SANERGY

SANERGY GROUP LIMITED
昇能集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2459

2022
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Dr. Wei-Ming Shen *(Chief Executive Officer and Chairman)*
Mr. Hou Haolong
Mr. Yan Haiting
Mr. Adriaan Johannes Basson

Non-executive Director
Mr. Wang Ping

Independent Non-executive Directors
Ms. Chan Chore Man Germaine
Mr. Cheng Tai Kwan Sunny
Mr. Ngai Ming Tak
Mr. Sun Qing (Resigned on 12 April 2023)

JOINT COMPANY SECRETARIES
Mr. Lau Che Yan Kenneth *(HKICPA, ICAEW, ACCA)*
Ms. Ip Cheuk Man Louisa

AUTHORISED REPRESENTATIVES
Mr. Hou Haolong
Mr. Wang Ping

AUDIT COMMITTEE
Mr. Cheng Tai Kwan Sunny *(Chairman)*
Mr. Ngai Ming Tak
Ms. Chan Chore Man Germaine
Mr. Sun Qing (Resigned on 12 April 2023)

NOMINATION COMMITTEE
Dr. Wei-Ming Shen *(Chairman)*
Mr. Cheng Tai Kwan Sunny
Ms. Chan Chore Man Germaine (Appointed on 12 April 2023)
Mr. Sun Qing (Resigned on 12 April 2023)

REMUNERATION COMMITTEE
Mr. Cheng Tai Kwan Sunny *(Chairman)* (Appointed on 12 April 2023)
Mr. Ngai Ming Tak
Dr. Wei-Ming Shen
Mr. Sun Qing (Resigned on 12 April 2023)

ESG COMMITTEE
Mr. Ngai Ming Tak (Chairman)
Mr. Yan Haiting
Ms. Chan Chore Man Germaine (Appointed on 12 April 2023)
Mr. Sun Qing (Resigned on 12 April 2023)

AUDITOR
Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

REGISTERED OFFICE
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 2602, 26th Floor
China Resources Building
26 Harbour Road, Wanchai

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS
Wells Fargo Bank, N.A.
Credit Suisse (Switzerland) Ltd.

STOCK CODE
2459

WEBSITE
www.sanergygroup.com

Corporate Profile

We are a global manufacturer of UHP graphite electrodes with a worldwide customer base in over 25 countries comprising major global EAF steel manufacturers in Americas, EMEA, APAC and the PRC that sell their products to the automotive, infrastructure, construction, appliance, machinery, equipment and transportation industries.

The dual carbon goals, namely carbon peaking before 2030 and carbon neutrality before 2050 have brought global momentum towards the transformation of our downstream industry of steel manufacturing by shifting from blast furnace steelmaking to EAF steel manufacturing. Currently, blast furnace steelmaking predominates the steel production with 70% in worldwide and even 90% in the PRC. Using EAF is more environmental friendly in terms of pollutants emissions and energy consumptions and regarded as a core pillar of decarbonisation to complete "super-low-emission" renovations within the steel industry. With our commitments to offer high quality UHP graphite electrode which serves as a key industrial material to EAF steel manufacturers and our continuous efforts to strive for a cleaner production process to reduce emissions and wastes as well as energy consumption, we believe, together with our downstream customers, we would be able to contribute to a green and sustainable economy in the long run.

According to the market research report prepared by Frost & Sullivan, we ranked seventh among the global UHP graphite electrode manufacturers in 2021 with a market share of approximately 1.4%, and ranked fourth in the UHP graphite electrode manufacturers in the PRC in 2021 with a market share of approximately 7.1%, in terms of production volume.

We have our production facilities in Italy and the PRC with annual effective production capacities of 16,500MT and 14,000MT, respectively, which enable us to flexibly meet the demand for graphite electrodes from our customers located in different parts of the world and provide them with support and technical services. We source finished graphite electrodes and needle coke from various suppliers.

We have regional sales teams focusing on the markets of Americas, EMEA, APAC and the PRC to serve and support our customers in all different geographies. Our global reach through our strong sales and distribution network ensures that our products are readily available to our customers.

Definitions

In this annual report, the following terms shall have the following meanings, except otherwise stated:

"2023 AGM"	the annual general meeting of the Company to be held at 10:30 a.m. on 19 May 2023 at Units 5906-5912, 59/F, The Center, 99 Queen's Road Central, Central Hong Kong
"APAC"	Asia-Pacific
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"BEV"	battery electric vehicle(s)
"Board"	the board of Directors
"China" or "PRC"	the People's Republic of China, for the purpose of this annual report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
"Company"	Sanergy Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (stock code: 2459)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely Otautahi Capital Inc., Otautahi Holdings Limited, Otautahi Enterprises Trust Company Limited and Mr. Hou Haolong
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"EAF"	electric arc furnace
"EMEA"	Europe, Middle East and Africa
"ESG Committee"	the environmental, social and governance committee of the Company
"EUR" or "Euro"	Euro, the lawful currency of the member states of the European Union
"FY2021"	the year ended 31 December 2021
"FY2022"	the year ended 31 December 2022

"Group" or "we"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Latest Practicable Date"	19 April 2023, being the latest practicable date prior to the publication of this annual report for ascertaining certain information contained herein
"Listing Date"	17 January 2023, being the date of listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"MT"	metric tonne
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Prospectus"	the prospectus of the Company dated 30 December 2022
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of nominal value of US$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UHP graphite electrodes"	ultra high power graphite electrodes, a term used in the global graphite electrode market, which can generally withstand current densities greater than 25 ampere per square centimeter
"U.S."	the United States
"USD" or "US$"	United States dollars, the lawful currency of the United States

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to report the results of the Company and the Group for FY2022.

For FY2022, the Group recorded revenue of approximately US$115.5 million, representing an increase of approximately 6.3% as compared with the last corresponding year.

2022 was a challenging year. The slowdown in economic growth, rising inflation and geopolitical tensions impacted global markets and the steel industry. This slowdown in steel production has affected the downstream demand for graphite electrodes products. With the on-going Russia-Ukraine conflict and the banking issues in the United States and Switzerland, the Group continues to remain vigilant against these unfavorable factors which may impact the interests and business of the Group.

Looking back, the most notable milestone for the Group in the past 12 months has been the completion of the Listing of Shares on the Stock Exchange in January 2023. It has been a long road and my thanks goes to all in our team members who produced a fantastic effort and worked tirelessly to get us over the line. The listing will enable us to continue our vision of building a group that manufactures and supplies the highest quality product for our markets. This is not an easy task in a very competitive market space, but our base is strong and our people and products are exceptional.

As disclosed in the prospectus of the Company dated 30 December 2022 (the "Prospectus"), we are in the process of acquiring the Taigu Asset which will further enhance our production capacity to support for our planned expansion.

FUTURE PROSPECTS

With the gradual economy recovery across the globe, and our Group will leverage on access to capital market with the Listing to diversify financing options for business expansion and expansion of our customer base.

As for the future growth opportunities, we are exploring the potential to enter the graphite anode market for the Li-ion battery application. Whilst we are still in the stage of evaluation and exploration, such an entrance into the graphite anode market is a natural progression for us and an excellent way to capitalize on our expertise in the graphite manufacturing and processing. We are studying both organic growth and external acquisitions as a way to venture into this rapidly growing market and will share further with our shareholders once there is any development.

APPRECIATION AND THANKS

Our thanks also go to our shareholders and the various professional advisers that assisted us throughout our listing, in particular: our solicitors and the Sponsor. Your faith and trust are so appreciated and we will continue to strive to prove worthy of your trust.

Of course it is not just our partners that we need to thank. A massive thank you to our staff and sales teams throughout our territories. Without you all we would not have been able to achieve the successes we are reflecting on at the end of 2022. We look forward to the year ahead with you all with a renewed vigour for the challenges that lie ahead.

Finally, I would like to encourage us all to focus on profitable growth in the years ahead. Together we will achieve great things.

Dr. Wei-Ming Shen
Chairperson

29 March 2023

Financial Highlights

	For the year ended 31 December		
	2022	2021	Change
	US$'000	US$'000	%
Operating results:			
Revenue	**115,521**	108,694	+6.3%
Gross profit	**26,028**	22,830	+14.0%
Gross profit %	**22.5%**	21.0%	+1.5%
Profit for the year attributable to owners of the Company	**7,496**	4,388	+70.8%
Net profit %	**6.5%**	4.0%	+2.5%

Management Discussion and Analysis

BUSINESS REVIEW

2022 was a challenging year. Slowdown in economic growth, rising inflation and geopolitical tensions impacted global markets and the steel industry. International Monetary Fund estimated the global and the PRC's economic growth rates were approximately 3.4% and 3.0% in 2022, showing slower growth as compared to approximately 6.2% and 8.4% in 2021, respectively. On the other hand, the world crude steel production for the 64 countries reporting to the World Steel Association in 2022 decreased by 4.3% as compared to 2021, among which North America and the PRC's crude steel production decreased by 5.5% and 2.1% as compared to 2021. This slowdown in steel production has affected the downstream demand for graphite electrodes products.

As at the Latest Practicable Date, the Russia-Ukraine conflict, coupled with the banking issues in the United States and Switzerland, continue to pose challenges to the pace of economic recovery worldwide , which might in turn, affect the demand for the Group's products. The Group must remain vigilant against these unfavorable factors that may impact the business development of the Group.

Despite these challenges, the Group recorded revenue of approximately US$115.5 million for FY2022, representing an increase of approximately 6.3% as compared to last year. This growth was driven by an increase of approximately 21.6% in the overall average selling price of graphite electrodes sold by the Group from approximately US$3,928/MT in FY2021 to approximately US$4,777/MT in FY2022. The increase in the overall average selling price of our graphite electrodes sold for FY2022 was mainly driven by the increase of 38.1% in the average selling price of graphite electrodes sold to the Americas region and the increase of 25.5% in the average selling price of graphite electrodes sold to the Europe, Middle East and Africa region. However, the overall sales volume decreased from approximately 27,669 MT in FY2021 to approximately 24,184 MT in FY2022 due to a decrease of sales volume to the Americas region, as impacted by a slowdown in the crude steel production in North America in 2022.

