
FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information as of and for the periods ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026 included in the Accountants’ Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this document.

OVERVIEW

We are an electrolytic copper foil solutions provider in China, specializing in the design, research and development, production, and sales of high-performance electrolytic copper foil. During the Track Record Period, our primary products were lithium battery copper foil and electronic circuit copper foil products. In light of the upward trend of and the strong demand from our downstream sectors, such as AI and high-performance computing, we are strategically focusing on our business of electronic circuit copper foil products, such as RTF and HVLP products, which is expected to be a key growth driver of our future business. We ranked as the tenth-largest electrolytic copper foil producer in the world by sales volume in 2025, with a market share of approximately 2.3%, according to Frost & Sullivan.

We leverage our technological foundation and industrial expertise to deliver customized solutions along with tailored products that address the evolving needs of various downstream customers operating in a wide array of application scenarios and industries. Our technological capabilities enable us to serve both domestic and global markets, providing essential core materials that support the advancement of the new energy and electronic information industries. We supply lithium battery copper foils, which are essential components in various types of lithium batteries included in new energy vehicle (“NEV”), energy storage system (“ESS”), and consumer electronics, as well as advanced electronic circuit copper foils, which are critical for manufacturing printed circuit board (“PCB”) and copper-clad laminate (“CCL”) used in a wide array of markets including AI and high-performance computing, 5G/6G communications, consumer and automotive electronics, and commercial aerospace. In addition, we supply RTF and HVLP products, targeting at AI and high-performance computing industry, to several leading domestic PCB and CCL manufacturers, and have sent sample products of novel anode current collectors specifically used for solid-state and solid-liquid batteries to globally leading battery manufacturers.

We have established a robust and resilient foundation in high-quality and stable customer relationships, a core asset that validates our market position and directly reinforces the significant customer barrier in our industry. This is further solidified by strategic investments from the leading global battery manufacturer, BYD, and the fund invested by CATL. These endorsements are a powerful testament to our technological capabilities and value, creating an alignment of interests with key industry leaders that is exceptionally difficult for competitors to replicate.

Guided by our goal to create value for customers, we focus on enhancing our core competitiveness through technological innovation, product quality, service responsiveness, and cost efficiency. This integrated approach enables us to transition beyond transactional supplier relationships into collaborative partnerships. By engaging early in our customers’ development cycles and understanding their technical roadmaps, we participate in joint development efforts to deliver customized, high-value products. These

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collaborations foster long-term relationships with industry-leading customers, contributing to demand visibility, supporting product co-development, and strengthening our competitive market position. As of the Latest Practicable Date, we had established long-term collaborative partnerships with seven of the world’s top 10 lithium battery manufacturers, including four Chinese companies and three Korean companies.

Our achievements have been recognized through multiple industry awards and official accreditations, reflecting our technical leadership and innovative capabilities. In 2025, we were designated as a National Specialized and New Key “Little Giant” Enterprise (國家級專精特新重點小巨人企業) by the Ministry of Industry and Information Technology (工業和信息化部) of the PRC. We also received the Gaogong Lithium Battery Industry Innovation Award (高工鋰電行業創新獎) in the same year, an authoritative industry endorsement of our technological achievements within the lithium battery supply chain. In 2024, we were recognized as a “Potential Unicorn Enterprise” (潛在獨角獸企業) by the Jiangxi Provincial Department of Science and Technology (江西省科技廳), highlighting our high-growth potential in the new energy materials sector. Additionally, we have actively participated in drafting the national industry standard “Electrolytic Copper Foil for Lithium Batteries” (《鋰離子電池用電解銅箔》), issued by the Ministry of Industry and Information Technology of the PRC, contributing to the establishment of technical norms and promoting standardized development within the industry. Various awards granted by globally leading battery manufacturers, such as the 2025 Technological Innovation Award by CATL and the 2025 Quality Excellence Award by EVE Energy, also demonstrate our superb technological capabilities and high-quality products. See “Business — Awards and Recognition” for details.

BASIS OF PREPARATION

We were incorporated as a limited liability company in the People’s Republic of China on August 18, 2016. On December 20, 2022, we were converted into a joint stock company with limited liability. Our historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRS Accounting Standards**”) issued by the International Accounting Standards Board (“**IASB**”). Our historical financial information has been prepared under the historical cost convention. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of our Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on consolidation.

All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period.

See note 2.1 to the Accountants’ Report in Appendix I to this document for details.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The growth and future success of our business depend on many factors. While each of these factors presents significant opportunities for our business, they also pose challenges that we must successfully address in order to sustain our growth and improve our results of operations.

General Factors

- overall economic growth and conditions;
- development and prosperity of the electrolytic copper foil industry;

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- conditions of the downstream markets of the electrolytic copper foil industry and the resulting fluctuations in customer demand;
- technology development and competition in the electrolytic copper foil; and
- relevant laws and regulations, government policies and initiatives.

Company-specific Factors

Our business, results of operations and financial performance are principally affected by the following company-specific factors:

Our financial performance is subject to downstream and upstream market conditions

Our financial performance is principally affected by the cyclical change of our downstream and upstream market conditions, which may in turn affect our sales volume, average selling prices, cost of sales, processing fee, and profitability.

Downstream Market Conditions

Downstream market conditions can affect our sales volume, processing fee, average selling prices, profitability, and margin. According to Frost & Sullivan, the fluctuations of our financial performance during the Track Record Period was in line with prevailing industry trends and price ranges.

We sold lithium battery copper foil primarily to downstream customers in NEV and ESS industries during the Track Record Period. From 2020 to 2022, with the rapid growth in NEV sales, demand for power batteries increased significantly, leading to a high-prosperity phase in which the lithium battery copper foil market experienced supply shortages. Subsequently, a large amount of new capacity was released in 2023 and 2024, resulting in a temporary oversupply in the industry. As a result, industry-average processing fees and profitability declined. This trend directly adversely impacted our sales volume, average selling prices and profitability, with our gross profit margin decreasing from 6.7% in 2023 to 3.1% in 2024. Around 2025, as demand continues to grow and some outdated capacity was gradually phased out, the supply-demand balance has begun to improve. As market conditions improved in 2025, in particular the strong market demand from the ESS and power batteries sectors, our processing fees stabilized to an upward trend and our gross profit margin improved to 5.7%. The lithium battery copper foil market is currently in the market recovery stage with high-end segments seeing robust growth. We anticipate increasing demand for high-performance products where we have stronger pricing power, which is expected to enhance our revenue growth, profitability and margin.

The electronic circuit copper foil industry is mainly influenced by the cyclical trends of the PCB industry and the semiconductor sector. In 2021, driven by strong demand for consumer electronics and a relatively high level of prosperity in the semiconductor industry, the electronic circuit copper foil market experienced a high-growth phase. During 2022 to 2023, however, global demand for consumer electronics weakened and the industry entered a destocking cycle, resulting in slower demand growth. This market could not support our growth in electronic circuit copper foil business, and we were not able to charge high premiums in processing fee and average selling prices, resulting in our loss-making for this business segment in 2023 and 2024. As inventories have gradually normalized and demand from emerging applications continues to expand, the industry has started to recover since late 2025. Currently, the electronic circuit copper foil market is in the market recovery stage, with demand for high-frequency, high-speed and high-end copper foil products expected to grow robustly, driven by emerging applications such as AI and high-performance computing, high-speed communication equipment and automotive electronics. Our development of advanced HVLP and RTF products positions us to benefit from this recovery, making contribution to enhancing our revenue growth, profitability and margin.

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Upstream Market Conditions

Upstream market conditions can affect our revenue and cost of raw materials. Cathode copper is our primary raw material. Since the fourth quarter of 2025, according to Frost & Sullivan, the electrolytic copper foil industry has entered a market recovery phase to be followed by strong growth, driven by the dual tailwinds of expansion in the new energy market and the advancement of AI technologies. The simultaneous rapid growth of downstream applications, coupled with ongoing technological upgrades, is supporting the steady expansion of the global electrolytic copper foil market. In particular, lithium battery copper foil has benefited from the robust development of the NEV and ESS industries, while electronic circuit copper foil has been driven by technological advancements in AI and high-performance computing, 5G/6G communications, and humanoid robotics. Looking ahead, Chinese electrolytic copper foil manufacturers are expected to enter a new upcycle in 2026, with processing fees gradually recovering. In addition, as we are building new production capacity from 2026 to 2028, we expect to capture the growing demand from major customers for high-performance products. Driven by simultaneous growth in both volume and pricing, our revenue, gross margin and profit attributable are expected to increase in the near future. Our goal to further grow our business and improve profitability depends substantially on our ability to successfully navigating these cycles. As we operate on an industry-standard pricing model of “copper price plus processing fee,” the price fluctuations of copper price may primarily affect our selling prices, revenue, and cost of sales. During the Track Record Period, the continuous increasing copper price resulted in an increase in our revenue and cost of sales, but seldom had any impact on our profitability.

We expect that the forecasted increase in copper price will continue to make significant contribution to our selling prices, revenue and cost of sales.

Our financial performance is subject to cyclical change of the electrolytic copper foil industry

The electrolytic copper foil industry is characterized by periodic fluctuations. The lithium battery copper foil industry cycle is primarily driven by the development of NEV and ESS industries, typically exhibiting a three-to-five year cycle of “industry expansion – supply surplus – industry consolidation – rebalancing,” and the electronic circuit copper foil industry typically exhibits an industry cycle of three-to four years driven primarily by PCB and CCL industries. During industry expansion periods, the industry can experience (i) strong demand or lack of supply that may lead to meaningful increases in sales growth, selling prices, profitability or margins, or (ii) temporary oversupply that may lead to a decrease in our sales volume, selling prices, profitability, or margins. Conversely, during supply surplus or industry consolidation, the industry can experience oversupply that may lead to a decrease in our sales volume, selling prices, profitability, or margins. In addition, the cyclical fluctuations in the price of our major raw materials, primarily copper, have a material impact on our financial performance. For example, the increases in copper price during the Track Record Period resulted in the increase in our selling prices, revenue and cost of sales.

Copper prices exhibit the typical characteristics of global commodity cycles, generally showing long cycles of approximately seven to ten years, with additional medium-term fluctuations of around three to four years. Copper prices are mainly influenced by factors such as global economic growth, infrastructure investment, the U.S. dollar and interest rate environment, and mining supply cycles. In recent years, global copper demand has continued to grow, driven by energy transition, power grid upgrades, the adoption of electric vehicles, and the construction of AI data centers, while the release of new mining capacity has remained relatively limited, resulting in a tightening supply-demand balance. According to Frost & Sullivan, overall, copper prices are currently in the mid-stage of a new upward cycle, with a higher price level compared to the past and a structural trend of fluctuating upward movement.

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The fluctuations in the prices of copper and the level of processing fee that we are able to charge

As we adopt a “copper price plus processing fee” pricing model, copper price and processing fee are the two largest factors that affect our revenue, cost and profitability, as the case may be. Typically, we pass the cost of copper to our downstream customers, which is an industry norm in the electrolytic copper foil industry according to Frost & Sullivan. As a result, the cost of copper can affect both our revenue and our cost of sales. During the Track Record Period, the cost of copper was the single largest component of our cost of sales. Historically, there has been an overall increasing trend of copper price since 2020 until now. Our cost of raw materials, which was mainly copper, amounted to RMB2,442.8 million, RMB2,638.3 million, RMB3,430.2 million, RMB1,485.1 million and RMB2,763.9 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, accounting for 82.8%, 84.8%, 86.4%, 86.3% and 88.4% of our total costs of sales in the same periods, respectively. Notwithstanding, as the benchmark copper price is typically passed through to our customers, we can largely insulate our gross profit from direct copper price volatility.

Under our pricing model, the processing fee have a material impact on our profits. Therefore, the level of processing fee that we are able to charge have a material impact on our profitability. The level of our processing fee is subject to various factors, including market supply and demand, our technology, specific product parameters, projected volumes, intended applications, processing costs, and our relationships with customers, among others.

Furthermore, due to our pricing model, the margin of our each product category is largely affected by the copper price and the processing fee. In addition, as the processing technology for our high-performance lithium battery copper foil products is more sophisticated than our standard lithium battery copper foil products, we are able to charge higher processing fees for our high-performance lithium battery copper foil products. As a result, our mix of products, which have different margins, will affect our overall margins.

See “Business — Pricing” for details.

The following table sets forth a sensitivity analysis of the impact that the level of our processing fee may have on our profitability.

Hypothetical increase/ (decrease) in our processing fee (%)	(Decrease)/Increase in							
	Gross profit				Gross profit margin			
	Year ended December 31,			Six months ended June 30,	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026	2023	2024	2025	2026
	%				Percentage points			
5	19.3	29.9	16.5	10.3	1.2	0.9	0.9	0.8
10	38.7	59.7	33.0	20.6	2.4	1.8	1.8	1.5
(5)	(19.3)	(29.9)	(16.5)	(10.3)	(1.2)	(0.9)	(0.9)	(0.8)
(10)	(38.7)	(59.7)	(33.0)	(20.6)	(2.5)	(1.8)	(1.8)	(1.6)

Our production capacity and processes

Stable and scalable production capacity is key to our success. The steady expansion of our production capacity as well as our continual refinement of manufacturing processes underpinned our rapid growth during the Track Record Period. The production utilization rate for 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026 was 96.8%, 81.8%, 92.5%, 91.6% and 92.2%,

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respectively. As of the Latest Practicable Date, we housed three production bases, with a designed annual production capacity of 90,000 tons per year, well positioned to capture the opportunities in the booming electrolytic copper foil market.

