	On demand or less than 1 year	1 to 2 years	2 to 3 years	Over 3 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	7,926	8,047	8,047	—	—	—
Lease liabilities	2,547	2,747	744	677	663	663
	35,172	35,493	33,490	677	663	663

27. FAIR VALUE MEASUREMENTS

The management of the Group estimates the fair value of its financial assets and financial liabilities measurement of amortise cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined statements of financial position approximate their fair values.

28. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Track Record Period.

29. COMMITMENTS

In addition to information disclosed elsewhere in these consolidated financial statements, the Group has the following commitments at the end of each reporting period:

Capital expenditure commitments

	At 31 December	
	2024	2025
	RMB'000	*RMB'000*
Contracted but not provided net of deposit paid for acquisition of:		
— Property, plant and equipment	1,000	—

30. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2025, save as disclosed elsewhere in the Historical Financial Information, the Group has the following subsequent events:

(i) Pursuant to the resolution of the Company's shareholders dated [•], the Company subdivided each of its existing issued and unissued ordinary shares with a par value of HK$0.01 each into 100 shares with a par value of [HK$0.0001] each. Accordingly, the authorised and issued share capital of the Company becomes HK$380,000 divided into [3,800,000,000] shares and HK$1 divided into [10,000] shares with a par value of [HK$0.0001 each], respectively.

(ii) [Pursuant to the resolution of the Company's shareholders passed on [•], inter-alia, the authorised share capital of the Company was increased from HK$[•] to HK$[•] by the creation of additional [•] shares of HK$0.01 each and the **[REDACTED]** (as defined below) was conditionally approved.]

(iii) [Pursuant to the resolution in writing of the Company's shareholders passed on [•], subject to the share premium account of the Company being credited as a result of the **[REDACTED]** of the Company's shares, the directors of the Company were authorised to allot and issue a total of **[REDACTED]** shares of HK$0.0001 each to the existing shareholders, credited as fully paid at par by way of **[REDACTED]** of the sum of HK$**[REDACTED]** standing to be credit of the share premium account of the Company (the "**[REDACTED]**") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the **[REDACTED]**).]

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with IFRS Accounting Standards and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2025.