However, the Group's total cost of sales increased in FY2022 as compared to FY2021, mainly due to the increase in the cost of raw materials and conversion cost. In particular, the Group's average cost of sales increased in the second half of 2022 as compared to the first half of 2022, mainly due to the increase in the cost of needle coke and other input costs.

The ongoing Russia-Ukraine conflict that began in February 2022 had led to a rapid increase in energy cost in Europe which is one of the major cost components of the Group's business. To mitigate the impact, the Group had secured an energy supply for its factory in Italy (the "Italian Factory") at a fixed rate until December 2023, sheltering the Group from the increased energy costs in Europe in 2022. The Group will continue to monitor the energy markets and take necessary actions to control its exposure to the volatility of the energy markets.

The Group's operations are subject to various legal, political and economic risks, such as the tension in the Sino-U.S. relation and the anti-dumping regulations. The U.S. government implemented a series of tariffs on Chinese-origin products, including graphite electrodes which were subject to a tariff of 6% before the tariffs on List 3 came into effect. After List 3 came into effect, other Chinese manufacturers have been subject to a tariff of 25% starting from 10 May 2019. However, since we commenced manufacturing in Italy in late 2018, we have used the production capacity of the Italian Factory to manufacture products for sales to our customers in the U.S. with an aim of minimizing our exposure to the additional tariff. During FY2022, all of our products for sales to our customers in the U.S. were manufactured by the Italian Factory and thus no additional tariff was incurred. We do not expect that the Sino-U.S. trade conflicts will have a material adverse impact on our business and outlook.

Regarding the anti-dumping and countervailing duty regulations in the U.S. and the anti-dumping regulations under the European Union (collectively, the "Anti-Dumping Regulations"), the Group considers that they do not exert material adverse impact on our businesses. The anti-dumping regulations of the European Commission is only applicable to graphite electrodes (other than connecting pins) imported from the PRC. Since the Group does not export graphite electrodes (other than connecting pins) from the PRC to the European Union, there is no anti-dumping duty chargeable on our products distributed in these regions. Under the anti-dumping and countervailing duty regulations of the U.S., the anti-dumping duty will only be applicable to our small diameter connecting pins sourced from our factory in the PRC (the "PRC Factory"). However, during FY2022, the amount of anti-dumping duty for the small diameter connecting pins originated from the PRC was minimal. The Anti-Dumping Regulations provide us with a competitive advantage in pricing against our Chinese competitors in these regions.

Profit attributable to owners of the Company for FY2022 amounted to approximately US$7.5 million, representing a significant increase of approximately 70.8% as compared to that of approximately US$4.4 million in FY2021. Excluding the listing expenses incurred during FY2022, profit attributable to owners of the Company amounted to approximately US$8.7 million, representing an increase of approximately 36.9% as compared to profit (excluding listing expenses) of last year.

Earnings before interest, tax, depreciation and amortization (before listing expenses) for FY2022 amounted to approximately US$17.8 million, representing an increase of approximately 17.2% as compared to that of FY2021.

The listing of the shares of the Company in January 2023 marked a significant milestone in the Group's history. This accomplishment is expected to provide access to different capital markets, thereby diversifying our financing options for business expansion and facilitating the expansion of our customer base.

FUTURE PROSPECTS

The reopening from lockdowns and the gradual recovery of the downstream industries of the EAF steel market contributed to the further rebound of the global graphite electrodes industry. Numerous indicators for the recovery and growth drivers have been found in the ultra high power graphite electrodes industry, including but not limited to (i) continuous increase in the global average market selling price of graphite electrodes; (ii) various initiatives for dual carbon goals and more stringent environmental policies and regulations as well as the increasing awareness of the carbon neutrality which encourage environmental friendly production process and further spur the development of the global EAF steel industry.

In the future, along with the recovery of the downstream industries, especially global EAF steel industry and taken into account graphite electrode as a necessary consumable for EAF steel manufacturing, the graphite electrode market is expected to continue its long-term growth trajectory.

In addition to the graphite electrode business, the Group is exploring the business development of producing graphite anode materials in light of the rapid growth in the global market of Li-ion battery industry driven by the boosting development of electrical vehicles and energy storage. Going forward, the Group will continue to put more efforts in the research and development of graphite anode materials, striving to satisfy the high demand for graphite anode materials driven by electrical vehicles and energy storage, which also benefit from the global context of carbon neutrality while the Group possesses similar technical know-how knowledge of the production of graphite anode materials that involves similar production procedures of graphite electrodes.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately US$108.7 million in FY2021 to approximately US$115.5 million in FY2022 due to the increase in average selling price of graphite electrodes from US$3,928/MT in FY2021 to US$4,777/MT in FY2022.

Cost of Sales

The cost of sales increased from approximately US$85.9 million in FY2021 to approximately US$89.5 million in FY2022, mainly due to the increase in average cost of sales of graphite electrodes per MT from US$3,103 in FY2021 to US$3,701 in FY2022, driven by the increase in average purchase price of needle coke in FY2022 as compared to that of FY2021.

Gross Profit and Gross Profit Margin

The gross profit increased from approximately US$22.8 million in FY2021 to approximately US$26.0 million in FY2022 and the gross profit margin increased from approximately 21.0% in FY2021 to approximately 22.5% in FY2022. The increase in gross profit margin was driven by the increase in average selling price of graphite electrodes, which was partially offset by the increase in average cost of sales of graphite electrodes per MT from US$3,103 in FY2021 to US$3,701 in FY2022.

Finance Cost

For FY2022, total finance cost of the Group was approximately US$2.6 million, representing an increase of approximately US$0.6 million as compared to approximately US$2.0 million for FY2021. The main reason for such increase was the increase of loan interests on bank and other borrowings during FY2022.

Listing Expenses

The Group's listing expenses decreased from approximately US$2.0 million in FY2021 to approximately US$1.2 million in FY2022, due to the successful listing of the shares of the Company on 17 January 2023 and certain listing expenses were incurred in the final stage of the listing process which will be recognised in the financial year ending 31 December 2023.

Profit for the Year

Overall, the profit attributable to owners of the Company increased from approximately US$4.4 million in FY2021 to approximately US$7.5 million in FY2022, mainly driven by the reasons as explained above.

Liquidity, Capital Resources and Capital Structure

From time to time, the Group meets its working capital and other capital requirements principally with the following: (i) cash generated from operations; and (ii) proceeds from bank and other borrowings. The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

As at 31 December 2022, the Group's cash and cash equivalents were approximately US$11.7 million and mainly denominated in United States dollars, Euro, Renminbi and Hong Kong dollars.

The Group's total interest-bearing bank and other borrowings as at 31 December 2022 amounted to approximately US$30.2 million (2021: US$20.3 million), which were mainly denominated in USD, RMB and HKD. The interest-bearing bank borrowings were mainly used for working capital and all of which are at commercial lending variable interest rates.

The Group manages its capital structure by maintaining a balance between the equity and debts. As at 31 December 2022, the Group's total equity and liabilities amounted to approximately US$132.9 million and US$72.9 million, respectively as at 31 December 2022 (31 December 2021: US$135.0 million and US$87.9 million).

Gearing Ratio

The Group's gearing ratio, as calculated based on total debts dividing by total equity, decreased from approximately 25% as at 31 December 2021 to approximately 23% as at 31 December 2022 mainly attributable to the decrease of total debts by approximately 10.1% as at 31 December 2022 as a result of the repayment of debts.

Foreign Exchange Exposure

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. At present, the Group does not intend to seek to hedge our exposure to foreign exchange fluctuations. However, the Group's management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future where appropriate.

Capital Expenditures

The Group's capital expenditures principally consisted of expenditures on additions to property, plant and equipment and other intangible assets including assets from the acquisition of a subsidiary for the expansion of our operations. For FY2022, the Group incurred capital expenditures of approximately US$6.0 million.

Contingent Liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2022, certain of property, plant and equipment, trade receivables and industrial leasehold land with carrying amounts of approximately US$38.2 million, US$14.8 million and US$3.3 million were pledged to third parties for interest-bearing borrowings granted to the Group, respectively.

Material Acquisitions or Disposals

The Group did not have any material acquisitions nor disposals of subsidiaries during FY2022.

Significant Investments

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 31 December 2022.

Directors and Senior Management Profiles

BOARD OF DIRECTORS

Executive Directors

Dr. Wei-Ming Shen ("Dr. Shen"), aged 69, joined the Group in October 2016. He was appointed as a Director in January 2020 and was re-designated as an executive Director on 11 June 2020. He is also (i) the chief executive officer of the Company and Sangraf International Inc., an indirect wholly-owned subsidiary of the Company; and (ii) a director of certain subsidiaries of the Company. Dr. Shen is primarily responsible for the overall management of business growth and improvement across various profitability metrics of the Group.

Dr. Shen has over 38 years of experience in graphite technology, production, sales and business management. Prior to joining the Group, from July 1982 to January 2009, Dr. Shen worked at GrafTech International Holdings Inc, a company primarily engaged in the manufacturing of carbon and graphite products, with his last position as a business team member of the Engineering Solutions ("ES") division and the director of applications engineering in the ES division. From 2009 to 2014, Dr. Shen was the chief operating officer of Oregon Material Technology Group, a company primarily engaged in the graphite and silicon applications for PV industry. From May 2014 to May 2018, Dr. Shen served as an independent director of Sinosteel Advanced Materials (Zhejiang) Co., Ltd., a company primarily engaged in the manufacturing and sale of specialty graphite. He has been the president of C & Si Solutions, Inc., a company providing industry and management consultancy services, since May 2013.

Dr. Shen received a doctor of philosophy degree majoring in chemical engineering from the University of Wisconsin-Madison in May 1982. He also completed the Stanford Executive Program at the Graduate School of Business of Stanford University in 2005.