We plan to prudently and efficiently expand our production capacity to sustain our leadership position so that we are poised to meet the escalating market demand for electrolytic copper foil products to grow our revenue and realize economies of scale while maintaining operational efficiency. The successful upgrade and expansion of our production capability require the ability to formulate and execute upgrade and expansion plans, expand and construct new facilities and maintain and purchase production equipment in cost-effective and efficient manners. As we continue to expand our production capacity, we expect to continue to incur substantial capital expenditures, which may be adjusted according to our development plans or in light of the market conditions of the electrolytic copper foil industry and the related downstream markets, as well as other factors we believe to be appropriate.

Our ability to control costs and improve operational efficiency

Our ability to control costs and improve operational efficiency has a material impact on our profitability and margins. This ability is critical to our results of operations because it enables us to be profitable during market downturns. Our cost of sales (excluding cost of raw materials, primarily copper) was RMB508.7 million, RMB473.6 million, RMB541.0 million, RMB235.6 million and RMB363.2 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 16.1%, 14.7%, 12.8%, 13.1% and 10.7% of our total revenue in the respective periods. The decreasing trend of our cost of sales as a percentage of our total revenue during the Track Record Period was primarily because we have several proprietary processing technologies to effectively and efficiently control our costs. These technologies include primarily the low-voltage in-cell electrolytic copper foil technology (電解銅箔低槽壓生箔技術), the edge-oxidation optimization (電解銅箔邊部氧化改善技術), a combined of wet and dry roll-end polishing technique (濕幹拋改善卷底不良米數技術) and long-length lithium battery ultra-thin copper foil production technique (鋰電極薄銅箔長米數提升技術). We have effectively reduced the voltage used in the production process and overall power consumption by implementing the low-voltage in-cell electrolytic copper foil technology. The introduction of edge-oxidation optimization and a combined of wet and dry roll-end polishing technique has reduced coil-tail defects and improved the yield of finished products. In addition, we also applied the long-length lithium battery extra thin copper foil production technique) to increase throughput under unchanged processing parameters by optimizing the additive and electrolyte formulations, thereby lowering overall production costs.

We also incurred operational expenses, comprising research and development expenses, selling and marketing expenses and administrative expenses, of RMB144.8 million, RMB121.5 million, RMB131.7 million, RMB48.2 million and RMB77.9 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 4.6%, 3.8%, 3.1%, 2.7% and 2.3% of our total revenue in the respective periods. The decreasing trend of our operational expenses as a percentage of our total revenue during the Track Record Period demonstrates our strong ability to effectively and efficiently control our operational expenses.

Our relationships with industry-leading customers

As many of our customers are well-known companies with a significant market share in their respective end markets, having direct connections with them enables us to precisely understand and respond to their requirements, which helps us offer products and services that keep up with our customers' specific and evolving needs. By engaging early in the product introduction phase to collaborate with customers and understand their needs and market dynamics, we aim to expedite our product introduction cycles, improve product design and boost orders, shipments and customer retention.

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We gain our customers primarily by capitalizing on the robust brand reputation and substantial industry influence established through sustained, comprehensive and in-depth collaboration with top-tier companies across diverse application areas, together with other marketing activities.

Some of our customers have market leadership, and thus a significant portion of our revenue may come from such industry-leading customers. As a result, maintaining good relationships with such customers and developing new relationships with other industry-leading customers are critical to our business. We plan to attract new customers across a broader spectrum of industries by continually launching innovative products for novel applications and deepen collaborations with existing customers by exploring new areas of cooperation with our new and enhanced offerings. Through stable and lasting collaboration with customers, we have acquired significant know-how in their respective application scenarios. We continually iterate our products to focus not only on design, structure and functionality but also on producibility, reliability, performance and product lifecycle planning, with a view to facilitating customer success in their respective end markets, helping them achieve their business goals. A loyal and growing customer base will help us increase our sales volume, thereby improving our revenue and gross margins, consolidating our market leadership.

Our continual investment in technology and talent

Our advanced technology and highly skilled and talented research and development personnel are critical to our success in the electrolytic copper foil industry. Our leadership is sustained by a research and development team of 191 employees as of June 30, 2026, many of whom are industry veterans with profound expertise in technology and material innovation. Meanwhile, we have invested substantial resources in our in-house and collaborative research and development activities to further improve and upgrade our technology and to meet our customers’ high, international standard requirements. Our cumulative research and development expenses during the entire Track Record Period amounted to RMB186.3 million. To compete for top talents in a competitive market, we offer attractive compensation and have a comprehensive training system designed to help employees grow knowledge and expertise in cutting-edge electrolytic copper foil technology areas. To further enhance our market leadership, we expect to continue to invest significantly in our research and development activities as well as research and development personnel, which may have a material impact on our results of operations.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

We have identified certain accounting policies that are significant to the preparation of our historical financial information. These policies involve subjective assumptions, estimates and complex judgments. Such estimates are continuously reviewed and are based on historical experience and reasonable expectations of future events. We have not made material changes to our assumptions or estimates during the Track Record Period and do not expect significant changes under current circumstances. When reviewing our historical financial information, you should consider our material accounting policies, the judgments involved and the sensitivity of reported results to changes in assumptions and conditions. Our material accounting policies and critical accounting judgments and estimates, which are important for an understanding of our financial position and results of operations, are set forth in detail in Notes 2.3 and 3 to the Accountants’ Report set out in Appendix I to this document.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Years ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000			(Unaudited)	
Revenue	3,162,995	3,211,673	4,212,496	1,802,293	3,403,272
Cost of sales	(2,951,445)	(3,111,890)	(3,971,193)	(1,720,650)	(3,127,116)
Gross profit	211,550	99,783	241,303	81,643	276,156
Other income and gains	74,470	122,116	77,850	26,694	46,153
Selling and marketing expenses	(21,722)	(13,884)	(17,261)	(7,035)	(9,892)
Administrative expenses	(69,280)	(60,834)	(65,063)	(19,641)	(31,775)
Research and development expenses	(53,825)	(46,823)	(49,406)	(21,538)	(36,278)
Reversal of impairment losses/(impairment losses) on financial assets, net	1,573	(5,508)	5,137	2,101	4,797
Other expenses	(21,049)	(11,896)	(20,375)	(9,936)	(12,764)
Finance costs	(48,515)	(61,604)	(68,365)	(39,570)	(47,780)
Profit before tax	73,202	21,350	103,820	12,718	188,617
Income tax expense	(10,145)	(770)	(9,986)	562	(23,699)
Profit and total comprehensive income for the year/period	63,057	20,580	93,834	13,280	164,918
Profit attributable to:					
Owners of the parent	63,085	20,581	91,780	13,279	156,237
Non-controlling interests	(28)	(1)	2,054	1	8,681
	<u>63,057</u>	<u>20,580</u>	<u>93,834</u>	<u>13,280</u>	<u>164,918</u>

Revenue

During the Track Record Period, our revenue was primarily generated through the sales of different types of copper foil products, i.e. the lithium battery copper foil and the electronic circuit copper foil. To a lesser extent, we also generated a small portion of revenue through the sales of copper foil scrap during the Track Record Period. Our revenue generated from the sales of copper foil accounted for 99.3%, 99.7%, 99.2%, 99.7% and 97.5% of our total revenue in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, and our revenue generated from the sales of lithium battery copper foil accounted for 89.1%, 88.8%, 87.8%, 86.9% and 89.3% of our total revenue in the same periods respectively.

The following table sets forth the breakdown of our revenue by product in absolute amounts and as percentages of our total revenue for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000, except for percentage									
	(Unaudited)									
Copper foil										
– Lithium battery copper foil	2,816,472	89.1	2,851,739	88.8	3,700,905	87.8	1,566,084	86.9	3,040,091	89.3
– Electronic circuit copper foil	323,118	10.2	351,186	10.9	478,769	11.4	231,116	12.8	280,061	8.2
Sub-total	3,139,590	99.3	3,202,925	99.7	4,179,674	99.2	1,797,200	99.7	3,320,152	97.5
Others ⁽ⁱ⁾	23,405	0.7	8,748	0.3	32,822	0.8	5,093	0.3	83,120	2.5
Total	3,162,995	100.0%	3,211,673	100.0%	4,212,496	100.0%	1,802,293	100.0%	3,403,272	100.0%

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Note:

(i) Represented primarily sales of copper foil scrap.

The following table sets forth the breakdown of our revenue generated from the sales of lithium battery copper foil by type of products for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000, except for as a percentage of total revenue									
	(Unaudited)									
Lithium battery copper foil										
Standard	2,577,146	81.5	971,080	30.2	813,333	19.3	374,595	20.8	368,772	10.8
High-performance	239,326	7.6	1,880,659	58.6	2,887,572	68.5	1,191,489	66.1	2,671,319	78.5
Total	2,816,472	89.1%	2,851,739	88.8%	3,700,905	87.8%	1,566,084	86.9%	3,040,091	89.3%

Sales of high-performance lithium battery copper foil products accounted for an increasing portion of our total sales during the Track Record Period, reflecting our efforts to strategically expand our high-performance products business which has higher selling prices and margins.

The following table sets forth the price range and sales volume of our electrolytic copper foil products for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Average selling price (RMB/kg)	Sales volume (Ton)	Average selling price (RMB/kg)	Sales volume (Ton)	Average selling price (RMB/kg)	Sales volume (Ton)	Average selling price (RMB/kg)	Sales volume (Ton)	Average selling price (RMB/kg)	Sales volume (Ton)
Lithium Battery copper foil										
- Standard	81.8	31,492.4	78.3	12,409.5	85.9	9,468.1	83.9	4,462.5	104.7	3,522.0
- High-performance	87.4	2,739.0	83.2	22,598.5	87.8	32,872.3	84.2	14,158.5	107.1	24,947.0
Sub-total	82.3	34,231.4	81.5	35,008.0	87.4	42,340.4	84.1	18,621.0	106.8	28,469.0
Electronic circuit copper foil	74.8	4,317.6	78.7	4,465.4	83.5	5,733.3	81.2	2,846.2	104.2	2,686.7
Total		<u>38,549.0</u>		<u>39,473.4</u>		<u>48,073.7</u>		<u>21,467.2</u>		<u>31,155.7</u>

During the Track Record Period, the average selling prices of our high-performance lithium battery copper foil products were higher than those of our standard lithium battery copper foil products, as our high-performance products can charge higher processing fees due to its technological advancement. In addition, sales volume of high-performance lithium battery copper foil products accounted for an increasing portion of our total sales during the Track Record Period, reflecting our efforts to strategically expand our high-performance products business which has higher selling prices and margins. The average selling price of our lithium battery copper foil products in 2024 was lower than those in 2023 and 2025, as a result of the temporary oversupply in the lithium battery copper foil market in 2024 that led to a decrease in our processing fees. The average selling price and sales volume of our lithium battery copper foil products increased significantly from the six months ended June 30, 2025 to the six months ended June 30, 2026, as a result of the extremely high demand from our downstream industries. The increasing trend of the average selling price of our electronic circuit copper foil products enabled this business segment to turn from loss-making position to profit-making position, and our electronic circuit copper foil business is expected to further improve its profitability in 2026.

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We sell our copper foil products primarily in the Chinese mainland. During the Track Record Period, we also sold products to overseas customers. The following table sets forth the breakdown of our revenue by geographical markets in absolute amounts and as percentages of our total revenue for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000, except for percentage									
	(Unaudited)									
Geographical markets										
Chinese mainland	3,162,995	100.0	3,208,196	99.9	4,211,858	100.0	1,801,983	100.0	3,403,182	100.0
Overseas	–	–	3,477	0.1	638	0.0	310	0.0 ⁽ⁱ⁾	90	0.0 ⁽ⁱ⁾
Total	3,162,995	100.0%	3,211,673	100.0%	4,212,496	100.0%	1,802,293	100.0%	3,403,272	100.0%

Note:

(i) Less than 0.1%

Cost of Sales

Our cost of sales consisted primarily of cost of raw materials, labor costs, and manufacturing costs. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000, except for percentage									
	(Unaudited)									
Cost of raw materials	2,442,789	82.8	2,638,275	84.8	3,430,203	86.4	1,485,101	86.3	2,763,889	88.4
Manufacturing costs	473,748	16.1	435,679	14.0	505,686	12.7	217,773	12.7	340,021	10.9
Labor costs	34,908	1.1	37,936	1.2	35,304	0.9	17,776	1.0	23,206	0.7
Total	2,951,445	100.0%	3,111,890	100.0%	3,971,193	100.0%	1,720,650	100.0%	3,127,116	100.0%

The fluctuations of our cost of sales during the Track Record Period was mainly affected by the prices of our raw materials, including primarily copper. Our cost of raw materials represented the single largest component of our cost of sales during the Track Record Period, accounting for 82.8%, 84.8%, 86.4%, 86.3% and 88.4% of our total costs in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively. The fluctuations of our cost of raw materials during the Track Record Period were generally in line with the fluctuations of the prices of copper foil. For the historical and future fluctuations of the prices of copper, see “Industry Overview — Analysis of Electrolytic Copper Foil Raw Material Prices.”

The following table sets forth a breakdown of our cost of sales by product for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000, except for percentage									
	(Unaudited)									
Copper foil										
– Lithium battery copper foil	2,592,255	87.8	2,742,264	88.1	3,462,703	87.2	1,485,646	86.4	2,783,097	89.0
– Electronic circuit copper foil	332,650	11.3	360,829	11.6	474,975	12.0	229,291	13.3	262,702	8.4
Sub-total	2,924,905	99.1	3,103,093	99.7	3,937,678	99.2	1,714,937	99.7	3,045,799	97.4
Others	26,540	0.9	8,797	0.3	33,515	0.8	5,713	0.3	81,317	2.6
Total	2,951,445	100.0%	3,111,890	100.0%	3,971,193	100.0%	1,720,650	100.0%	3,127,116	100.0%

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Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The following table sets forth a breakdown of our gross profit and gross profit margin by product for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross profit		Gross profit		Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	(Unaudited)									
Copper foil										
- Lithium battery copper foil	224,217	8.0	109,475	3.8	238,203	6.4	80,438	5.1	256,994	8.5
- Electronic circuit copper foil	(9,532)	(3.0)	(9,643)	(2.7)	3,794	0.8	1,825	0.8	17,359	6.2
Sub-total	214,685	6.8	99,832	3.1	241,997	5.8	82,263	4.6	274,353	8.3
Others	(3,135)	(13.4)	(49)	(0.6)	(694)	(2.1)	(620)	(12.2)	1,803	2.2
Total	211,550	6.7%	99,783	3.1%	241,303	5.7%	81,643	4.5%	276,156	8.1%

As we adopt a “copper price plus processing fee” pricing model, our gross profit is primarily driven by the processing fee, which is influenced by factors such as market conditions and our technological capabilities. Our gross profit margin is calculated by dividing gross profit by revenue and is therefore affected by both the processing fee and the price of copper. However, because fluctuations in copper prices can generally be passed on to our customers, the processing fee is the key determinant of our gross profit margin. In addition, as sales of lithium battery copper foil accounted for the largest portion of our total sales during each period of the Track Record Period, the gross profit and gross profit margin of lithium battery copper foil have a significant impact on our overall gross profit and overall gross profit margin.

Our business of electronic circuit copper foil was loss-making in 2023 and 2024, primarily due to the slowdown in market growth in the downstream industries. It is common for electronic circuit copper foil manufacturers to record losses in 2023 and 2024 as a result of such market slowdown, according to Frost & Sullivan. During such market slowdown period, we strategically and temporarily changed our focus to our business of lithium battery copper foil which continued to maintain robust market demand, while maintaining a necessary level of the production of electronic circuit copper foil to retain long-term, stable business relationships with important customers, such as those in the PCB and CCL industries. As a result, the production scale of our electronic circuit copper foil business was insufficient to achieve economies of scale. Although we adopted “copper price plus processing fee” pricing model for this business segment, as our cost of sales (such as manufacturing costs) remained at levels that exceeded the processing fees we were able to charge, we recorded losses in this business segment in 2023 and 2024. Benefiting from the strong market demand from the downstream industries, in particular the AI PCB related sectors, the gross profit of our electronic circuit copper turned positive in 2025, and increased significantly from RMB1.8 million in the six months ended June 30, 2025 to RMB17.4 million in the six months ended June 30, 2026. We will continue to closely monitor market conditions and intend to scale up our electronic circuit copper foil business in the AI and high-performance computing and 5G/6G communications industries when market demand improves.

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The following table sets forth the breakdown of our gross profit and gross profit margins generated from the sales of lithium battery copper foil by type of products for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)
	(Unaudited)									
Lithium battery copper foil										
Standard.	218,478	8.5	14,834	1.5	41,504	5.1	13,354	3.6	25,206	6.8
High-performance	5,739	2.4	94,641	5.0	196,699	6.8	67,084	5.6	231,788	8.7
Total	224,217	8.0%	109,475	3.8%	238,203	6.4%	80,438	5.1%	256,994	8.5%

Gross profit and gross profit margins of high-performance lithium battery copper foil products increased significantly during the Track Record Period, accounting for an increasing portion of our total gross profits during the Track Record Period. This reflected our efforts to strategically expand our high-performance products business and the strong market demand for high-performance copper foil products. Our standard lithium battery copper foil products recorded a low gross profit margin in 2024, primarily due to the low processing fee we charged in 2024 as a result of the temporary oversupply of the lithium battery copper foil market in 2024. We recorded a relatively low gross profit margin for our high-performance lithium battery copper foil products in 2023, primarily because when we started our high performance product business in 2023, we made a large amount of upfront investments and our manufacturing technology was not mature enough back then. The gross profit margins of our high-performance lithium battery copper foil products increased significantly from 2023 to 2024, primarily due to the economies of scales achieved for the production of our high-performance products; while the increases from 2024 to 2025 and from the six months ended June 30, 2025 to the six months ended June 30, 2026 were primarily due to the higher processing fees we charged reflecting the technological advancement of these high-performance products.

Other Income and Gains, Net

Our other income and gains, net consisted primarily of (i) bank interest income; and (ii) government grants and subsidies primarily in relation to additional VAT credit for advanced manufacturing companies, electricity subsidy, research and development projects, industrial subsidy, and fixed assets investments. Most of these government grants and subsidies were given on a one-off basis and at the discretion of the local governments. The government grants and subsidies we received were also uncertain and subject to criteria and procedures stipulated by the local governments, such as the completion of the specified milestones of certain fixed assets investment. The following table sets forth a breakdown of our other income and gains, net for the periods indicated:

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	Years ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Other income					
Bank interest income	17,275	12,429	15,307	8,771	6,386
Government grants and subsidies	57,107	109,262	62,021	17,692	39,712
Others ⁽¹⁾	88	424	425	138	54
Other Gains					
Foreign exchange differences, net.	—	1	97	93	1
Total	74,470	122,116	77,850	26,694	46,153

Note:

(1) Others included primarily damages from suppliers and insurance compensation.

Selling and Marketing Expenses

Our selling and marketing expenses consisted primarily of (i) employee benefits expenses comprising salaries, bonus, commission, social insurance premiums and housing provident fund contributions, stock incentives, for our sales force; and (ii) business development expenses. The following table sets forth the components of our selling and marketing expenses for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000, except for percentage						(Unaudited)			
Employee benefits expenses	12,927	59.5	4,460	32.1	5,684	32.9	2,700	38.4	3,104	31.4
Business development expenses	6,585	30.3	7,111	51.2	9,336	54.1	3,513	49.9	5,656	57.2
Others ⁽¹⁾	2,210	10.2	2,313	16.7	2,241	13.0	822	11.7	1,132	11.4
Total	21,722	100.0%	13,884	100.0%	17,261	100.0%	7,035	100.0%	9,892	100.0%

Note:

(1) Others included primarily travel and transportation expenses as well as reimbursement for on-site support at our clients' premises.

Our selling and marketing expenses decreased from 2023 to 2024, primarily due to a decrease in employee benefits expenses because we granted fewer stock incentives under our employee stock incentive plan to our sales force. Our selling and marketing expenses increased from 2024 to 2025 and from the six months ended June 30, 2025 to the six months ended June 30, 2026, primarily due to the increased salaries paid to our sales force and increased business development activities, both as a result of our business expansion.

Administrative Expenses

Our administrative expenses consisted primarily of (i) employee benefit expenses comprising salaries, bonus, stock incentives, social insurance premiums and housing provident fund contributions for our administrative staff; (ii) professional service fees primarily in relation to auditing, legal,

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consulting and other fees in the ordinary course of our business; (iii) [REDACTED]; (iv) office expenses primarily in relation to utilities, insurance and recruitment; (v) depreciation and amortization; (vi) taxes primarily in relation to property tax and stamp duty; and (vii) business development expenses.

The following table sets forth a breakdown of the components of our administrative expenses for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000, except for percentage									
	(Unaudited)									
Employee benefits expenses	40,119	57.9	37,826	62.2	21,745	33.4	8,708	44.3	11,285	35.5
Professional service fees	7,910	11.4	1,616	2.7	4,416	6.8	420	2.1	1,513	4.8
[REDACTED]	–	–	–	–	14,151	21.7	–	–	2,917	9.2
Office expenses	2,334	3.4	2,141	3.5	2,035	3.1	588	3.0	1,696	5.3
Depreciation and amortization expenses	4,365	6.3	4,032	6.6	4,103	6.3	2,151	11.0	2,466	7.8
Taxes	6,225	9.0	6,632	10.9	7,545	11.6	3,453	17.6	5,849	18.4
Business development expenses	5,453	7.9	6,191	10.2	7,391	11.4	3,377	17.2	3,826	12.0
Others ⁽¹⁾	2,874	4.1	2,396	3.9	3,677	5.7	944	4.8	2,223	7.0
Total	69,280	100.0%	60,834	100.0%	65,063	100.0%	19,641	100.0%	31,775	100.0%

Note:

(1) Others included primarily travel and transportation expenses.

Our administrative expenses decreased from 2023 to 2024, primarily due to (i) a decrease in professional service fees as a result of the suspension of the A-share Listing Plan and (ii) a decrease in employee benefits expenses because we granted fewer stock incentives under our employee stock incentive plan to our management and admin staff. Our administrative expenses increased from 2024 to 2025, primarily due to (i) an increase in [REDACTED] and (ii) the increases in professional service fees, taxes, and business development expenses, all of which as a result of our business expansion, as partially offset by a decrease in employee benefits expenses as a result of the fewer stock incentives granted. Our administrative expenses increased from the six months ended June 30, 2025 to the six months ended June 30, 2026, primarily due to (i) an increase in employee benefits expenses as result of the expansion of our admin team, (ii) an increase in [REDACTED] as a result of this [REDACTED] and (iii) an increase in taxes as a result of our increased sales and procurement.

Research and development expenses

Our research and development expenses consisted primarily of (i) materials expenses for the purchase of materials used in research and development activities; (ii) employee benefits expenses; (iii) utilities charges for the consumption of water, electricity and gas; and (iv) depreciation and amortization expenses.

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	Years ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000, except for percentage						(Unaudited)			
Materials expenses	24,435	45.4	20,673	44.2	21,057	42.6	7,838	36.4	21,005	57.9
Employee benefits expenses	16,471	30.6	15,105	32.3	15,644	31.7	7,882	36.6	9,089	25.1
Utilities charges	9,495	17.6	5,927	12.7	7,152	14.5	3,486	16.2	3,917	10.8
Depreciation and amortization expenses	2,827	5.3	4,338	9.2	4,548	9.2	2,249	10.4	2,191	6.0
Others ⁽¹⁾	597	1.1	780	1.6	1,005	2.0	83	0.4	76	0.2
Total	53,825	100.0%	46,823	100.0%	49,406	100.0%	21,538	100.0%	36,278	100.0%

Note:

- (1) Others related primarily to repair and maintenance of research and development equipment and facilities and travel expenses.

The fluctuation of our research and development expenses between 2023 and 2024 related primarily to our employee stock incentive plan as well as our materials expenses and utilities charges, as a result of our continuous research and development activities. Our research and development expenses remained relatively stable in 2024 and 2025. Our research and development expenses increased from the six months ended June 30, 2025 to the six months ended June 30, 2026, primarily due to (i) an increase in materials expenses, as a result of our new and continuous R&D projects, and (ii) an increase in employee benefits expenses, as a result of our expanded R&D team.

Reversal of Impairment Losses/Impairment Losses on Financial Assets, Net

Our reversal of impairment losses/impairment losses on financial assets related primarily to our trade and bills receivables. We use ECL rate determined by our management to measure the loss allowance of our trade and bills receivables. We recorded reversal of impairment losses, net of RMB1.6 million, RMB5.1 million, RMB2.1 million and RMB4.8 million in 2023, 2025 and the six months ended June 30, 2025 and 2026, respectively, while impairment losses on financial assets, net of RMB5.5 million in 2024. During the Track Record Period and up to the Latest Practicable Date, there was no individual impairment loss on our trade and bills receivables.

Other Expenses

Our other expenses included primarily bills discounting fee charged by banks and loss on disposal of fixed assets. The following table sets forth a breakdown of the components of our other expenses for the periods indicated:

	Years ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Bills discounting fee	20,831	11,822	16,707	9,020	12,585
Loss on disposal of fixed asset	—	—	2,694	78	113
Others	218	74	974	838	66
Total	21,049	11,896	20,375	9,936	12,764

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Note:

(1) Others represented non-operating expenses, such as donations and late tax overdue payment.