Mr. Adriaan Johannes Basson ("Mr. Basson"), aged 67, joined the Group in November 2014. He was appointed as a Director in January 2020 and was re-designated as an executive Director on 11 June 2020. He is also a director of certain subsidiaries of the Company. Mr. Basson is primarily responsible for providing strategic recommendations to optimise processes and costs in manufacturing, maintenance and operations of the Group.

He has over 44 years of experience in the graphite electrode industry and in the manufacturing, maintenance and operation of graphite electrode manufacturing equipment. Prior to joining the Group, Mr. Basson was employed by GrafTech South Africa Proprietary Limited in Meyerton ("GrafTech South Africa"), a company primarily engaged in the manufacturing and supply of carbon and graphite products, from October 1974 to March 2014 with his last role as a customer technical service engineer. His major duties included maintenance and operation of all the graphite electrodes manufacturing process, design, construction and commissioning of necessary equipment to increase and maximise product manufacturing output, customising and optimising product application based on customers' needs.

Mr. Basson studied at the Vaal Triangle College for Advanced Technical Education, South Africa and obtained his national certificate for technicians (electrical) in May 1979. He became a member of The Chamber of Engineering Technology in April 1996. He was a registered engineering technician of the Engineering Council of South Africa in November 1984.

Mr. Yan Haiting (**閆海亭**) ("Mr. Yan"), aged 60, joined the Group in March 2018. He was appointed as a Director in January 2020 and was re-designated as an executive Director on 11 June 2020. He is also a director of certain subsidiaries of the Company and a member of the ESG Committee. Mr. Yan is primarily responsible for overseeing matters relating to corporate finance, mergers and acquisitions and bank financing of the Group.

Mr. Yan has extensive experience across both the banking and corporate finance sectors. Prior to joining the Group, Mr. Yan joined the Foreign Financial Institution Regulation Department of the People's Bank of China ("PBC") in April 1996 responsible for the financial affairs of Hong Kong, Macau and Taiwan. During his employment with PBC, he was seconded to The Hongkong and Shanghai Banking Corporation in the United Kingdom to learn about the corporate finance and asset management business. From January 2004 to August 2006, Mr. Yan served as the Vice Head and Head of the International Department of PBC. From September 2006 to March 2010, he was the chief representative (counsellor) of PBC of Europe, responsible for the coordination and liaison with major economic systems in Europe, policy research and submitting proposals to PBC and the State Council of China regarding the formulation of and decisions in economic and financial policies. During April 2010 to March 2014, Mr. Yan worked as the vice chairman, director and chief executive officer of Agricultural Bank of China (UK) Limited, responsible for business and market operations.

From April 2014 to December 2014, Mr. Yan served as a non-executive director of China First Capital Group Limited (stock code: 1269) ("China First Capital"). From 1 January 2015, Mr. Yan was re-designated as an executive director of China First Capital until he resigned in February 2018. In January 2020, he was also appointed as a non-executive director of Chong Kin Group Holdings Limited (stock code: 1609). He was redesignated as an independent non-executive director of Chong Kin Group Holdings Limited in January 2021 until June 2021.

Mr. Yan graduated from Henan University, the PRC in July 1988 with a bachelor of arts degree in English. In June 2001, he graduated with a master degree in economics from Renmin University of China, the PRC.

Mr. Hou Haolong (**侯皓瀧**) ("Mr. Hou"), aged 44, joined the Group in February 2012 and was appointed as an executive Director on 29 March 2021. Mr. Hou is also a director of certain subsidiaries of the Company. He is the brother-in-law of Mr. Feng Jianguo, one of our senior management members. He is responsible for business infrastructure development, product innovation and business strategies of the Group.

Prior to joining the Group, from January 2003 to January 2013, Mr. Hou worked in Henan Sanli Carbon Products Co., Ltd.* (河南三力炭素制品有限公司) ("Henan Sanli") with his last position as general manager and was responsible for project implementation, including the production of large diameter UHP graphite electrode for EAF steel making.

Mr. Hou graduated with a bachelor of science in technology management in December 2000, and subsequently obtained a master of science in procurement and supply chain management from Golden Gate University in August 2002.

* *for identification purposes only*

Directors and Senior Management Profiles

Non-executive Director

Mr. Wang Ping (王平) ("Mr. Wang"), aged 52, joined the Group in August 2019. He was appointed as a Director in October 2019 and re-designated as a non-executive Director on 11 June 2020. He is also a director of certain subsidiaries of the Company. Mr. Wang is primarily responsible for providing advice on business strategy development and financial planning.

Mr. Wang has over 20 years of experience in corporate finance, audit and accounting and financial management. From February 2004 to March 2007, Mr. Wang was employed by China Jishan Holdings Limited, a company listed on the main board of the Singapore Stock Exchange (stock code: J18), as its chief financial officer. From May 2007 to March 2010, Mr. Wang worked as the vice president of EV Capital Pte Ltd., a corporate finance advisory company engaging in corporate advisory services, and was responsible for providing advisory services in accounting and finance. From March 2012 to December 2015 and from March 2014 to December 2015, Mr. Wang served as the chief financial officer and executive director of China First Capital Group Limited (stock code: 1269).

Mr. Wang is currently an independent non-executive director of (i) China Hanking Holdings Limited (stock code: 3788) since February 2011; (ii) China Tianrui Group Cement Company Limited (stock code: 1252) since December 2012; (iii) Jia Yao Holdings Limited (stock code: 1626) since June 2014; and (iv) Shenzhen Fuanna Bedding and Furnishing Co., Ltd, a company listed on the Shenzhen Stock Exchange (SZSE: 002327) since October 2021.

Mr. Wang was a non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd, a company listed on the Shenzhen Stock Exchange (SZSE: 002378) from May 2017 to June 2020 and an independent non-executive director of China Sinostar Group Company Limited (Stock Code: 0485) from July 2014 to May 2020.

Mr. Wang was admitted as a member of the Chinese Institute of Certified Public Accountants in December 1996 and a non-practicing member of the Shanghai Institute of Certified Public Accountants in September 2002. Mr. Wang graduated from Nanjing University, the PRC majoring in economics and management in December 1993 and obtained a master's degree in business administration from Sun Yat- Sen University, the PRC, in June 2004.

Independent non-executive Directors

Mr. Cheng Tai Kwan Sunny (鄭大鈞) ("Mr. Cheng"), aged 50, was appointed as an independent non-executive Director on 19 December 2022. He is also the chairman of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. He is primarily responsible for providing independent advice to the Board.

Mr. Cheng has years of experience in management, financial reporting and management accounting. Mr. Cheng is an independent non-executive director of (i) Bojun Education Company Limited (stock code: 1758); and (ii) Hua Lien International (Holding) Company Limited (Stock Code: 969), since December 2017.

Mr. Cheng was a member of the Chinese People's Political Consultative Conference of Enping City, Guangdong Province from November 2011 to November 2016. Mr. Cheng was admitted as an associate and a fellow of The Association of Chartered Certified Accountants in July 1999 and July 2004, respectively. He was also admitted as a member of the Hong Kong Institute of Certified Public Accountants (previously known as Hong Kong Society of Accountants) in September 2001. In March 2018, Mr. Cheng became a member of CPA Australia.

Mr. Cheng received a bachelor of business administration in accounting from the Hong Kong University of Science and Technology in November 1996. In December 2006, Mr. Cheng received a master of science from The Chinese University of Hong Kong. Mr. Cheng was awarded the Master of Business Administration degree jointly by the Kellogg School of Management of Northwestern University and the School of Business and Management of the Hong Kong University of Science and Technology in December 2009. In November 2017, Mr. Cheng obtained the degree of Juris Doctor from The Chinese University of Hong Kong.

Mr. Ngai Ming Tak Michael (魏明德) ("Mr. Ngai"), aged 55, was appointed as an independent non-executive Director on 19 December 2022. He is also the chairman of the ESG Committee and a member of each of the Audit Committee and the Remuneration Committee. He is primarily responsible for providing independent advice to the Board.

Mr. Ngai is the chairman of The Red Group and the chairman of Asia GreenTech Fund. Mr. Ngai is also the president of Green Economy Development Limited (stock code: 1315). Mr. Ngai is an independent non-executive director of (i) Starlight Culture Entertainment Group Limited (stock code: 1159); (ii) True Partner Capital Holding Limited (stock code: 8657); (iii) China Longyuan Power Group Corporation Limited (stock code: 916); and (iv) CRRC Corporation Limited (stock code: 1766). Mr. Ngai is also an external director of China COSCO Shipping Corporation Limited.

Mr. Ngai is a member of the 12th, 13th and 14th National Committee of the Chinese People's Political Consultative Conference, a Fellow Commoner of Clare Hall, University of Cambridge, a Council Member of The Hong Kong University of Science and Technology, a Court Member of Hong Kong Metropolitan University, Honorary Fellow of Lingnan University, Honorary Citizen of Harbin City, Heilongjiang Province.

Mr. Ngai graduated from University of Cambridge.

Ms. Chan Chore Man Germaine (陳楚雯) ("Ms. Chan"), aged 43, was appointed as an independent non-executive Director on 19 December 2022. She is a member of each of the Audit Committee, the Nomination Committee and the ESG Committee. She is primarily responsible for providing independent advice to the Board.

Ms. Chan has over 19 years' professional experience in accounting and corporate finance ranging from financial advisory to IPOs. Ms. Chan is a director of Innovax Capital Limited, a wholly-owned subsidiary of Innovax Holdings Limited (stock code: 2680). From July 2010 to June 2021, she served as the chief financial officer and company secretary of Shirble Department Store Holdings (China) Limited (stock code: 312).

Ms. Chan has been admitted as a member of the Hong Kong Institute of Certified Public Accountants since January 2006. She has a representative license by the Securities and Futures Commission of Hong Kong to carry on Type 1 (Dealing in Securities) activities and Type 6 (Advising on Corporate Finance) activities.

Ms. Chan received a bachelor's degree in business administration (accounting) from the Hong Kong University of Science and Technology in November 2002.

Directors and Senior Management Profiles

Mr. Sun Qing (孫慶) ("Mr. Sun"), aged 75, was appointed as an independent non-executive Director on 19 December 2022. He also served as the chairman of Remuneration Committee and a member of each of the Audit Committee, Nomination Committee and ESG Committee. He was primarily responsible for providing independent advice to the Board.

Mr. Sun resigned as an independent non-executive Director with effect from 12 April 2023 due to his decision to devote more time to his other commitments and engagements. Following his resignation, he also ceased to be chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the ESG Committee.

Mr. Sun has extensive experience in the carbon industry. From August 1968 to May 1999, Mr. Sun served as the group vice president and committee secretary and first deputy director of the carbon research lab of Jilin Carbon Group Company Limited* (吉林炭素集團有限公司), a company primarily engaged in the manufacturing and research of carbon materials, and his major duties included overall management of the company's daily operations and supervision of research related works. From March 2012 to May 2015, Mr. Sun was an independent non-executive director of Fangda Carbon New Material Co., Ltd.* (方大炭素新材料科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600516) which is engaged in the manufacturing of carbon products, including various types of graphite electrodes and needle coke. He has been appointed as the chief secretary general of the China Carbon Industry Association* (中國炭素行業協會) from 1995 to 2007, and from 2011 to present, mainly responsible for hosting the daily operation of the association and speaking on behalf of the association on industry development.

Mr. Sun completed a course in economics management from Communist Party of China Central Party College* (中共中央黨校函授學院) in December 1992.

SENIOR MANAGEMENT

Mr. Feng Jianguo (馮建國) ("Mr. Feng"), aged 57, joined the Group in March 2016 and is the chief technology officer. He is the brother-in-law of Mr. Hou Haolong, one of the executive Directors. Mr. Feng is primarily responsible for overseeing project implementation and providing technical support.

Prior to joining the Group, from May 1997 to March 2016, Mr. Feng worked in Henan Sanli with his last position as a deputy general manager of production technology and the Head of Technology, responsible for the construction of UHP graphite electrode project.

Mr. Feng completed a course in chemical engineering and machinery from Zhengzhou Institute of Technology* (鄭州工學院) in July 1987. Mr. Feng obtained a certificate issued by Human Resources and Social Security Department of Henan Province, the PRC to certify his qualification as a senior engineer in chemical engineering in March 2016. He was admitted as a member of the Carbon Materials Sub-Technical Committee of the National Steel Standardization Technical Committee* (全國鋼標準化技術委員會炭素材料分技術委員會) in March 2020.

Mr. Luiz A. Freitas ("Mr. Freitas"), aged 72, joined the Group in April 2019 as the executive vice president of operations of Sangraf International Inc., an indirect wholly-owned subsidiary of the Company. His current responsibilities include optimising the manufacturing plants in Italy and in the PRC, implementing a Group-wide quality management system and overseeing supply chain activities. He is experienced in the management of projects, facilities, engineering and operations for graphite electrode businesses.

Prior to joining the Group, Mr. Freitas began his career at UCAR Produtos de Carbono SA in August 1974. In March 1996 he was transferred to UCAR Carbon Company in Clarksburg, West Virginia as project manager. From July 1998 through December 2000, he was the director of central engineering for UCAR Carbon Company coordinating plant engineering teams globally. Between January 2001 and December 2006, Mr. Freitas held various positions in different divisions of GrafTech International, the successor company of UCAR Carbon Company, with his last position as industrial director of the natural graphite division. From January 2007 to September 2008, he was the general manager and president of GrafTech Brasil Participacoes Ltda., primarily responsible for the overall performance of the company. Between August 2009 and March 2015, Mr. Freitas was the vice president of operations, supply chain and procurement at GrafTech Switzerland S.A.. Mr. Freitas was an independent consultant to various private equity companies in the United States and Canada on their prospective acquisition of businesses in the carbon and graphite industries from June 2015 to January 2017. From February 2017 to March 2019, Mr. Freitas worked in GrafTech Mexico S.A. de C.V with his last position as an independent consultant providing engineering services for projects to improve operational issues.

Mr. Freitas graduated from the Federal University of Bahia, Brazil with a bachelor's degree in mechanical engineering in August 1975.

Directors' Report

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for FY2022.

DIRECTORS

The Directors during FY2022 and up to the date of this report were:

Executive Directors

Dr. Wei-Ming Shen *(Chief Executive Officer and Chairman)*
Mr. Hou Haolong
Mr. Yan Haiting
Mr. Adriaan Johannes Basson

Non-executive Director

Mr. Wang Ping

Independent Non-Executive Directors

Ms. Chan Chore Man Germaine *(appointed on 19 December 2022)*
Mr. Cheng Tai Kwan Sunny *(appointed on 19 December 2022)*
Mr. Ngai Ming Tak *(appointed on 19 December 2022)*
Mr. Sun Qing *(resigned on 12 April 2023)*

In accordance with article 84(1) of the Articles, Mr. Adriaan Johannes Basson, Mr. Yan Haiting and Mr. Wang Ping shall retire by rotation at the 2023 AGM. Mr. Yan Haiting and Mr. Wang Ping, being eligible, will offer themselves for re-election while Mr. Adriaan Johannes Basson, although eligible, will not offer himself for re-election as he intends to devote more time on his management role in the Group. Mr. Adriaan Johannes Basson will retire as a Director after the conclusion at the 2023 AGM but will continue to serve as a director of the Company's subsidiary in South Africa.

None of the Directors proposed for re-election at the 2023 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation

The Company has received an annual confirmation from each of the independent non-executive Directors as regards their independence to the Company, and considers them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 11 to 16 of this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of graphite electrodes. The activities of the Company's principal subsidiaries are set out in Note 1 to the consolidated financial statements.

An analysis of the Group's performance for FY2022 by operating segment is set out in Note 4 to the financial statements.

RESULTS, DIVIDENDS AND DIVIDEND POLICY

The results of the Group for FY2022 are set out on pages 43 to 119 of this annual report.

No final dividend in respect of FY2022 (FY2021: US$14,000,000) was recommended by the Board.

The Group does not have a pre-determined dividend-payment ratio. The payment and the amount of any dividends will be at the discretion of the Directors and will depend upon the Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which the Directors deem relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future. Any future declarations and payments of dividends will be at the discretion of the Directors and may require the approval of the Shareholders.

The payment of dividend by the Company is also subject to any restrictions under the applicable laws and regulations, including the laws of the Cayman Islands and the memorandum and articles of association of the Company.

BUSINESS REVIEW

A review of the Group's business during FY2022, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during FY2022 and up to the date of this report, and an indication of likely future developments in the Group's business, are provided in sections headed "Chairman's Statement" on pages 4 to 5 and "Management Discussion and Analysis" on pages 7 to 10 of the annual report, and the notes to the consolidated financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognizes the importance of compliance with the requirements of relevant laws and regulations. During FY2022, as far as the Board and management are aware of, there was no material breach or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmental-friendly corporation and pays close attention to environmental protection laws and regulations to ensure the environmental policies are in line with domestic and international standards. All the factories are operated in strict compliance with the relevant environmental regulations and rules.

KEY RELATIONSHIPS

The Group recognizes the importance of maintaining a good relationship with its employees, customers and suppliers so as to maintain sustainable development in the long term. During the FY2022, there were no material and significant disputes between the Group and its employees, customers and suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For details of the environmental related activities performed in 2022, please refer Company's 2022 Environmental, Social and Governance Report (the "**ESG Report**") published by the Company separately at the same time as the publication of this annual report on websites of the Company and the Stock Exchange.

The ESG Report will not be provided in printed form. For Shareholders who wish to receive a printed version of the ESG Report, please send your request in writing to the principal place of business of the Company in Hong Kong at Room 2602, 26th Floor China Resources Building 26 Harbour Road, Wanchai, Hong Kong.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during FY2022 are set out in Note 13 to the consolidated financial statements.

SHARES MOVEMENT IN THE YEAR

Details of movements in the share capital of the Company in FY2022 are set out in Note 25 to the consolidated financial statements.

DONATIONS

During the Year, the Group donated RMB120,000 to different charitable organisations to support the development of local communities.

RESERVES

Details of the movements in the reserves of the Group and the Company during FY2022 are set out in the consolidated statement of changes in equity and Note 26 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2022, the Company's reserves available for distribution to shareholders of the Company were US$7,526,000, representing share premium of US$7,300,000 and retained earnings of US$226,000.

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provision of the Articles and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out on page 120 of this annual report. The summary does not form part of the audited financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and the Companies Law of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during FY2022 are set out in note 30 to the consolidated financial statements. Since the Shares have not been listed for the FY2022, the provisions of Chapter 14A of the Listing Rules were not applicable to the Company for FY2022, each of the related party transactions during FY2022 disclosed in note 30 to the consolidated financial statements was either (i) one-off in nature and not subject to the requirements under Chapter 14A of the Listing Rules, or (ii) a continuing connected transaction but is fully exempted and not subject to any of the disclosure requirements under Chapter 14A of the Listing Rules upon Listing.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in note 30 to the consolidated financial statements, no transactions, arrangements or contracts of significance, to which the Company, its parent company, its subsidiaries or its fellow subsidiaries, was a party and in which a Director at any time during FY2022 or an entity connected with a Director at any time during FY2022 had any material interest, whether directly or indirectly, was entered into or subsisted at the end of FY2022 or at any time during FY2022.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme", at no time during FY2022 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during FY2022, other than service contracts with the Directors and other persons engaged in the full-time employment of the Company.

CONTRACT WITH CONTROLLING SHAREHOLDER

No contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during FY2022.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in the execution of their duty. The Company has taken out and maintained directors' and officers' liability insurance since the Listing Date, which provides appropriate cover for certain legal actions (if any) brought against its Directors and officers.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As the shares of Company were not yet listed on the main board of the Stock Exchange as at 31 December 2022, Divisions 7 and 8 of Part XV and section 352 of the SFO are not applicable to the Directors and chief executive of the Company as at 31 December 2022.