Finance Costs

Our finance costs consisted of interests expenses on interest-bearing bank and other borrowings and lease liabilities. The following table sets forth a breakdown of the components of our finance costs for the periods indicated:

	Years ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on interest-bearing bank and other borrowings	48,366	61,365	68,202	39,433	51,880
Interest on lease liabilities	149	239	163	137	26
Less: Interest capitalized	—	—	—	—	(4,126)
Total	48,515	61,604	68,365	39,570	47,780

Income Tax Expense

We are subject to income tax on an entity basis in the jurisdictions where our subsidiaries are domiciled and operate. Under the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) and the respective regulations (“**EIT Law**”), the applicable statutory tax rate of our PRC subsidiaries is 25% unless those subject to tax exemption set out below. We were granted the qualification of High and New Technology Enterprises (“**HNTE**”) in 2019 and passed the review of qualification as a high-tech enterprise in 2022 and 2025, and one of our subsidiaries was granted the HNTE in November 2023. Therefore, these entities were entitled to a preferential EIT rate of 15% during the Track Record Period. This qualification is subject to review by the relevant tax authority in the PRC for every three years. In addition, certain of our subsidiaries enjoyed the super deduction allowance for qualified research and development costs, where enterprises engaging in research and development activities are entitled to claim 200% of the research and development costs incurred as tax-deductible expenses when determining their assessable profits from January 1, 2022.

Our income tax expense consisted of current income tax and deferred tax credit. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Years ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax	14,119	4,258	6,383	4,676	20,641
Deferred tax (credit)/charge	(3,974)	(3,488)	3,603	(5,238)	3,058
Total tax charge/(credit).	10,145	770	9,986	(562)	23,699

Our effective income tax rate, representing income tax expense divided by profit before tax, decreased from 13.9% in 2023 to 3.6% in 2024, primarily due to a decrease in our taxable profit in 2024. Our effective income tax rate increased from 3.6% in 2024 to 9.6% in 2025, and further to 12.6% in the six months ended June 30, 2026, primarily due to our improved profitability.

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During the Track Record Period and up to the Latest Practicable Date, we had paid all income tax expenses that were due and applicable to us and had no material disputes or unresolved tax issues with relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

Revenue

Our revenue increased significantly by 88.8% from RMB1,802.3 million in the six months ended June 30, 2025 to RMB3,403.3 million in the six months ended June 30, 2026, primarily due to our increased sales of lithium battery copper foil products.

Our revenue generated from lithium battery copper foil increased from RMB1,566.1 million in the six months ended June 30, 2025 to RMB3,040.1 million in the six months ended June 30, 2026, primarily due to the increases in both sales volume and selling prices as a result of the strong market demand from the downstream markets, such as the power and energy storage sectors.

Our revenue generated from electronic circuit copper foil increased from RMB231.1 million in the six months ended June 30, 2025 to RMB280.1 million in the six months ended June 30, 2026, primarily due to the increases in selling prices as a result of the increased market demand in various downstream industries, such as AI PCB and automotive electronics.

Cost of Sales

Our cost of sales increased by 81.7% from RMB1,720.7 million in the six months ended June 30, 2025 to RMB3,127.1 million in the six months ended June 30, 2026, primarily due to (i) an increase of RMB1,278.8 million in costs of raw materials as a result of (a) our increased sales and (b) the increased prices of copper generally in line with the market trend, and (ii) an increase of RMB122.2 million in manufacturing costs as a result of our increased sales.

Gross Profit and Gross Profit Margins

Our gross profit increased significantly by 238.2% from RMB81.6 million in the six months ended June 30, 2025 to RMB276.2 million in the six months ended June 30, 2026, and our gross profit margin increased from 4.5% in the six months ended June 30, 2025 to 8.1% in the six months ended June 30, 2026. The increases in our gross profits and gross profit margin were primarily due to the increases in the gross profit and gross profit margin of our lithium battery copper foil products, the sales of which constituted the largest portion of our total revenue.

Gross profit of our lithium battery copper foil increased significantly from RMB80.4 million in the six months ended June 30, 2025 to RMB257.0 million in the six months ended June 30, 2026, and gross profit margin of our lithium battery copper foil increased from 5.1% in the six months ended June 30, 2025 to 8.5% in the six months ended June 30, 2026. Such increases were primarily due to (i) the increasing, robust demand in the lithium battery copper foil market, resulting in the increases in our sales volume and bargaining power to charge higher processing fees, as the case may be, and (ii) more sales of our high-performance lithium battery copper foil products, which can charge higher processing fees and have higher margins.

Gross profit of our electronic circuit copper foil increased significantly from RMB1.8 million in the six months ended June 30, 2025 to RMB17.4 million in the six months ended June 30, 2026, and gross profit margin of our electronic circuit copper foil increased from 0.8% in the six months ended

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June 30, 2025 to 6.2% in the six months ended June 30, 2026. Such increases were primarily due to the strong demand in the electronic circuit copper foil market, resulting in the increases in our bargaining power to charge higher processing fee, as the case may be.

Other income and gains, net

Our other income and gains, net increased by 72.9% from RMB26.7 million in the six months ended June 30, 2025 to RMB46.2 million in the six months ended June 30, 2026, primarily due to an increase of RMB22.0 million in government grants and subsidies in relation to additional VAT credit for advanced manufacturing companies and one-off industrial development grants for Sichuan Tongbo, partially offset by a decrease of RMB2.4 million in bank interest income.

Selling and Marketing expenses

Our selling and marketing expenses increased by 40.6% from RMB7.0 million in the six months ended June 30, 2025 to RMB9.9 million in the six months ended June 30, 2026, primarily due to (i) an increase of RMB0.4 million in employee benefit expenses and (ii) an increase of RMB2.1 million in business development activities, both as a result of our business expansion.

Administrative expenses

Our administrative expenses increased by 61.8% from RMB19.6 million in the six months ended June 30, 2025 to RMB31.8 million in the six months ended June 30, 2026, primarily due to (i) an increase of RMB2.6 million in employee benefits expenses as a result of the expansion of our admin team, (ii) an increase of RMB2.9 million in [REDACTED] as a result of this [REDACTED], and (iii) an increase of RMB2.4 million in taxes as a result of our increased sales and procurement.

Research and Development expenses

Our research and development expenses increased by 68.4% from RMB21.5 million in the six months ended June 30, 2025 to RMB36.3 million in the six months ended June 30, 2026, primarily due to (i) an increase of RMB13.2 million in material expenses, as a result of our new and continuous R&D projects, such as for AI PCB, and (ii) an increase of RMB1.2 million in employee benefits expenses, as a result of our expanded R&D team.

Reversal of impairment losses/(impairment losses) on financial assets, net

We recorded reversal of RMB2.1 million on impairment losses on financial assets, net in the six months ended June 30, 2025, primarily due to the settlement of trade receivables with a battery manufacturer. We recorded reversal of RMB4.8 million on impairment losses on financial assets, net in the six months ended June 30, 2026, primarily due to the decreases in trade and bills receivables as a result of our enhanced management of trade and bills receivables.

Other expenses

Our other expenses increased by 28.5% from RMB9.9 million in the six months ended June 30, 2025 to RMB12.8 million in the six months ended June 30, 2026, primarily due to an increase of RMB3.6 million in bills discounting fee as a result of more bank acceptance notes received, in line with our revenue growth.

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Finance costs

Our finance costs increased by 20.7% from RMB39.6 million in the six months ended June 30, 2025 to RMB47.8 million in the six months ended June 30, 2026, primarily due to an increase of RMB12.4 million in interest on interest-bearing bank and other borrowings as a result of more bank loans and other borrowings to support our business expansion and capital expenditures for the construction of our new manufacturing facilities.

Income tax (expense)/credit

We recorded income tax credit of RMB0.6 million in the six months ended June 30, 2025, primarily due to the recognition of deferred tax assets as a result of the losses incurred by our Company, notwithstanding our overall profitability. We recorded income tax expense of RMB23.7 million in the six months ended June 30, 2026, primarily due to our improved profitability.

Profit for the period

Our profit for the period increased significantly by 1,141.9% from RMB13.3 million in the six months ended June 30, 2025 to RMB164.9 million in the six months ended June 30, 2026, and our net profit margin increased from 0.7% in the six months ended June 30, 2025 to 4.8% in the six months ended June 30, 2026. The increases in our net profits and net profit margin were primarily due to (i) the increasing, robust demand in the lithium battery copper foil market, which constituted the largest portion of our revenue, resulting in our stronger bargaining power to charge higher processing fees, and (ii) the increase in the sales of our high-performance lithium battery copper foil products and electronic circuit copper foil products which have higher net profit margin.

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

Our revenue increased by 31.2% from RMB3,211.7 million in 2024 to RMB4,212.5 million in 2025, primarily due to our increased sales of lithium battery copper foil products.

Our revenue generated from lithium battery copper foil increased from RMB2,851.7 million in 2024 to RMB3,700.9 million in 2025, primarily due to our increased sales volume and selling prices as a result of the strong market demand in the lithium battery industry, such as the power and energy storage sectors.

Our revenue generated from electronic circuit copper foil increased from RMB351.2 million in 2024 to RMB478.8 million in 2025, primarily due to our increased sales volume and selling prices as a result of the increased market demand in various downstream industries, such as AI PCB and automotive electronics.

Cost of sales

Our cost of sales increased by 27.6% from RMB3,111.9 million in 2024 to RMB3,971.2 million in 2025, primarily due to (i) an increase of RMB791.9 million in costs of raw materials as a result of the increased prices of copper, generally in line with the market trend, and (ii) an increase of RMB70.0 million in manufacturing costs as a result of our increased sales.

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Gross Profit and Gross Profit Margins

Our gross profit increased significantly by 141.8% from RMB99.8 million in 2024 to RMB241.3 million in 2025, and our gross profit margin increased from 3.1% in 2024 to 5.7% in 2025. The increases in both our gross profit and gross profit margin were primarily due to the increases in the gross profit and gross profit margin of our lithium battery copper foil products, the sales of which constituted the largest portion of our total revenue.

Gross profit of our lithium battery copper foil increased significantly from RMB109.5 million in 2024 to RMB238.2 million in 2025, and gross profit margin of our lithium battery copper foil increased from 3.8% in 2024 to 6.4% in 2025. Such increases were primarily due to (i) the increasing, robust demand in the lithium battery copper foil market, resulting in the increases in our sales volume and bargaining power to charge higher processing fees, as the case may be, and (ii) more sales of our high-performance lithium battery copper foil products, which can charge higher processing fees and have higher margins.

Our electronic circuit copper foil business recorded gross loss of RMB9.6 million and negative gross margin of 2.7% in 2024, while gross profit of RMB3.8 million and gross profit margin of 0.8% in 2025. Such change from gross loss and negative gross margins to gross profit and gross profit margin were primarily due to the increased demand in the electronic circuit copper foil market, resulting in the increases in our sales volume and our bargaining power to charge higher processing fee, as the case may be.

Other income and gains, net

Our other income and gains, net decreased by 36.2% from RMB122.1 million in 2024 to RMB77.9 million in 2025, primarily due to a decrease of RMB47.2 million in government grants and subsidies as a result of the cessation of electricity subsidy, partially offset by an increase of RMB2.9 million in bank interest income.

Selling and Marketing expenses

Our selling and marketing expenses increased by 24.3% from RMB13.9 million in 2024 to RMB17.3 million in 2025, primarily due to an increase of RMB1.2 million in employee benefit expenses and an increase of RMB2.2 million in business development expenses, reflecting our continuous efforts to market our products, in line with our revenue growth.

Administrative expenses

Our administrative expenses increased by 7.0% from RMB60.8 million in 2024 to RMB65.1 million in 2025, primarily due to (i) an increase of RMB14.2 million in [REDACTED] and (ii) the increases of RMB4.9 million in professional service fees, taxes, and business development expenses, all of which as a result of our business expansion, as partially offset by a decrease of RMB16.1 million in employee benefits expenses as a result of the fewer stock incentives granted to our management and admin staff.

Research and Development expenses

Our research and development expenses increased by 5.5% from RMB46.8 million in 2024 to RMB49.4 million in 2025, primarily due to our new research and development projects for solid-state batteries and high-value downstream industries, such as ESS and AI PCB.

FINANCIAL INFORMATION

Reversal of impairment losses/(impairment losses) on financial assets, net

We recorded RMB5.5 million of impairment losses on financial assets, net in 2024, as a result of our provision for impairment losses on our trade and bills receivables based on pre-determined ECL rate. We recorded reversal of RMB5.1 million on reversal of impairment losses on financial assets, net in 2025, primarily due to the settlement of trade receivables with a battery manufacturer.

Other expenses

Our other expenses increased by 71.3% from RMB11.9 million in 2024 to RMB20.4 million in 2025, primarily due to an increase of RMB4.9 million in bills discounting fee, in line with our revenue growth.

Finance costs

Our finance costs increased by 11.0% from RMB61.6 million in 2024 to RMB68.4 million in 2025, primarily due to an increase of RMB6.8 million in interest on interest-bearing bank and other borrowings as a result of more bank loans and other borrowings to support our business expansion and capital expenditures for the construction of our new manufacturing facility in Sichuan Province.