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity and nature of interest	Number of shares	Percentage of interest (Note 1)
Mr. Hou Haolong	Founder of a discretionary trust (Note 2)	750,000,000	75%

Notes:

1. Based on 1,000,000,000 shares of the Company in issue as at the Latest Practicable Date.

2. The shares were held by Otautahi Capital Inc. which is owned as to 100% by Otautahi Holdings Limited. Otautahi Holdings Limited is in turn wholly-owned by Otautahi Enterprises Trust Company Limited. Otautahi Enterprises Trust Company Limited is the trustee of the Otautahi Enterprises Trust, which is a discretionary trust established by Otautahi Enterprises Trust Company Limited as the trustee and Mr. Hou Haolong is one of the beneficiaries. Accordingly, Mr. Hou Haolong is deemed to be interested in the Shares held by Otautahi Capital Inc. under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions deemed or taken under the relevant provisions of the SFO), or which were required to be entered in the register referred to therein under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company has not been listed on the main board of the Stock Exchange as at 31 December 2022, Divisions 2 and 3 of Part XV and section 336 of the SFO are not applicable to the substantial shareholders of the Company as at 31 December 2022.

To the best of Directors' knowledge, as of the Latest Practicable Date, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO which were kept by the Company pursuant to section 336 of the SFO:

Name of shareholders	Capacity and nature of interest	Number of shares	Percentage of interest (Note 1)
Otautahi Capital Inc. (Note 2)	Beneficial owner	750,000,000	75%
Otautahi Holdings Limited (Note 2)	Interest in controlled corporations	750,000,000	75%
Otautahi Enterprises Trust Company Limited (Note 2)	Trustee	750,000,000	75%

Notes:

1. Based on 1,000,000,000 shares of the Company in issue as at the Latest Practicable Date.

2. The Shares were held by Otautahi Capital Inc. which is wholly-owned by Otautahi Holdings Limited. Otautahi Holdings Limited is wholly-owned by Otautahi Enterprises Trust Company Limited. Otautahi Enterprises Trust Company Limited is the trustee of Otautahi Enterprises Trust, which is a discretionary trust established by Otautahi Enterprises Trust Company Limited as the trustee and Mr. Hou Haolong is one of the beneficiaries of Otautahi Enterprises Trust. Accordingly, they are deemed to be interested in the Shares held by Otautahi Capital under the SFO.

Save as disclosed above, the Directors are not aware that there is any party (who were not Directors or chief executive of the Company) who, as at the Latest Practicable Date, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During FY2022, none of the Directors and directors of the Company's subsidiaries or their respective associates had any interests in any businesses, apart from the Group's business, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

SHARE OPTION SCHEME

On 19 December 2022, a share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the then shareholders of the Company. No option under the Share Option Scheme has been granted since its adoption. The details of the Share Option Scheme are as follows:

1. **Purpose**

   The purpose of the Share Option Scheme is to give the Eligible Participants (as defined in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of an Employee Participant (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. **Who may join**

   The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to any of the Employee Participant, the Related Entity Participant or the Service Provider (collectively, the "Eligible Participants") below:

   (a) any director or employee of the Company or any of its subsidiaries, including persons who are granted Options as an inducement to enter into employment contracts with the Company or any of its subsidiaries ("Employee Participants");

   (b) a director or employee of a holding company, a subsidiary of the holding company or an associated company of the Company ("Related Entity Participants"); and

   (c) any person who provides services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of our Group, including (i) a supplier of goods or services to any member of our Group; (ii) a customer of any member of our Group; (iii) a business or joint venture partner, franchisee, contractor, agent or representative in the sports product industry of any member of our Group; (iv) a person or entity (as an independent contractor, consultant, advisor or otherwise) that provides support or any advisory, consultancy, professional or other services to any member of our Group (including support or services in relation to design , research, development, marketing, in novation upgrading , strategic or commercial planning on corporate image, investor relations, product quality control, regulations and policies); and (v) an associate of any of the foregoing persons ("Service Providers"). For the avoidance of doubt, Service Provider may not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, as well as professional service providers (such as auditors or valuers) who provide assurance or are required to perform their services with impartiality and objectivity.

3. **Maximum number of Shares**

   The total number of Shares available for issue under the Share Option Scheme and any other schemes of the Company is 100,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

4. **Maximum entitlement of each participants**

No Option may be granted to any person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of any relevant class of the Company's issued share capital from time to time (the "1% Individual Limit"). Any further grant of Share Options in excess of the 1% Individual Limit is subject to shareholders' approval in a general meeting with such grantee and his/her associates abstaining from voting.

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive director of the Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of securities in issue, such further grant of Options is subject to shareholders' approval in a general meeting with such grantee and his/her associates and all core connected persons (as defined in the Listing Rules) of the Company abstaining from voting.

5. **Offer and grant of Options**

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Participant as the Board may in its absolute discretion select to subscribe at the exercise price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. **Amount payable for Options and offer period**

An offer of the grant of an Option shall remain open for acceptance by the Eligible Participant concerned for a period of 28 days from the grant date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme or after the Share Option Scheme has been terminated. An Option shall be deemed to have been granted and accepted by the Eligible Participant and to have taken effect when the duplicate grant letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of the Company of US$1.00 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Participant, being a date no later than 28 days after the offer date.

7. **Vesting Period**
The exercise of any Option may be subject to a vesting period to be determined by the Board in its absolute discretion. In any event, the vesting period for an Option under the Share Option Scheme shall not be less than 12 months, except that the Options granted to Employee Participants may be less than 12 months under the following specific circumstances.

(a) grants of "make-whole" Options to new joiners to replace the share options they forfeited when leaving the previous employers;

(b) grants of Options to an Employee Participant whose employment is terminated due to death or disability or uncontrollable event. In those circumstances, the vesting of an Option may accelerate;

(c) grants of Options with performance-based vesting conditions in lieu of time-based vesting criteria;

(d) grants of Options made in batches during a year for administrative and compliance reasons;

(e) grants of Options with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period of 12 months; and

(f) grants of Options with a total vesting and holding period of more than 12 months.

8. **Exercise price**
The exercise price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the exercise price shall not be less than whichever is the higher of:

(a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the grant date; and

(b) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Business Days (as defined in the Listing Rules) immediately preceding the grant date.

9. **Life of Share Option Scheme**
The Share Option Scheme shall be valid and effective for a period of 10 years from 19 December 2022, i.e. until 18 December 2032, after which no further options pursuant to the Share Option Scheme may be granted.

EQUITY-LINKED AGREEMENTS

The Company did not enter into, and as of the Latest Practicable Date did not have, any equity-linked agreements which would or might result in the issue of shares by the Company, or require the Company to enter into any agreements which would or might result in the issue of shares by the Company, during FY2022 and up to the Latest Practicable Date.

EVENTS AFTER THE REPORTING PERIOD

Save for the successful listing of the Shares on the Main Board of the Stock Exchange on 17 January 2023, there are no other significant events affecting the Group after FY2022 and up to the date of this annual report.

USE OF PROCEEDS FROM THE LISTING

The Shares have been listed on the Main Board of the Stock Exchange since 17 January 2023. The net proceeds from the global offering after deducting the underwriting fees and commissions and related expenses was HK$186.7 million. The Group will continue to utilize the net proceeds from the global offering as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The intended application of the net proceeds as stated in the Prospectus and the actual utilisation of the net proceeds from the global offering up to the Latest Practicable Date was as below:

Purpose		Percentage of total amount	Net proceeds HK$ million	Utilized HK$ million	Unutilized HK$ million
1	Pay for the purchase price of the Taigu Assets (as defined in the prospectus)	34.8%	65.0	–	65.0
2	Upgrade of the Group's production systems on the Italian Factory, the PRC Factory and the Sanli Assets (as defined in the prospectus)	55.2%	103.0	26.9	76.1
3	Working capital and general corporate purposes	10.0%	18.7	18.7	–

The net proceeds have been and will be used according to the purposes as stated in the Prospectus. As disclosed in the announcement of the Company dated 17 April 2023, certain conditions precedents under the Asset Purchase Agreements (as defined in the Prospectus) have not yet been fulfilled and thus the completion of the acquisition of the Taigu Assets and the settlement of the first tranche of the consideration thereof will be delayed. For further details, please refer to such announcement. Other than that, there are no material change or delay in the use of proceeds.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date to the Latest Practicable Date.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2022, sales to the Group's five largest customers accounted for approximately 44.9% of the total sales and the sales to the largest customer included therein amounted to approximately 12.5%. Purchases from the Group's five largest suppliers accounted for approximately 60.6% of the total purchases of the Group for FY2022 and the purchases from the largest supplier included therein amounted to approximately 21.8%.

None of the Directors or their close associates (as defined in the Listing Rules) or the existing shareholders (who, to the knowledge of the Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16 May 2023 to Friday, 19 May 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the 2023 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong for registration no later than 4:30 p.m. on 15 May 2023.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed approximately 210 staff. The staff costs (including directors remuneration) for FY2022 amounted to approximately US$9.6 million (2021: US$10.3 million). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and share option scheme.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the Company's retirement and employee benefits scheme are set out in Note 2.4 to the consolidated financial statements on pages 72 to 73 of this annual report.

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on principles and code provisions as set out in the CG Code. Since the Shares were listed on the Main Board of the Stock Exchange on 17 January 2023, the CG Code were not applicable to the Company during the FY2022. Throughout the period from the Listing Date to the date of this annual report, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code save for Code A.2.1 which requires that the roles of chairman and chief executive officer be separated and performed by different individuals.

Dr. Wei-Ming Shen is both our chief executive officer and the chairman of the Board. The Board believes that vesting the roles of both chief executive officer and chairman of the Board in the same person has the benefit of ensuring consistent leadership and efficient discharge of executive functions within the Group. The Group considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises seven other experienced and high-calibre individuals including another three executive Directors, one non-executive Director and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Board will make consultations with appropriate Board committees and senior management. Therefore, the Directors consider that the present arrangement is beneficial to and in the interest of the Company and the shareholders of the Company as a whole and the deviation from Code A.2.1 of the CG Code is appropriate in such circumstance.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. As the Shares have not yet been listed on the Stock Exchange during FY2022, the Model Code was not applicable to the Company during FY2022. However, after making specific enquiries to all the Directors, each of them has confirmed that they have complied with the Model Code throughout the period from the Listing Date up to the date of this annual report.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has taken out and maintained appropriate insurance cover for its Directors and officers in respect of potential liabilities that they might incur in the course of performing their duties.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the Latest Practicable Date, the Company has maintained sufficient public float as prescribed under the Listing Rules.

AUDIT COMMITTEE

The Company has established the Audit Committee on 16 December 2022 with written terms of reference in compliance with the CG Code.

As at the date of this report, the Audit Committee consists of the following members, all being independent non-executive Directors:

Mr. Cheng Tai Kwan Sunny *(Chairman)*
Ms. Chan Chore Man Germaine
Mr. Ngai Ming Tak

The primary responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial controls, internal control and risk management systems, to review and monitor the effectiveness of the audit process, making recommendations to the board on the appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors, reviewing the interim and annual reports and accounts of the Group and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed and discussed the annual results and the consolidated financial statements of the Company for FY2022.

AUDITORS

The consolidated financial statements of the Company for FY2022 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment as the auditors of the Company at the 2023 AGM.

On behalf of the Board
Dr. Wei-Ming Shen
Chairman

Hong Kong, 29 March 2023

Corporate Governance Report

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. Each Directors would ensure that he/she would devote sufficient time and attention to the Group's affairs by accepting their respective appointments.

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance practices are based on principles and code provisions as set out in the CG Code. Since the Shares were listed on the Main Board of the Stock Exchange on 17 January 2023, the CG Code were not applicable to the Company during FY2022. Throughout the period from the Listing Date to the date of this annual report, save for the deviation from code provision C.2.1 of the CG Code as disclosed in the paragraph headed "Chairman and Chief Executive Officer" below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies; authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control and risk management systems; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises eight Directors, consisting of four executive Directors, one non-executive Director and three independent non-executive Directors:

Executive Directors

Dr. Wei-Ming Shen *(Chief Executive Officer and Chairman)*
Mr. Hou Haolong
Mr. Yan Haiting
Mr. Adriaan Johannes Basson

Non-executive Director

Mr. Wang Ping

Independent Non-Executive Directors

Ms. Chan Chore Man Germaine (appointed on 19 December 2022)
Mr. Cheng Tai Kwan Sunny (appointed on 19 December 2022)
Mr. Ngai Ming Tak (appointed on 19 December 2022)
Mr. Sun Qing (Resigned on 12 April 2023)

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors is set out on pages 11 to 16 in this annual report under the section headed "Directors and Senior Management Profile".

A list of Directors and their roles and functions is also available on the websites of the Stock Exchange and the Company. There is no alternate director being appointed to the Board in 2022. During the reporting period, the Board had reviewed the implementation and effectiveness of the mechanisms ensuring independent views and input available to the Board.

Chairman and Chief Executive Officer

Dr. Wei-Ming Shen is currently both the chief executive officer of the Company and the chairman of the Board. Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. The Board believes that vesting the roles of both chief executive officer and chairman of the Board in the same person has the benefit of ensuring consistent leadership and efficient discharge of executive functions within the Group. The Group considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises seven other experienced and high-calibre individuals including another three executive Directors, one non-executive Director and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Board will make consultations with appropriate Board committees and senior management. Therefore, the Directors consider that the present arrangement is beneficial to and in the interest of the Company and the shareholders of the Company as a whole and the deviation from Code A.2.1 of the CG Code is appropriate in such circumstance.

Independent Non-Executive Directors

Since the Listing Date to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all independent non-executive Directors are independent.

Term of Appointment of Non-executive Directors

All non-executive Directors (including independent non-executive Directors) are appointed for a specific term.

Mr. Wang Ping, being a non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service agreement). Each of the independent non-executive Directors (Ms. Chan Chore Man Germaine, Mr. Cheng Tai Kwan Sunny and Mr. Ngai Ming Tak) has entered into a letter of appointment with the Company for an initial term of one year commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

The Articles provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions such as (i) developing and reviewing the Company's policies, practices on corporate governance and making recommendations to the board; (ii) reviewing and monitoring the training and continuous professional development of directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements and reviewing Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors.

The Board held meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings will be given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers will be sent to all Directors at least 3 days before the date of a Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of each Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the joint company secretaries of the Company with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Company reviews the insurance coverage from time to time to ensure adequate coverage. There is a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses in order to assist them to discharge their duties to the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly updated and apprised of the amendments to or updates on the relevant laws, rules, regulations and guidelines, particularly the effects of such new or amended laws, rules, regulations and guidelines on directors specifically, and the Company and the Group generally.

On an ongoing basis, Directors are encouraged to keep up-to-date on all matters relevant to the Group and to attend briefings, seminars and relevant training courses as appropriate. The Directors are requested to provide the Company with their respective training record pursuant to the requirement of the CG Code on continuous professional development.

During FY2022, all Directors (including Dr. Wei-Ming Shen, Mr. Adriaan Johannes Basson, Mr. Yan Haiting, Mr. Hou Haolong, Mr. Wang Ping, Mr. Cheng Tai Kwan Sunny, Mr. Ngai Ming Tak, Ms. Chan Chore Man Germaine and Mr. Sun Qing) participated in appropriate continuous professional development activities by way of attending training sessions and reading materials relevant to the Company's business, directors' duties and responsibilities and corporate governance.

ATTENDANCE AT MEETINGS

During FY2022, a total of three (3) Board meetings and one (1) general meeting were held. The record of attendance of the Directors at Board meetings and the general meeting during FY2022 is set out below:

	Board meeting	General meeting
Executive Directors		
Dr. Wei-Ming Shen *(Chief Executive Officer and Chairman)*	3/3	0/1
Mr. Adriaan Johannes Basson	3/3	0/1
Mr. Yan Haiting	3/3	0/1
Mr. Hou Haolong	3/3	1/1
Non-executive Director		
Mr. Wang Ping	3/3	0/1
Independent Non-executive Directors		
Mr. Cheng Tai Kwan Sunny (appointed on 19 December 2022)	Nil	Nil
Mr. Ngai Ming Tak (appointed on 19 December 2022)	Nil	Nil
Ms. Chan Chore Man Germaine (appointed on 19 December 2022)	Nil	Nil
Mr. Sun Qing (Resigned on 12 April 2023)	Nil	Nil

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee currently comprises one executive Director, namely Dr. Wei-Ming Shen and two independent non-executive Directors, namely Mr. Cheng Tai Kwan Sunny and Mr. Ngai Ming Tak. Mr. Cheng Tai Kwan Sunny is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include reviewing and making recommendations on the terms of remuneration packages of Directors and senior management and considering the grant of options under the share option scheme of the Company (the model described in code provision B.1.2(c)(ii) was adopted).

No Remuneration Committee's meeting has been held since the establishment of the Remuneration Committee and up to 31 December 2022.

Pursuant to code provision of E.1.5 of the CG Code, details of the annual remuneration of the members of the senior management by band for FY2022 is as follows:

	Number of employees
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	0
HK$2,500,001 to HK$3,000,000	1

Details of the remuneration of each Director for FY2022 are set out in Note 8 to the financial statements.

Nomination Committee

The Nomination Committee currently comprises one executive Director namely Dr. Wei-Ming Shen and two independent non-executive Directors, namely Mr. Cheng Tai Kwan and Ms. Chan Chore Man Germaine. Dr. Wei-Ming Shen is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for (i) making recommendations to the Board on the appointment of Directors and the management of the board succession; (ii) reviewing the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and making recommendations on any proposed changes to the board to complement the issuer's corporate strategy; (iii) identifying individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated for directorships; and (iv) assessing the independence of independent non-executive directors. The Nomination Committee can reasonably ensure that only candidates with capability and relevant experience will be appointed as future directors.

For the appointment and nomination of new Directors, the Nomination Committee will consider the candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the relevant industry and/or other professional areas.

No Nomination Committee's meeting has been held since the establishment of the Nomination Committee and up to 31 December 2022.

Board Diversity Policy

The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity of the Board. The Company recognizes that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Company take opportunities to promote gender diversity at all levels, including but not limited to our Board and the Senior Management levels. Currently, there is one female on the Board of Directors and the Senior Management.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. The Company should comply with the requirements on board composition in the Listing Rules from time to time.

2. The number of independent non-executive Directors should be not less than three and one-third of the Board.

3. At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

4. The Board should have at least one member of a different gender in order to achieve gender diversity at Board level.

The Nomination Committee is of the view that the Company has achieved these measurable objectives under the Board Diversity Policy.

Gender Diversity

The main business of the Group is manufacturing operation. Traditionally, the manufacturing industry has been short of female talents. As at 31 December 2022, the gender ratio in the total workforce of the Group (including senior management) was approximately 77:23 (male:female). Nevertheless, the Company targets to avoid a single gender senior workforce and will timely review the gender diversity of the senior workforce in accordance with the business development of the Group.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Cheng Tai Kwan, Sunny, Mr. Ngai Ming Tak and Ms. Chan Chore Man Germaine. Mr. Cheng Tai Kwan, Sunny is the chairman of the Audit Committee. The primary duties of the Audit Committee are (i) to assist the Board in providing an independent view of the effectiveness of the Company's financial controls, internal control and risk management systems; (ii) to review and monitor the effectiveness of the audit process; (iii) to make recommendations to the board on the appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors; (iv) to review the interim and annual reports and accounts of the Group; and (v) to perform other duties and responsibilities as assigned by the Board.