Income tax expense

Our income tax expense increased from RMB0.8 million in 2024 to RMB10.0 million in 2025, primarily due to our improved profitability.

Profit for the period

Our profit for the period increased significantly by 355.9% from RMB20.6 million in 2024 to RMB93.8 million in 2025, and our net profit margin increased from 0.6% in 2024 to 2.2% in 2025. The increases in our net profit and net profit margin were primarily due to (i) the increasing, robust demand in the lithium battery copper foil market, which constituted the largest portion of our revenue, resulting in our stronger bargaining power to charge higher processing fees, and (ii) the upgrade of certain lithium battery copper foil products in 2024 resulting in a significant increase in the sales of our high-performance lithium battery copper foil products which have higher net profit margin.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our total revenue remained relatively stable at RMB3,211.7 million in 2024, as compared to RMB3,163.0 million in 2023.

Our revenue generated from lithium battery copper foil increased from RMB2,816.5 million in 2023 to RMB2,851.7 million in 2024, primarily due to the increase in copper price.

Our revenue generated from electronic circuit copper foil increased from RMB323.1 million in 2023 to RMB351.2 million in 2024, primarily due to the increase in copper price.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales increased by 5.4% from RMB2,951.4 million in 2023 to RMB3,111.9 million in 2024, primarily due to an increase of RMB195.5 million in cost of raw materials as a result of the increased prices of copper, in line with market trend, as partially offset by a decrease of RMB38.1 million in manufacturing costs as a result of our adoption of advanced technologies to have effectively controlled our manufacturing costs.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 52.8% from RMB211.6 million in 2023 to RMB99.8 million in 2024, and our gross profit margin decreased from 6.7% in 2023 to 3.1% in 2024. The decreases in both our gross profit and gross profit margin were primarily due to the decreases in the gross profit and gross profit margin of our lithium battery copper foil products, the sales of which constituted the largest portion of our total revenue.

Gross profit of our lithium battery copper foil decreased from RMB224.2 million in 2023 to RMB109.5 million in 2024, and gross profit margin of our lithium battery copper foil decreased from 8.0% in 2023 to 3.8% in 2024. Such decreases were primarily due to the temporary oversupply in the lithium battery copper foil market, resulting in a decrease in our processing fees.

Our electronic circuit copper foil business recorded gross loss of RMB9.5 million and RMB9.6 million in 2023 and 2024, respectively, and negative gross margin of 3.0% and 2.7% in the same respective periods. Such narrowed negative gross margins were primarily due to the increased demand in the electronic circuit copper foil market, resulting in the increases in our bargaining power to charge higher processing fee.

Other income and gains, net

Our other income increased by 63.9% from RMB74.5 million in 2023 to RMB122.1 million in 2024, primarily due to an increase of RMB52.2 million in government grants and subsidies as a result of the additional VAT credit for advanced manufacturing companies and the electricity subsidy, partially offset by a decrease of RMB4.8 million in bank interest income.

Selling and Marketing expenses

Our selling and marketing expenses decreased by 35.9% from RMB21.7 million in 2023 to RMB13.9 million in 2024, primarily due to a decrease of RMB8.3 million in employee benefits expenses as a result of the fewer stock incentives we granted to our sales force in 2024.

Administrative expenses

Our administrative expenses decreased by 12.3% from RMB69.3 million in 2023 to RMB60.8 million in 2024, primarily due to (i) a decrease of RMB6.3 million in professional service fees as a result of the suspension of our previous A-share Listing Plan in 2024, and (ii) a decrease of RMB2.7 million in employee benefits expenses as a result of the fewer stock incentives we granted to our management and admin staff in 2024.

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Research and Development expenses

Our research and development expenses decreased by 13.0% from RMB53.8 million in 2023 to RMB46.8 million in 2024, primarily due to the decreases in material expenses and electricity utilities as a result of the planned outage and maintenance of certain facilities for research and development activities.

Reversal of impairment losses/(impairment losses) on financial assets, net

We recorded reversal of RMB1.6 million on impairment losses on financial assets, net in 2023, primarily due to the decrease in the balance in trade and bills receivables in 2023 as a result of our efforts to accelerate the collection of trade and bills receivables. We recorded RMB5.5 million of impairment losses on financial assets, net in 2024, as a result of our provision for impairment losses on our trade and bills receivables based on pre-determined ECL rate.

Other expenses

Our other expenses decreased by 43.3% from RMB21.0 million in 2023 to RMB11.9 million in 2024, primarily due to a decrease of RMB9.0 million in bills discounting fee, in line with our revenue growth.

Finance costs

Our finance cost increased by 27.0% from RMB48.5 million in 2023 to RMB61.6 million in 2024, primarily due to an increase of RMB13.0 million in interest on interest-bearing bank and other borrowings as a result of new borrowings to support our business operations.

Income tax expense

Our income tax expense decreased by 92.1% from RMB10.1 million in 2023 to RMB0.8 million in 2024, primarily due to tax a decrease in our taxable profits.

Profit for the year

Our profit for the year decreased by 67.4% from RMB63.1 million in 2023 to RMB20.6 million in 2024, and our net profit margin decreased from 2.0% in 2023 to 0.6% in 2024. The decreases in both our net profit and net profit margin were primarily due to the temporary oversupply in the lithium battery copper foil market resulting in a decrease in our processing fee.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	1,098,754	1,017,635	1,141,423	1,699,169
Right-of-use assets	29,228	29,101	43,922	43,351
Intangible assets	1,565	1,389	1,212	1,778
Deferred tax assets	17,692	21,180	17,577	14,519
Prepayments, other receivables and other assets	422	8,488	40,353	35,902
Time deposits	307,782	—	—	—
Total non-current assets . . .	1,455,443	1,077,793	1,244,487	1,794,719
CURRENT ASSETS				
Inventories	398,357	421,202	525,153	874,093
Trade and bills receivables . .	1,191,514	1,727,785	1,913,388	1,695,833
Prepayments, other receivables and other assets	54,593	56,224	102,270	133,596
Income tax recoverable	9,229	9,804	—	—
Time deposits	—	322,109	170,045	129,941
Restricted cash	—	1,751	32,104	—
Pledged deposits	44,000	463,585	444,396	1,015,577
Cash and cash equivalents . .	219,746	107,078	406,196	721,232
Total current assets	1,917,439	3,109,538	3,593,552	4,570,272
CURRENT LIABILITIES				
Trade and bills payables . . .	278,587	455,210	441,225	618,524
Other payables and accruals .	124,514	86,616	174,905	350,580
Contract liabilities	269	545	320	1,222
Interest-bearing bank and other borrowings	1,169,535	2,004,127	2,333,586	2,954,627
Lease liabilities	705	4,533	5,499	6,108
Deferred income	7,215	8,367	8,771	8,472
Tax payable	3,022	4,448	7,705	6,775
Total current liabilities . . .	1,583,847	2,563,846	2,972,011	3,946,308
NET CURRENT ASSETS . .	333,592	545,692	621,541	623,964
TOTAL ASSETS LESS CURRENT LIABILITIES	1,789,035	1,623,485	1,866,028	2,418,683
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	370,365	163,831	206,652	507,514
Deferred income	82,455	84,284	79,544	82,308
Lease liabilities	2,467	554	553	664
Total non-current liabilities . .	455,287	248,669	286,749	590,486
Net assets	1,333,748	1,374,816	1,579,279	1,828,197

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Property, Plant and Equipment

Our property, plant and equipment consisted of (i) buildings and constructions; (ii) production equipment; (iii) office equipment and electronic vehicles; (iv) vehicles, and (v) construction in progress.

Our property, plant and equipment remained relatively stable at RMB1,098.8 million as of December 31, 2023, RMB1,017.6 million as of December 31, 2024, and RMB1,141.4 million as of December 31, 2025. Our property, plant and equipment increased from RMB1,141.4 million as of December 31, 2025 to RMB1,699.2 million as of June 30, 2026, primarily due to the continuous construction of our existing and new production facilities.

Right-of-use assets

Our right-of-use assets consisted of plant and properties and leasehold land. The following table sets forth the carrying amount of our right-of-use assets as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets:				
Leased plant and properties	1,669	2,147	1,783	1,851
Leasehold land	27,559	26,954	42,139	41,500
Total	29,228	29,101	43,922	43,351

Our right-of-use assets remained relatively stable at RMB29.2 million as of December 31, 2023 and RMB29.1 million as of December 31, 2024. Our right-of-use assets increased from RMB29.1 million as of December 31, 2024 to RMB43.9 million as of December 31, 2025, primarily due to an increase of RMB15.2 million in leasehold land in relation to our new manufacturing plant in Sichuan Province. Our right-of-use assets remained relatively stable at RMB43.4 million as of June 30, 2026 as compared to RMB43.9 million as of December 31, 2025.

Inventories

Our inventories consisted of raw materials, finished goods and work in progress. The following table sets forth the carrying value of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	30,756	28,259	30,952	27,422
Finished goods	176,708	180,000	162,722	350,792
Work in progress	207,254	225,084	333,558	499,287
Total	414,718	433,343	527,232	877,501
Less: Provision for impairment losses on inventories	(16,361)	(12,141)	(2,079)	(3,408)
	398,357	421,202	525,153	874,093

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The carrying value of our inventories before provision for impairment losses on inventories increased from RMB414.7 million as of December 31, 2023 to RMB433.3 million as of December 31, 2024, and further to RMB527.2 million as of December 31, 2025, primarily due to the increases in copper prices during the Track Record Period. The carrying value of our inventories before provision for impairment losses on inventories increased from RMB527.2 million as of December 31, 2025 to RMB877.5 million as of June 30, 2026, primarily due to (i) our storage of more copper foil products in line with our increased sales, and (ii) the increase in copper prices.

The following table sets forth the aging analysis of our inventory as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	408,474	429,665	523,776	874,387
Over one year	6,244	3,678	3,456	3,114
Total	414,718	433,343	527,232	877,501

Substantially all of our inventories were utilized within one year during the Track Record Period. We have implemented a strict inventory management system at our headquarters level to monitor the procurement, storage and distribution of inventories. We typically conduct monthly reviews on inventories to check the raw materials, goods and packaging materials on hand against the records in operating systems. Our inventories are generally consumed under a “first-in, first-out” principle. See “Business — Warehousing, Logistics and Inventory Management” for details of our inventory management policies. We periodically assess the impairment on our inventories. In particular, we review our inventories as of the end of each accounting period and record impairment losses on inventories if we estimate the relevant inventories could not be utilized before the end of their validity period.

The following table sets forth the number of our inventory turnover days for the periods indicated:

	Years ended December 31,			As of June 30,
	2023	2024	2025	2026
Inventory turnover days ⁽¹⁾ . .	48.1	48.1	43.5	40.5

Note:

- (1) Inventory turnover days were calculated based on the average of opening and closing inventory balance divided by cost of sales for the relevant period, and multiplied by the number of days in the relevant period, being 365 days for the years ended December 31, 2023, 2024 and 2025 and 181 days for the six months ended June 30, 2026.

Our inventory turnover days remained stable at 48.1 days in both 2023 and 2024, respectively, while decreased to 43.5 days in 2025 and further to 40.5 days in the six months ended June 30, 2026, reflecting strong market demand for our electrolytic copper foil products during the Track Record Period.

As of July 31, 2026, approximately RMB730.7 million, or 83.3% of our inventories as of June 30, 2026, had been subsequently consumed or sold.

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Trade and Bills Receivables

Our trade and bills receivables represent primarily receivables due from our customers and bank acceptance notes issued by our customers for the purchase of our products. The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	963,163	1,335,451	1,703,172	1,104,257
Bank acceptance notes	238,435	407,887	220,043	596,976
Commercial acceptance bills .	–	–	500	–
Less: impairment losses	(10,084)	(15,553)	(10,327)	(5,400)
Total	1,191,514	1,727,785	1,913,388	1,695,833

Our trade and bills receivables increased from RMB1,191.5 million as of December 31, 2023 to RMB1,727.8 million as of December 31, 2024, and further to RMB1,913.4 million as of December 31, 2025. This increasing trend is generally in line with the growth of our revenue during the Track Record Period. Our trade and bills receivables decreased from RMB1,913.4 million as of December 31, 2025 to RMB1,695.8 million as of June 30, 2026, primarily due to a decrease of RMB598.9 million in trade receivables as a result of shortened credit terms, partially offset by an increase of RMB376.9 million in bank acceptance notes in line with our revenue growth.

We apply the simplified approach in calculating ECLs for trade and bills receivables. Trade and commercial acceptance bills relating to our customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade receivables and commercial acceptance bills receivables are grouped and collectively assessed for impairment allowance. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing of receivables for groups of customers that have similar credit rating. The calculation reflects the age of the balances, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macro economy. We recorded impairment losses for trade and bills receivables of RMB10.1 million, RMB15.6 million, RMB10.3 million and RMB5.4 million as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively.