No Audit Committee's meeting has been held since the establishment of the Audit Committee and up to 31 December 2022.

Auditor's Remuneration

The financial statements of the Group FY2022 have been audited by Ernst & Young ("EY"). The remuneration paid/payable to EY FY2022 is set out as follows:

	Fee paid/payable US$'000
Audit services	340
Non-audit services	315
	655

The non-audit services are mainly for the remuneration paid to reporting accountant for the initial public offering exercise of listing on the Main Board of the Stock Exchange.

ESG COMMITTEE

The ESG Committee was established on 16 December 2022 and as at the date of this report comprises Mr. Ngai Ming Tak (Chairman), Mr. Yan Haiting and Ms. Chan Chore Man Germaine.

The ESG Committee is mainly responsible for supporting the Board to formulate the ESG policy and strategies, conducting materiality assessment of environmental-related, climate-related, social-related risks, assessing the performance of the ESG strategies, and continuously monitoring ESG progress, implementation of measures to address the Group's ESG-related risks and responsibilities and updating the policy and strategies every year.

The ESG Committee will work with the senior management to conduct a material assessment to identify and prioritise material ESG issues. Materiality assessment provides a guide or blueprint for the Group's ESG strategy.

The ESG Committee will work with an external consultant to establish risk management and internal control systems, such as ESG policies and programmes to manage and mitigate ESG risks. Climate-related performance metrics and targets will be set to assist the Board in evaluating the effectiveness of its ESG strategy and measures.

No ESG Committee's meeting has been held after the establishment of the ESG Committee and up to 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. As the shares of the Company have not yet been listed on the Stock Exchange during FY2022, the Model Code was not applicable to the Company during FY2022. However, after making specific enquiries to all the Directors, each of them has confirmed that they have complied with the Model Code throughout the period from the Listing Date up to the date of this annual report.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for FY2022.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 39 to 42.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROLS

Responsibility of the Board

The Board acknowledges its responsibility to ensure the establishment, maintaining and review of the appropriateness and effectiveness of the Group's risk management and internal control systems, where management is responsible for the design, implementation and monitoring of these systems to manage risks.

Sound and effective risk management and internal control systems are in place to achieve the Group's strategic objectives as well as to safeguard shareholder investments and the Company assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our Risk Management and Internal Control Framework

The Board has the overall responsibility of the risk management and internal control systems of the Group. With the support from the Audit Committee, the Board monitors the Group's risk exposure, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis. Management is responsible for setting an appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal controls. Policies and procedures form the basis and set forth the control standards required for functioning of the Group's business entities. These policies and procedures covered various aspects, including operations, finance & accounting, human resources, regulatory & compliance, delegation of authority, etc.

The Group has previously engaged a professional consulting firm which initiated and facilitated the management to perform an annual enterprise-wide risk assessment to evaluate the nature and extent of the risks (including environmental, social and governance ("**ESG**") risks) that the Group is willing to take in achieving its strategic objectives and issued a report in December 2022. During the risk assessment process, the Group has identified several key risks that may impact the Group's strategic objectives, as a result of the changes in the business and external environment. These risks have been prioritized according to the likelihood of their occurrence and the significance of their impact on the business of the Group. An update to the risk assessment report has been submitted to the Board for oversight and monitoring of the risks. Meanwhile, risk management measures and mitigating controls have been developed to manage these risks to an acceptable level.

Internal Audit

The Internal Audit Team (the "IA Team") of the Company plays a major role in reviewing and monitoring the adequacy and effectiveness he internal control system of the Group. It reports directly to the Audit Committee. The IA Team has carried out independent audits to evaluate the effectiveness of the Group's internal control systems according to the Internal Audit Plan. The representative of the IA Team has attended the Audit Committee meetings and reported the work that has been done and audit findings to the Audit Committee. All recommendations from the professional consulting firm have been followed up promptly to ensure proper controls have been in place within a reasonable time.

Review of Risk Management and Internal Control Systems

The Board is responsible for maintaining appropriate and effective risk management and internal control systems to safeguard shareholder investments and the Company assets as well as reviewing the effectiveness of such systems, with the support of the Audit Committee, on an annual basis.

Key or major business units are required to perform annual control self-assessments to assess the effectiveness of internal control systems. The control self-assessments are in the form of questionnaires that set out key risks and corresponding controls for each key business process. The questionnaires are required to be confirmed and signed by the management of corresponding business units upon completion. The IA Team reviews the completed control self-assessment questionnaires and provides comments and recommendations for consideration by the management of business units.

During FY2022, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered these systems being effective and adequate. In addition, the Board has reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, as well as their training programs and budget and those relating to the ESG's performance and reporting.

Procedures and Controls over Handling and Dissemination of Inside Information

The Company is aware of its obligation under relevant sections of the Securities and Futures Ordinance and Listing Rules. An Inside Information Disclosure Policy has been established to lay down practical guidelines on definition and the scope of inside information; disclosure and management framework; exemptions for disclosure; receiving, reporting and disclosing of inside information; confidentiality and records of such information. Also, staff who have access to inside information are required to follow the Inside Information Disclosure Policy to keep the unpublished inside information strictly confidential.

The payment of dividend by the Company is also subject to any restrictions under the applicable laws and regulations, including the laws of the Cayman Islands and the memorandum and articles of association of the Company.

JOINT COMPANY SECRETARIES

Both the joint company secretaries of the Company, Mr. Lau Che Yan Kenneth and Ms. Ip Cheuk Man Louisa, are full-time employee of the Company. Given that the Company has been listed on the main board of the Stock Exchange since 17 January 2023, Ms. Ip Cheuk Man Louisa will comply with the rule 3.29 of the Listing Rules. For FY2022, Mr. Lau Che Yan Kenneth has participated in relevant professional trainings for no less than 15 hours to comply with rule 3.29 of the Listing Rule.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

The Company maintains various communication channels with its shareholders. The Company's annual general meeting provides a good opportunity for shareholders to exchange views with the Board. Members of the Board and the external auditor will attend the annual general meeting to answer shareholders' questions.

In order to promote effective communication, the Company maintains a website (www.sanergygroup.com) which includes past and present information relating to the Group and its businesses.

Aside from raising questions at general meetings, all enquiries, suggestions or views to the Company are welcomed and can be sent to the Company through the Company's Investor Relations via the following methods (i) by email at ir@sanergygroup.com; (ii) by facsimile to (852) 2891 9822, or by post to the Company's registered office at 2602, 26/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company regards communications with its investors as being vital. The Company continues to enhance investor relations. Designated members of the Board and senior management of the Company are given the specific responsibilities to maintain regular contact with institutional investors, potential investors, financial analysts and fund managers. In FY2022, plant visits and meetings were held to help them better understand the Group's operations and developments. Press releases were issued as appropriate to provide with the most updated business development of the Group to the public.

The Board reviewed the investor engagement and communication activities to date and was satisfied with the effectiveness of the shareholders communication policy in place.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting of the Company ("EGM")

Pursuant to Article 58 of the Articles, shareholders of the Company holding at the date of deposit of requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the joint company secretaries of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself (themselves) may convene a physical meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting forward proposals at general meetings

There are no provisions allowing shareholders to move new resolutions at general meetings under the Companies Law of the Cayman Islands or the Company's Articles of Association. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures as set out in the preceding paragraph.

As regards proposing a person for election as a Director, please refer to the procedures available on the website of the Company.

Putting forward enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquires to the Company addressing to the any of the joint company secretaries by mail at Room 2602, 26th Floor China Resources Building 26 Harbour Road, Wanchai, Hong Kong or by email at ir@sanergygroup.com.

Constitutional documents

On 19 December 2022, the Company adopted the Articles which become effective on the Listing Date. There had been no changes in the Articles since the Listing Date. The Articles have been published on the website of Hong Kong Stock Exchange at https://www.hkexnews.hk and the website of the Company at http://www.sanergygroup.com.

Independent Auditor's Report

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To the shareholders of Sanergy Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sanergy Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 119, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTER *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of land and buildings and plant and machinery As at 31 December 2022, the Group had property, plant and equipment of US$93,131,000, of which US$32,442,000 relating to freehold land and buildings and US$60,469,000 relating to plant and machinery, were carried at revalued amounts. The valuation process was inherently subjective and dependent on a number of estimates. The Group engaged external valuers to perform the valuations for the Group's land and buildings and plant and machinery which were carried at revalued amounts. Relevant disclosures are included in notes 3 and 13 to the consolidated financial statements.	Our audit procedures included considering the independence, competence and capabilities of the external valuers employed by the Group; evaluating the valuation methodology and the assumptions adopted by the valuers, with the assistance from our internal valuation experts; evaluating the data used as inputs for the valuations by checking to market data; and discussing with management on key assumptions and judgements used in the valuations.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chau Suet Fung, Dilys.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2023

Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 US$'000	2021 US$'000
REVENUE	5	**115,521**	108,694
Cost of sales		**(89,493)**	(85,864)
Gross profit		**26,028**	22,830
Other income and gains	5	**651**	1,300
Selling and administrative expenses		**(12,060)**	(12,096)
Other expenses		**(1,607)**	(1,931)
Finance costs	7	**(2,626)**	(1,988)
Listing expenses		**(1,198)**	(1,961)
PROFIT BEFORE TAX	6	**9,188**	6,154
Income tax expense	10	**(1,692)**	(1,766)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**7,496**	4,388
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic and diluted	12	**US0.9 cents**	US0.5 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

	2022 **US$'000**	2021 US$'000
PROFIT FOR THE YEAR	**7,496**	4,388
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(9,895)**	(3,749)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Revaluation gain/(loss) on property, plant and equipment	**(1,314)**	5,102
Income tax effect	**1,641**	(1,370)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**327**	3,732
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(9,568)**	(17)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(2,072)**	4,371