Most of trade and bills receivables are settled within one year since their due dates. Our bank acceptance notes aged within one year were neither past due nor impaired. The accepting banks are reputable financial institution, therefore our management assessed that the credit loss would be minimal. The following table sets forth aging analysis of our trade and bills receivables, based on the invoice date, as of the dates indicated:

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	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,191,121	1,723,969	1,913,335	1,695,818
One to two years	99	3,806	15	15
Two to three years	294	10	38	—
Total	1,191,514	1,727,785	1,913,388	1,695,833

The following table sets forth the number of our trade and bills receivables turnover days for the periods indicated:

	Years ended December 31,			As of June 30,
	2023	2024	2025	2026
Trade and bills receivables turnover days ⁽ⁱ⁾	132.2	165.9	157.7	96.0

Note:

- (i) Trade and bills receivables turnover days were calculated based on the average of opening and closing balance of trade and bills receivables divided by revenue for the relevant period, and multiplied by the number of days in the relevant period, being 365 days for the years ended December 31, 2023, 2024 and 2025 and 181 days for the six months ended June 30, 2026.

Our trade and bills receivables turnover days increased from 132.2 days in 2023 to 165.9 days in 2024, primarily due to the continually long payment collection period as a result of the market slowdown in 2024. Our trade and bills receivables turnover days decreased from 165.9 days in 2024 to 157.7 days in 2025, and further to 96.0 days in the six months ended June 30, 2026, primarily due to our stronger bargaining power to shorten credit terms with our customers.

We provide credit terms to certain customers with satisfied creditworthiness and long-term relationship. The credit period is generally around 30 to 90 days. Each customer has a maximum credit limit. We seek to maintain strict control over our outstanding receivables and has a credit control department to minimize credit risk. We do not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing. We had not experienced any material failure to collect trade and bills receivables from our customers during the Track Record Period and up to the Latest Practicable Date. We believe that the recoverability of our trade and bills receivables is reasonably assured, and our provisions for impairment of trade and notes receivables are sufficient, primarily because (i) our management regularly reviews our trade and notes receivable balance and monitors the progress on the recoverability of our trade and notes receivables, and (ii) we communicate with our customers on a regular basis during our ordinary course of business with respect to trade and notes receivables. Our provision policy for impairment of trade and notes receivables is based on ongoing evaluation of the recoverability and aging analysis of the outstanding trade and notes receivables and our management’s prudent judgment. For details regarding the impairment of trade receivables, see Note 20 to the Accountants’ Report in Appendix I to this document.

As of July 31, 2026, approximately RMB349.5 million, or 31.7% of our trade and bills receivables as of June 30, 2026, had been subsequently settled.

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Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets comprised of (i) VAT and other tax recoverable in relation to deductible input VAT, (ii) prepayments to suppliers primarily for raw materials, (iii) deposits and other receivables in relation to housing leases and petty cash for employees, (iv) prepaid [REDACTED] expenditures, and (v) prepayment for long-term assets in relation to construction project. The following table sets forth the balances of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
VAT and other tax recoverable	52,368	46,694	65,266	82,572
Prepayments to suppliers . . .	1,603	8,850	33,554	41,979
Deposits and other receivables	759	857	1,136	6,410
Prepayment of [REDACTED]	—	—	2,516	2,947
Less: Impairment allowance . .	(137)	(177)	(202)	(312)
Subtotal	54,593	56,224	102,270	133,596
Non-current:				
Prepayments for long-term assets	422	8,488	40,353	35,902
Total	55,015	64,712	142,623	169,498

Our prepayments, other receivables and other assets increased from RMB55.0 million as of December 31, 2023 to RMB64.7 million as of December 31, 2024, and further to RMB142.6 million as of December 31, 2025, primarily due to the increases in prepayments to suppliers, VAT and other tax recoverable, and prepayments for long-term assets, as a result of the construction of our new product line in Shengeng Plant and our another manufacturing facility in Sichuan Province. Our prepayments, other receivables and other assets increased from RMB142.6 million as of December 31, 2025 to RMB169.5 million as of June 30, 2026, primarily due to the increases in VAT and other tax recoverable and prepayment to suppliers, as a result of the construction of our new manufacturing facility in Sichuan Province.

At the end of each period of the Track Record Period, the ECLs of our financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime ECL. An impairment analysis was performed at the end of each reporting periods. We maintain strict control over our outstanding receivables to minimize credit risk. Long aging balances are reviewed regularly by our management. Considering our prepayments, other receivables and other assets are related to diversified counterparties, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over our deposits and other receivable balances.

As of July 31, 2026, approximately RMB61.5 million, or 77.6% of our prepayments, other receivables and other assets as of June 30, 2026, had been settled.

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Cash and Cash Equivalents

Our cash and cash equivalents, which are denominated in RMB and USD, comprised (i) cash and bank balances, (ii) pledged time deposits, (iii) pledged deposits, and (iv) restricted deposits.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	571,528	894,523	1,052,741	1,866,750
Less: Pledged time deposits ⁽ⁱ⁾	307,782	322,109	170,045	129,941
Less: Pledged deposits ⁽ⁱⁱ⁾ . . .	44,000	463,585	444,396	1,015,577
Less: Restricted deposits ⁽ⁱⁱⁱ⁾ .	–	1,751	32,104	–
Cash and cash equivalents .	219,746	107,078	406,196	721,232

Note:

- (i) Pledged time deposits of RMB307,782,000, RMB322,109,000, RMB170,045,000 and RMB129,941,000 were pledged to banks as collateral for issuance of bank acceptance notes as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively.
- (ii) Pledged deposits represented bank deposits of RMB44,000,000, RMB463,585,000, RMB444,396,000 and RMB1,015,577,000 which were pledged to banks as collateral for issuance of bank acceptance notes as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively.
- (iii) Restricted deposits represented bank deposits of nil, RMB1,751,000, RMB32,104,000 and nil which were restricted due to litigation and insurance, or pledged for the repayment of bank loans as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively. The restricted deposits of RMB26,000,000 as of December 31, 2025 was released in January 2026 to fully settle the relevant bank loans.

Our cash and bank balances kept increasing as of the end of each of the Track Record Period, as a result of our cumulative operating cash inflow. The decrease in our cash and cash equivalents from 219.7 million as of December 31, 2023 to RMB107.1 million as of December 31, 2024 was primarily because certain amounts of our bank balances were pledged or restricted.

Trade and Bills Payables

Our trade and bills payables represented primarily amounts due to suppliers for raw materials, primarily copper, and plant and equipment.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	121,529	173,034	266,645	471,284
Bills payables	157,058	282,176	174,580	147,240
Total	278,587	455,210	441,225	618,524

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Our trade and bills payables increased from RMB278.6 million as of December 31, 2023 to RMB455.2 million as of December 31, 2024, primarily because we used more bank acceptance notes for settlement with our suppliers which has a longer settlement period than cash settlement. Our trade and bills payables decreased from RMB455.2 million as of December 31, 2024 to RMB441.2 million as of December 31, 2025, primarily due to our suppliers’ re-negotiation with us to settle with cash payments in light of the growing copper market. Our trade and bills payables increased from RMB441.2 million as of December 31, 2025 to RMB618.5 million as of June 30, 2026, in line with our rapid business expansion.

The following table sets forth an aging analysis of our trade and bills payables, based on the invoice date, as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	274,040	449,452	434,277	613,729
One to two years	3,035	2,267	3,398	293
Two to three years	832	2,024	575	1,504
Over three years.	680	1,467	2,975	2,998
	278,587	455,210	441,225	618,524

Substantially all of our trade and bills payables are short-term in nature, settled within one year.

The following table sets forth the number of our trade and bills payables turnover days for the periods indicated:

	Years ended December 31,			As of June 30,
	2023	2024	2025	2026
Trade and bills payables turnover days ⁽ⁱ⁾	42.7	43.0	41.2	30.7

Note:

- (i) Trade and bills payables turnover days were calculated based on the average of opening and closing trade and bills payables balance divided by cost of sales for the relevant period, and multiplied by the number of days in the relevant period, being 365 days for the years ended December 31, 2023, 2024 and 2025 and 181 days for the six months ended June 30, 2026.

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Our trade and bills payables turnover days remained relatively stable at 42.7 days in 2023, 43.0 days in 2024, 41.2 days in 2025. Our trade and bills payables turnover days decreased from 41.2 days in 2025 to 30.7 days in the six months ended June 30, 2026, primarily due to the shortened credit terms granted by our suppliers as a result of the extremely high demand for copper.

As of July 31, 2026, approximately RMB358.7 million or 58.0% of our trade payables as of June 30, 2026, had been subsequently settled.

Our Directors confirm that we had no material defaults in our trade payables during the Track Record Period and up to the Latest Practicable Date.

Other Payables and Accruals

Our other payables and accruals consisted primarily of (i) payroll and welfare payable; (ii) deposits for construction projects and logistics service; (iii) payable for constructions and purchase of equipment; (iv) accrual expense in relation to employee reimbursement; and (v) other tax payables other than income tax payables. The following table sets forth our other payables and accruals of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Payroll and welfare payable .	14,807	16,759	16,914	15,268
Payable for constructions and purchase of equipments . .	97,709	65,383	139,136	330,708
Deposits and other payables .	3,093	2,201	2,406	1,173
Other tax payables	8,905	2,273	6,032	3,431
[REDACTED].	—	—	10,417	—
Total	124,514	86,616	174,905	350,580

Our other payables and accruals decreased from RMB124.5 million as of December 31, 2023 to RMB86.6 million as of December 31, 2024, primarily due to the decreases in the balance of payable for constructions and purchase of equipment along with the gradual completion of our construction of new production line in Shengeng Plant. Our other payables increased from RMB86.6 million as of December 31, 2024 to RMB174.9 million December 31, 2025, primarily due to (i) an increase in the balance of payable for constructions and purchase of equipment for our new manufacturing facilities and (ii) an increase in [REDACTED]. Our other payables and accruals increased from RMB174.9 million as of December 31, 2025 to RMB350.6 million as of June 30, 2026, primarily due to an increase in the balance of payable for constructions and purchase of equipment for our new manufacturing facility in Sichuan Province.

As of July 31, 2026, approximately RMB171.2 million, or 48.8% of our other payables and accruals as of June 30, 2026, had been settled.

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NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets					
Inventories	398,357	421,202	525,153	874,093	919,303
Trade and bills receivables	1,191,514	1,727,785	1,913,388	1,695,833	2,187,016
Prepayments, other receivables and other assets	54,593	56,224	102,270	133,596	116,704
Income tax recoverable	9,229	9,804	–	–	–
Time deposits	–	322,109	170,045	129,941	130,079
Restricted cash	–	1,751	32,104	–	–
Pledged deposits	44,000	463,585	444,396	1,015,577	1,008,784
Cash and cash equivalents	219,746	107,078	406,196	721,232	260,882
Total current assets	1,917,439	3,109,538	3,593,552	4,570,272	4,622,768
Current liabilities					
Trade and bills payables	278,587	455,210	441,225	618,524	791,686
Other payables and accruals	124,514	86,616	174,905	350,580	360,027
Contract liabilities	269	545	320	1,222	2,969
Interest-bearing bank and other borrowings	1,169,535	2,004,127	2,333,586	2,954,627	2,742,126
Lease liabilities	705	4,533	5,499	6,108	6,249
Deferred income	7,215	8,367	8,771	8,472	8,705
Tax payable	3,022	4,448	7,705	6,775	10,495
Total current liabilities	1,583,847	2,563,846	2,972,011	3,946,308	3,922,257
Net current asset	333,592	545,692	621,541	623,964	700,511

We had net current assets of RMB700.5 million as of July 31, 2026, consisting of total current assets of RMB4,622.8 million and total current liabilities of RMB3,922.3 million, which represented an increase of RMB76.5 million from our net current asset of RMB624.0 million as of June 30, 2026. This increase was primarily due to (i) an increase of RMB45.2 million in inventories, (ii) an increase of RMB491.2 million in trade and bills receivables, and (iii) a decrease of RMB212.5 million in interest-bearing bank and other borrowings. This was partially offset by (i) a decrease of RMB16.9 million in prepayments, deposits and other receivables, (ii) a decrease of RMB467.0 million in cash and bank balances, (iii) an increase of RMB173.2 million in trade and bills payables, and (iv) an increase of RMB9.4 million in other payables and accruals.

We had net current assets of RMB624.0 million as of June 30, 2026, consisting of total current assets of RMB4,570.3 million and total current liabilities of RMB3,946.3 million, which represented an increase of RMB2.4 million from our net current asset of RMB621.5 million as of December 31, 2025. This increase was primarily due to: (i) an increase of RMB814.0 million in cash and bank balances, (ii) an increase of RMB348.9 million in inventories and (iii) an increase of RMB31.3 million in prepayments, other receivables and other assets. This was partially offset by (i) an increase of RMB621.0 million in interest-bearing bank and other borrowings, (ii) a decrease of RMB217.6 million in trade and bills receivables, (iii) an increase of RMB177.3 million in trade and bills payables, and (iv)

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an increase of RMB175.7 million in other payables and accruals. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see “— Discussion of Certain Key Items of Consolidated Statements of Financial Position.”

We had net current assets of RMB621.5 million as of December 31, 2025, consisting of total current assets of RMB3,593.6 million and total current liabilities of RMB2,972.0 million, which represented an increase of RMB75.8 million from our net current assets of RMB545.7 million as of December 31, 2024. This increase was primarily due to: (i) an increase of RMB185.6 million in trade and bills receivables, (ii) an increase of RMB158.2 million in cash and bank balances, (iii) an increase of RMB104.0 million in inventories, (iv) an increase of RMB46.0 million in prepayments, other receivables and other assets, and (v) a decrease of RMB14.0 million in trade and bills payables. This was partially offset by (i) an increase of RMB329.5 million in interest-bearing bank and other borrowings and (ii) an increase of RMB88.3 million in other payables and accruals. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see “— Discussion of Certain Key Items of Consolidated Statements of Financial Position.”

We had net current assets of RMB545.7 million as of December 31, 2024, consisting of total current assets of RMB3,109.5 million and total current liabilities of RMB2,563.8 million, which represented an increase of RMB212.1 million from our net current assets of RMB333.6 million as of December 31, 2023. This increase was primarily due to (i) an increase of RMB22.8 million in inventories, (ii) an increase of RMB536.3 million in trade and bills receivables, (iii) an increase of RMB322.1 million in time deposits, (iv) an increase of RMB419.6 million in pledged deposits, and (v) a decrease of RMB37.9 million in other payables and accruals. This was partially offset by (i) a decrease of RMB112.7 million in cash and cash equivalents, (ii) an increase of RMB176.6 million in trade and bills payables, and (iii) an increase of RMB834.6 million in interest-bearing bank and other borrowings. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see “— Discussion of Certain Key Items of Consolidated Statements of Financial Position.”

We had net current assets of RMB333.6 million as of December 31, 2023, consisting of current assets of RMB1,917.4 million and current liabilities of RMB1,583.8 million.

Working Capital Sufficiency

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations, bank and other borrowings, and capital injection from shareholders.

Taking into account the financial resources available to us, including cash flow from operating activities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and requirements for the next 12 months from the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and strategic expansion require significant capital to fund working capital and capital expenditures. Historically, we have financed our operations and growth primarily through cash generated from operations, bank borrowings and capital injections from investors. As of December 31, 2023, 2024 and 2025 and June 30, 2026, we had cash and bank balances comprising cash and cash equivalents, time deposits, pledged deposits and restricted cash of RMB571.5 million, RMB894.5 million, RMB1,052.7 million and RMB1,866.8 million, respectively.

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Cash Flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	Years ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash flows from/(used in) operating activities	106,167	(715,438)	(416,010)	(141,595)	(934,712)
Net cash flows used in investing activities	(17,476)	(46,270)	(10,156)	(121,716)	(359,097)
Net cash flows from/(used in) financing activities	(96,665)	649,033	725,187	358,325	1,608,856
Net increase/(decrease) in cash and cash equivalents	(7,974)	(112,675)	299,021	95,014	315,047
Cash and cash equivalents at beginning of year/period	227,720	219,746	107,078	107,078	406,196
Cash and cash equivalents at end of year/period	<u>219,746</u>	<u>107,078</u>	<u>406,196</u>	<u>202,093</u>	<u>721,232</u>

Operating Activities

Cash flows from our operating activities are derived from profit before tax, adjusted for non-cash or non-operating related items, including primarily depreciation and amortization of property, plant and equipment, write-down of inventories to net realizable value, bank interest income, share-based compensation benefits, and finance costs, and changes in working capital. Our primary source of cash inflow is the sales of electrolytic copper foils.

Our net cash outflow used in operating activities in 2024, 2025 and the six months ended June 30, 2026 was primarily due to (i) our business nature – we used cash to purchase copper, while we received bank acceptance notes from certain customers for sales of our products and (ii) the cash received from our discounted bills where the related bills were not derecognized were classified in cash flows from financing activities. See Note 31 to the Accountants’ Report in Appendix I to this document for details. It is an industry norm for copper foil manufacturers to record net cash outflow as a result of the inherent business nature as explained above, according to Frost & Sullivan.

Our net cash flows used in operating activities was RMB934.7 million in the six months ended June 30, 2026. This net cash outflow was primarily due to (i) profit before tax of RMB188.6 million, as adjusted to reflect non-cash or non-operating items, primarily comprising depreciation and amortization of property, plant and equipment of RMB49.5 million, bank interest income of RMB6.4 million, and finance costs of RMB47.8 million, (ii) an increase of RMB350.5 million in inventories, (iii) an increase of RMB406.5 million in trade and bills receivables, (iv) an increase of RMB31.4 million in prepayment and other receivables, (v) an increase of RMB571.2 million in pledged deposits, and (vi) a decrease of RMB15.0 million in other payables and accruals, as partially offset by (i) an increase of RMB177.3 million in trade and bills payables and (ii) a decrease of RMB5.3 million in restricted cash. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see “— Discussion of Certain Key Items of Consolidated Statements of Financial Position.”

Our net cash flows used in operating activities was RMB416.0 million in 2025. This net cash outflow was primarily due to (i) profit before tax of RMB103.8 million, as adjusted to reflect non-cash or non-operating items, primarily comprising depreciation and amortization of property, plant and equipment of RMB89.9 million, bank interest income of RMB15.3 million, finance costs of RMB68.4 million, share-based compensation benefits of RMB5.6 million, and asset-related government grants and subsidies of RMB8.5 million, (ii) an increase of RMB105.9 million in inventories, (iii) an increase of RMB524.8 million in trade and bills receivables, (iv) an increase of RMB62.0 million in prepayments and other receivables, and (v) a decrease of RMB14.0 million in trade and bills payables, as partially offset by (i) a decrease of RMB19.2 million in pledged deposits, (ii) an increase of RMB16.6 million in

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other payables and accruals, (iii) interest received of RMB7.2 million, and (iv) income tax refund of RMB6.7 million. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see “— Discussion of Certain Key Items of Consolidated Statements of Financial Position.”

Our net cash flows used in operating activities was RMB715.4 million in 2024. This net cash outflow was primarily due to (i) profit before tax of RMB21.4 million, as adjusted to reflect non-cash or non-operating items, primarily comprising depreciation and amortization of property, plant and equipment of RMB89.3 million, write-down of inventories to net realizable value of RMB3.7 million, bank interest income of RMB12.4 million, finance costs of RMB61.6 million, share-based compensation benefits of RMB20.5 million, and asset-related government grants and subsidies of RMB8.3 million, (ii) an increase of RMB26.5 million in inventories, (iii) an increase of RMB624.1 million in trade and bills receivables, (iv) an increase of RMB419.6 million in pledged deposits, and (v) a decrease of RMB5.6 million in other payables and accruals, as partially offset by (i) a decrease of RMB176.6 million in trade and bills payables, and (ii) interest received of RMB7.0 million. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see “— Discussion of Certain Key Items of Consolidated Statements of Financial Position.”

Our net cash inflows from operating activities was RMB106.2 million in 2023. This net cash inflow was primarily due to (i) profit before tax of RMB73.2 million, as adjusted to reflect non-cash or non-operating items, primarily comprising depreciation and amortization of property, plant and equipment of RMB86.0 million, write-down of inventories to net realizable value of RMB14.3 million, bank interest income of RMB17.3 million, finance costs of RMB48.5 million, share-based compensation benefits of RMB37.0 million, and asset-related government grants and subsidies of RMB6.7 million, (ii) a decrease of RMB43.7 million in prepayments and other receivables, (iii) a decrease of RMB221.0 million in pledged deposits, and (iv) interest received of RMB7.6 million, as partially offset by (i) an increase of RMB32.8 million in inventories, (ii) an increase of RMB174.2 million in trade and bills receivables, (iii) a decrease of RMB133.1 million in trade and bills payables, and (iv) income tax paid of RMB58.7 million. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see “— Discussion of Certain Key Items of Consolidated Statements of Financial Position.”

Investing Activities

Our net cash used in investing activities primarily reflected our capital expenditures for the purchase of and disposal of property, plant and equipment, receipt of asset-related government grants, and deposit and withdrawal of time deposits.

Our net cash flows used in investing activities was RMB359.1 million in the six months ended June 30, 2026, primarily due to (i) purchases of items of property, plant and equipment of RMB407.9 million in relation to the construction of our new manufacturing plant in Sichuan Province, and (ii) placement of time deposits of RMB60.0 million, as partially offset by (i) withdrawal of time deposits of RMB101.8 million, and (ii) receipt of asset-related government grants of RMB7.0 million.

Our net cash flows used in investing activities was RMB10.2 million in 2025, primarily due to (i) purchases of items of property, plant and equipment of RMB177.0 million in relation to the construction of a new production line in Shengeng Tongbo and (ii) placement of time deposits of RMB170.0 million, as partially offset by withdrawal of time deposits of RMB330.2 million.

Our net cash flows used in investing activities was RMB46.3 million in 2024, primarily due to (i) purchases of items of property, plant and equipment of RMB48.6 million in relation to the construction of our new manufacturing plant and (ii) placement of time deposits of RMB8.9 million, as partially offset by receipt of asset-related government grants of RMB11.3 million.

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Our net cash flows used in investing activities was RMB17.5 million in 2023, primarily due to (i) purchases of items of property, plant and equipment of RMB65.6 million in relation to the construction of our new manufacturing plant, as partially offset by (i) receipt of asset-related government grants of RMB26.2 million and (ii) withdrawal of time deposits of RMB22.3 million.

Financing Activities

Our financing activities primarily related to capital contribution, bank and other borrowings, letters of credit, interest paid and dividends paid to shareholders.

Our net cash inflow from financing activities was RMB1,608.9 million in the six months ended June 30, 2026, primarily due to (i) capital contribution from non-controlling shareholders of subsidiaries of RMB84.0 million, (ii) new interest-bearing bank and other borrowings (excluding intra-group bills) of RMB923.6 million, and (iii) proceeds from discounting of intra-group bills of RMB1,540.3 million, as partially offset by (i) repayment of interest-bearing bank and other borrowings (excluding intra-group bills) of RMB95.5 million, (ii) repayment of intra-group bills of RMB797.7 million, and (iii) interest paid of RMB44.9 million.

Our net cash inflow from financing activities was RMB725.2 million in 2025, primarily due to (i) capital contribution from non-controlling shareholders of subsidiaries of RMB105.0 million, (ii) new interest-bearing bank and other borrowings (excluding intra-group bills) of RMB1,031.7 million, and (iii) proceeds from discounting of intra-group bills of RMB2,367.6 million, as partially offset by (i) repayment of interest-bearing bank and other borrowings (excluding intra-group bills) of RMB288.6 million, (ii) repayment of intra-group bills of RMB2,426.0 million, and (iii) interest paid of RMB62.3 million.

Our net cash inflow from financing activities was RMB649.0 million in 2024, primarily due to (i) new interest-bearing bank and other borrowings (excluding intra-group bills) of RMB455.4 million, and (ii) proceeds from discounting of intra-group bills of RMB2,041.7 million, as partially offset by (i) repayment of interest-bearing bank and other borrowings (excluding intra-group bills) of RMB395.7 million, (ii) repayment of intra-group bills of RMB1,388.4 million, and (iii) interest paid of RMB63.7 million.

Our net cash flows used in financing activities was RMB96.7 million in 2023, primarily due to (i) repayment of interest-bearing bank and other borrowings (excluding intra-group bills) of RMB722.6 million, (ii) repayment of intra-group bills of RMB859.0 million, and (iii) dividends paid of RMB11.6 million, and (iv) interest paid of RMB31.7 million, as partially offset by (i) new interest-bearing bank and other borrowings (excluding intra-group bills) of RMB624.0 million, and (ii) proceeds from discounting of intra-group bills of RMB902.1 million.

Our Cash Management Measures

We recorded net operating cash outflow of RMB715.4 million, RMB416.0 million and RMB934.7 million in 2024, 2025 and the six months ended June 30, 2026, respectively, while net operating cash inflow of RMB106.2 million in 2023. Our cash conversion cycle, calculated as adding our trade and bills receivables turnover days and inventory turnover days less trade and bills payables turnover days, was 137.6 days, 171.0 days, 160.0 days and 105.8 days in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. Our net cash flows used in operating activities in 2024, 2025 and the six months ended June 30, 2026 and long cash conversion cycle were primarily due to (i) our business nature — we used cash to purchase copper, while we received bank acceptance notes from certain customers for sales of our products and (ii) the cash received from our discounted bills where the related bills were not derecognized were classified in cash flows from financing activities. See Note 31 to the Accountants’ Report in Appendix I to this document for details. This creates natural working capital

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pressure, which is exacerbated when copper prices are surging. Furthermore, long credit terms granted to leading customers with market dominant position, such as Customer A, also adversely affected our operating cash flow and cash conversion cycle. It is an industry norm for copper foil manufacturers to record net cash outflow and have long cash conversion cycle as a result of the inherent business nature as explained above, according to Frost & Sullivan. We will adopt the following cash management measures to improve our operation cash flow position and cash conversion cycle:

1. ***Shorten receivables collection period.*** We have lately leveraged the current upward electrolytic copper foil industry, to re-negotiate credit and payment terms to (i) shorten credit terms from previous two to three months to one to two months. In particular, we have re-negotiated with all of our five largest customers in 2025, which collectively accounted for 83.1% of our total revenue in 2025, to reduce their credit periods to 30 days upon receipt of invoice. and (ii) reduce substantially the receipt of bank acceptance notes. In addition, we will implement a tiered receivables follow-up mechanism: assign dedicated personnel to manage receivables by ageing buckets, and (i) remind customers of payments 15 days before due date and follow up payment status within 3 days after due date and (ii) adopt progressive collection measures for overdue amounts, including negotiation, formal written demand, and legal proceedings, and regularly coordinate with customers to check collection milestones and status.
2. ***Optimize inventory management to reduce capital occupation.*** We will implement dynamic inventory management: we will (i) purchase and stock different levels of cathode copper based on price volatility, demand variability and purchase cycle, targeting to control inventory turnover days of copper to within 30 days. (ii) accelerate the disposition of finished goods inventory, especially low-end slow-moving products, via price promotions and negotiated bulk purchases, and (iii) adjust production schedules to align with order demand, aiming to reduce finished goods and overall inventory turnover days.
3. ***Optimize customer mix and focus on higher-performance products.*** We will continue to diversify and expand our network of customers that operate in high-value industries, such as AI PCBs and overseas lithium battery manufacturers, which have stronger demand and financial resources. We will also continue to focus on and grow the sales of high-performance lithium battery copper foils and high-frequency/high-speed electronic circuit foils, which have stronger market demand and higher premium. Sales to these leading customers and sales of these high-performance products can help us generate more cash quickly, improving our operating cash flow and cash conversion cycle.
4. ***Strengthen internal controls and improve capital efficiency.*** We will (i) enhance receivables management policies, including to clarify responsibilities across departments and roles, include receivable days and collection rates in performance metrics, reward teams/ personnel who meet collection targets and hold accountable those with overdue receivables, and deploy a daily receivables dashboard to monitor ageing and collection progress and promptly address issues; (ii) optimize cash budgeting management, including to establish a detailed monthly cash budget process to schedule procurement payments, production investment and expense payments, tighten the approvals for cash usage, and restrict non-essential expenditures to improve cash utilization; and (iii) improve cost-efficiency, including to optimize process technology, control raw material consumption, and streamline internal processes to lower administrative expenses.

By implementation of the foregoing measures, we expect a material improvement in our operating cash flow position and cash conversion cycle in the next 12 months, achieving industry leading levels.

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INDEBTEDNESS

During the Track Record Period, our indebtedness consisted of bank and other borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Included in current liabilities					
Bank loans – secured	170,261	20,018	139,707	159,725	159,916
Current portion of long term bank loans – secured	54,380	98,267	54,203	125,754	90,409
Other borrowings	944,894	1,885,842	2,139,676	2,669,148	2,491,801
Lease liabilities.	705	4,533	5,499	6,108	6,249
Sub-total	1,170,240	2,008,660	2,339,085	2,960,735	2,748,375
Included in non-current liabilities					
Bank loans – secured	278,000	130,000	121,000	447,554	555,854
Other borrowings	92,365	33,831	85,652	59,960	52,195
Lease liabilities.	2,467	554	553	664	528
Sub-total	372,832	164,385	207,205	508,178	608,577
Total	1,543,072	2,173,045	2,546,290	3,468,913	3,356,952

Our bank borrowings during the Track Record Period were denominated in Renminbi and were used to finance our capital expenditure and working capital requirements. The bank borrowings bear interest at floating interest rates. Depending on the term of the bank borrowings, in 2023, 2024 and 2025 and the six months ended June 30, 2026, the effective interest rates of our bank borrowings ranged from 0.54% to 6.99% per annum.

Our other borrowings represent primarily discounted bank acceptance notes that (i) we received from customers for sales of our products that are not mature yet and (ii) intra-group bills in relation to the manufacturing of our products. Our other borrowings increased from RMB1,037.3 million as of December 31, 2023 to RMB1,919.7 million as of December 31, 2024, to RMB2,225.3 million as of December 31, 2025, and further to RMB2,729.1 million as of June 30, 2026, in line with our business expansion during the Track Record Period. Our other borrowings decreased from RMB2,729.1 million as of June 30, 2026 to RMB2,544.0 million as of July 31, 2026, primarily due to the repayment of discounted intra-group bills to banks.

All of our bank loans are secured and are guaranteed by related parties. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our other borrowings of RMB82,402,000, RMB344,352,000, RMB628,961,000 and RMB448,758,000 arose from discounting, with recourse, of bills receivables received from our customers for the sales of our products. The remaining balance of our other borrowings are secured and/or are guaranteed by related parties. The guarantees underlying a majority of our bank loans and other borrowings will be released before the [REDACTED], while the rest of the bank loans and other borrowings guaranteed by related parties will be repaid or replaced with asset mortgages or guarantees provided by non-related parties before the [REDACTED].

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Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that there has been no material change in our indebtedness position since July 31, 2026, being the latest practicable date for the purpose of the indebtedness statement, and up to the date of this document. As of the Latest Practicable Date, except for bank borrowings, we did not have plans for other material external debt financing.

As of July 31, 2026, we had unutilized credit facilities of RMB4,948.7 million. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in obtaining bank loans and other borrowings. We had no default in repayment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURES AND COMMITMENT

Capital Expenditures

Our capital expenditures during the Track Record Period primarily consisted of expenditures on property, plant and equipment.

We expect to incur additional capital expenditure in terms of property, plant and equipment. See “Future Plans and Use of [REDACTED].” We intend to fund our planned capital expenditures through a combination of the [REDACTED] from the [REDACTED] as well as cash generated from operating activities. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business in the future.

Capital Commitments

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
– Property, plant and equipment	<u>85,199</u>	<u>61,421</u>	<u>630,853</u>	<u>332,926</u>

Capital commitments that were contracted but not provided for represented commitments to purchase property, plant and equipment as of the relevant dates. Our capital commitments decreased from RMB85.2 million as of December 31, 2023 to RMB61.4 million as of December 31, 2024, primarily due to the gradual completion of our new manufacturing plant. Our capital commitments increased from RMB61.4 million as of December 31, 2024 to RMB630.9 million as of December 31, 2025, primarily due to the construction of our Shengeng Plant. Our capital commitments decreased from RMB630.9 million as of December 31, 2025 to RMB332.9 million as of June 30, 2026, primarily due to the payment in relation to purchase of property, plant and equipment for the construction of our Shengeng Plant.

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CONTINGENT LIABILITIES

As of June 30, 2026, we did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, guarantees or other material contingent liabilities.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, our related parties primarily included our significant equity holders and their spouses, Mr. Li Xian Yang, Ms. Lin Jia Chun, Mr. Li Si Yang and Ms. Chen Ying Dan,

During the Track Record Period, our related parties provided guarantees for certain borrowings and notes. As of December 31, 2023, 2024 and 2025 and June 30, 2026, the balance of the guarantees provided by related parties amounted to RMB2,465.5 million, RMB2,156.5 million, RMB2,976.4 million and RMB4,369.9 million, respectively. For details regarding the related party transactions during the Track Record Period and their corresponding balances as of the end day of each of the Track Record Period, see note 34 to the Accountants’ Report in Appendix I to this document.

Our Directors are of the view that each of the related party transactions was conducted on an arm’s length basis and would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	Years ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	%			
Profitability ratio				
Gross profit margin ⁽¹⁾	6.7	3.1	5.7	8.1
Net profit margin ⁽²⁾	2.0	0.6	2.2	4.8
Return on equity ⁽³⁾	4.9	1.5	6.4	N/A
Return on assets ⁽⁴⁾	1.8	0.5	2.1	N/A
	As of December 31,			As of June 30,
	2023	2024	2025	2026
Liquidity ratios				
Current ratio ⁽⁵⁾	1.2	1.2	1.2	1.2
Quick ratio ⁽⁶⁾	1.0	1.0	1.0	0.9
Capital adequacy ratio				
Net debt to capitalization ratio (%) ⁽⁷⁾	56.4	65.5	64.5	68.3

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Notes:

- (1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.
- (2) Net profit margin is calculated based on profit for the period divided by revenue and multiplied by 100%.
- (3) Return on equity is calculated based on profit for the year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (4) Return on assets is calculated based on profit for the year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (5) Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the corresponding period.
- (6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as of the end of the corresponding period.
- (7) Net debt to capitalization ratio is calculated based on our net debt as of the end of each period divided by our total capital plus net debt as of the same date. Net debt is the sum of our interest-bearing bank and other borrowings, trade and bills payables, other payables and accruals and lease liabilities, less cash and cash equivalents. Total capital equals equity attributable to the owners of the parent.

FINANCIAL RISKS

Our activities expose us to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. Our overall risk management seeks a balance between risk and return, minimizes the adverse impact of risk on our financial performance and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of our risk management is to identify and analyze the various risks faced by us, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range. For further details, see note 38 to the Accountants’ Report in Appendix I to this document.

Interest rate risk

We expose to the risk of changes in market interest rates relates primarily to our long term debt obligations with a floating interest rate. Our policy is to manage its interest cost using a mix of fixed and variable rate debts. If the interest rate of bank and other borrowings had increased/decreased by 50 basis points and all other variables were held constant, our profit before tax, through the impact on floating rate borrowings, would have increased/decreased by approximately nil, RMB100,000, nil and RMB2,237,770 for the years ended 31 December 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. For further details, see note 38 to the Accountants’ Report in Appendix I to this document.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, we do not offer credit terms without specific verification procedures.

As of the end of each of the Relevant Periods, we had certain concentrations of credit risk as 42%, 50%, 40% and 36% of our trade and bills receivables were due from our largest debtor, respectively. For further details, see note 38 to the Accountants’ Report in Appendix I to this document.

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Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by the management of us to finance the operations and mitigate the effects of fluctuations of cash flows. Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities. For further details, see note 38 to the Accountants’ Report in Appendix I to this document.

Capital management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders’ value. We manage our capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. For further details, see note 38 to the Accountants’ Report in Appendix I to this document.

DIVIDENDS

We are incorporated under the laws of the PRC. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. We do not currently have a formal dividend policy.

Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years’ accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. We may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisors, our PRC companies cannot pay dividends if such companies are in an accumulated loss position.

We paid dividends of RMB11.6 million, nil, nil and nil in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. For further details, see note 12 to the Accountants’ Report in Appendix I to this document. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Subject to our constitutional documents, our Directors are entitled to propose dividend distributions to the shareholders’ meeting, which shall have the final discretion to determine whether to implement such distributions. We cannot assure you that we will be able to declare dividends of any amount each year or in any year.

DISTRIBUTABLE RESERVES

As of June 30, 2026, we had retained profits of RMB347.0 million available for distribution to our Shareholders.

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[REDACTED]

Our [REDACTED] primarily include [REDACTED], professional fees paid to legal advisers, the Reporting Accountants and other professional parties for their services rendered in relation to the [REDACTED] and the [REDACTED]. The estimated total [REDACTED] for the [REDACTED] are approximately RMB[REDACTED] million (comprising RMB[REDACTED] million [REDACTED] expenses, RMB[REDACTED] million fees and expenses of legal advisors and accountants, RMB[REDACTED] million [REDACTED] fees and RMB[REDACTED] million other fees and expenses), representing approximately [REDACTED]% of the gross [REDACTED], based on the [REDACTED] of our indicative [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised. During the Track Record Period, we incurred [REDACTED] of RMB[REDACTED] million, of which RMB[REDACTED] million was recognized in our statements of profit or loss for the year ended December 31, 2025 and the six months ended June 30, 2026, and RMB[REDACTED] million to be accounted for as a deduction from equity upon the [REDACTED]. Subsequent to the Track Record Period, we expect to incur [REDACTED] of RMB[REDACTED] million prior to and upon completion of the [REDACTED], of which RMB[REDACTED] million is expected to be recognized as expenses in our statements of profit or loss, and RMB[REDACTED] million is expected to be accounted for as a deduction from equity upon the [REDACTED]. The [REDACTED] to be incurred subsequent to the Track Record Period consist of (i) [REDACTED]-related expenses of RMB[REDACTED] million; and (ii) non-[REDACTED]-related expenses of RMB[REDACTED] million, including (a) fees payable to our legal advisors and Reporting Accountants of RMB[REDACTED] million; (b) [REDACTED] fees of RMB[REDACTED] million; and (c) other fees and expenses of RMB[REDACTED] million. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this document for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the Latest Practicable Date, (i) there had been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees, prospects, the industry where we operate, our market or regulatory environment to which we are subject since June 30, 2026, being the date of the latest consolidated financial position of our Group as set out in the Accountants’ Report in Appendix I to this document; and (ii) there has been no event since June 30, 2026 that would materially affect the information shown in the Accountants’ Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.