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 US$'000	2021 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**93,131**	99,991
Right-of-use assets	14(a)	**8,109**	7,321
Intangible assets	15	**913**	1,268
Prepayments and deposits	18	**2,737**	2,092
Deferred tax assets	23	**2,147**	5,362
Total non-current assets		**107,037**	116,034
CURRENT ASSETS			
Inventories	16	**58,605**	60,872
Trade receivables	17	**21,046**	21,849
Prepayments, deposits and other receivables	18	**7,511**	9,019
Cash and cash equivalents	19	**11,652**	15,086
Total current assets		**98,814**	106,826
CURRENT LIABILITIES			
Trade and notes payables	20	**12,314**	18,985
Other payables and accruals	21	**10,804**	18,408
Interest-bearing bank and other borrowings	22	**16,611**	14,503
Lease liabilities	14(b)	**562**	637
Income tax payable		**5,232**	8,660
Total current liabilities		**45,523**	61,193
NET CURRENT ASSETS		**53,291**	45,633
TOTAL ASSETS LESS CURRENT LIABILITIES		**160,328**	161,667

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 US$'000	2021 US$'000
NON-CURRENT LIABILITIES			
Other payables and accruals	21	**2,412**	6,743
Interest-bearing bank and other borrowings	22	**13,618**	5,756
Lease liabilities	14(b)	**1,178**	154
Deferred tax liabilities	23	**10,203**	14,025
Total non-current liabilities		**27,411**	26,678
Net assets		**132,917**	134,989
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**110**	110
Reserves	26	**132,807**	134,879
Total equity		**132,917**	134,989

Hou Haolong
Director

Yan Haiting
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the Company							
	Issued capital US$'000 (note 25)	Share premium* US$'000 (note 35)	Capital reserve* US$'000 (note 26(a))	Statutory reserve* US$'000 (note 26(b))	Asset revaluation reserve* US$'000 (note 26(c))	Exchange fluctuation reserve* US$'000 (note 26(d))	Retained profits* US$'000	Total US$'000
At 1 January 2021	100	9,902	(4,684)	1,098	34,297	4,454	88,043	133,210
Profit for the year	–	–	–	–	–	–	4,388	4,388
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	–	(3,749)	–	(3,749)
Revaluation gain on property, plant and equipment (note 13)	–	–	–	–	5,102	–	–	5,102
Income tax effect on revaluation on property, plant and equipment (note 23)	–	–	–	–	(1,370)	–	–	(1,370)
Total comprehensive income for the year	–	–	–	–	3,732	(3,749)	4,388	4,371
Issuance of shares (note 25)	10	11,398	–	–	–	–	–	11,408
Dividend declared (note 11)	–	(14,000)	–	–	–	–	–	(14,000)
Appropriation to statutory reserve	–	–	–	142	–	–	(142)	–
Release of asset revaluation reserve	–	–	–	–	(1,499)	–	1,499	–
At 31 December 2021 and 1 January 2022	110	7,300	(4,684)	1,240	36,530	705	93,788	134,989
Profit for the year	–	–	–	–	–	–	7,496	7,496
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	–	(9,895)	–	(9,895)
Revaluation loss on property, plant and equipment (note 13)	–	–	–	–	(1,314)	–	–	(1,314)
Income tax effect on revaluation on property, plant and equipment (note 23)	–	–	–	–	1,641	–	–	1,641
Total comprehensive loss for the year	–	–	–	–	327	(9,895)	7,496	(2,072)
Appropriation to statutory reserve	–	–	–	17	–	–	(17)	–
Release of asset revaluation reserve	–	–	–	–	(1,700)	–	1,700	–
At 31 December 2022	110	7,300	(4,684)	1,257	35,157	(9,190)	102,967	132,917

* These reserve accounts comprise the consolidated reserves of US$132,807,000 (2021: US$134,879,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

31 December 2022

	Notes	2022 US$'000	2021 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,188**	6,154
Adjustments for:			
Interest income	5	**(23)**	(87)
Sublease interest income	5	**(2)**	(1)
Finance costs	7	**2,626**	1,988
Depreciation of property, plant and equipment	6	**3,660**	3,761
Depreciation of right-of-use assets	6	**811**	995
Amortisation of intangible assets	6	**279**	296
Impairment of trade receivables	6	**211**	95
Impairment of right-of-use assets	6, 14	**–**	153
Revaluation loss on property, plant and equipment	6	**829**	594
Revaluation gain on property, plant and equipment	5, 6	**(117)**	(471)
Loss on disposal of property, plant and equipment	6	**–**	8
Government subsidy	5	**–**	(340)
Loss on early termination of leases	6, 14	**–**	3
Loss on derecognition of right-of-use assets arising from sublease	6, 14	**–**	9
Gain on novation of loans	5	**(155)**	–
		17,307	13,157
Increase in inventories		**(1,739)**	(8,270)
Increase in trade receivables		**(342)**	(5,974)
(Increase)/decrease in prepayments, deposits and other receivables		**(68)**	2,667
(Decrease)/increase in trade and notes payables		**(6,088)**	8,474
Decrease in other payables and accruals		**(378)**	(182)
Cash generated from operations		**8,692**	9,872
Interest received		**25**	88
Interest paid		**(1,505)**	(2,055)
Interest element on lease payments	27(b)	**(93)**	(44)
Income taxes paid		**(2,849)**	(1,584)
Net cash flows from operating activities		**4,270**	6,277

Consolidated Statement of Cash Flows

31 December 2022

	Notes	**2022** **US$'000**	2021 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(3,133)**	(6,249)
Payment to acquire right-of-use assets		**(382)**	(178)
Proceeds from sale of property, plant and equipment		**–**	3
Additions to intangible assets	15	**(17)**	(124)
Proceeds from sublease		**29**	14
Acquisition of a subsidiary	27(d)	**(2,459)**	(9,134)
Net cash flows used in investing activities		**(5,962)**	(15,668)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of shares	25	**–**	11,408
New borrowings	27(b)	**9,805**	14,326
Repayment of borrowings	27(b)	**(7,913)**	(351)
Loans from a related company	27(b)	**–**	2,201
Repayment of loans from a related company	27(b)	**(2,356)**	(1,668)
Principal portion of lease payments	27(b)	**(859)**	(869)
Dividend distribution	11, 27(f)	**–**	(12,664)
Net cash flows (used in)/from financing activities		**(1,323)**	12,383
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,015)**	2,992
Cash and cash equivalents at beginning of year		**15,086**	12,694
Effect on foreign exchange rate changes, net		**(419)**	(600)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**11,652**	15,086
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**11,652**	15,086

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 26 June 2018. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 2602, 26/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 January 2023 (the "Listing Date").

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and sale of graphite electrodes. In the opinion of the directors, Otautahi Enterprises Trust Company Limited, a company incorporated in New Zealand on 9 January 2014, is the ultimate holding company of the Company. There has been no significant change in the Group's principal activities during the year ended 31 December 2022.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
GoSource Group Limited	Hong Kong	HK$50,000,000	–	100	Investment holding
Gosource Capital Limited	Hong Kong	HK$1	–	100	Investment holding
Gosource (China) Limited	The People's Republic of China (The "PRC")	RMB100,000,000	–	100	Investment holding
Sangraf International (Hong Kong) Limited	Hong Kong	HK$1	–	100	Investment holding and trading of graphite electrodes
Sangraf Italy S.r.l.	Italy	EUR100,000	–	100	Manufacturing and trading of graphite electrodes
Henan Sangraf Carbon Technology Company Limited	PRC	RMB192,000,000	–	100	Manufacturing and trading of graphite electrodes

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sangraf Energy Technology Co., Ltd	PRC	RMB50,000,000	–	100	Trading of graphite electrodes
Sangraf International SA	Switzerland	CHF820,000	–	100	Trading of graphite electrodes
Sangraf International Inc.	The United States of America (The "USA")	US$100	–	100	Trading of graphite electrodes
Sangraf International Proprietary Limited	South Africa	ZAR25,000	–	100	Trading of graphite electrodes
Grafworld Macau Commercial Offshore Limited	Macau	MOP100,000	–	100	Trading of graphite electrodes and needle coke

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain property, plant and equipment and certain trade receivables, which have been measured at fair value. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the 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 the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRS 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill *(Continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures certain of its property, plant and equipment its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and certain property, plant and equipment), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, except for freehold land which is not depreciated. The principal economic useful lives used for this purpose are as follows:

Buildings	33 years
Leasehold improvements	Over the lease terms
Plant and machinery	20 years
Furniture, fixtures and office equipment	5–8 years
Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 years.

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 94 months which was based on the remaining registration period starting from the acquisition date.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases *(Continued)*

Group as a lessee *(Continued)*

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Non-industrial buildings	1 to 5 years
Industrial land, industrial buildings, plant, machinery and equipment	3 to 42 years
Motor vehicles	1 to 4 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the consolidated statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases *(Continued)*

Group as a lessee *(Continued)*

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery, equipment and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets *(Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets *(Continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has evaluated the expected credit losses by considering the probability of default of the counterparty based on a provision matrix calculated with reference to its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. For instance, if forecast economic conditions (i.e., gross domestic product and unemployment rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the steel sector, the default rates are adjusted. At each reporting date, the probability of default and loss given default are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, other payables and accruals, interest-bearing bank and other borrowings and lease liabilities.

Subsequent measurement of financial liabilities at amortised cost (loans and borrowing)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of graphite electrodes

Revenue from the sale of graphite electrodes is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. There are no other promises in the contracts that are separate performance obligations that require allocation of revenue.

Other income

Other income from the sale of other carbon products is recognised when control of the asset is transferred to the customer, generally on delivery of the goods.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Pension scheme

The Group operates a defined contribution retirement benefit scheme in Hong Kong for those employees who are eligible and have elected to participate in the scheme. Contributions are made based on a percentage of the participating employees' basic salaries. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

The employees of the Group's subsidiary which operates in the USA participate in a defined contribution plan and a life insurance plan which require contributions to be made to a third-party trustee managed fund.

The Group's subsidiary which operates in Macau makes monthly contributions to the social security fund managed by the relevant authority of the local government, which underwrites the retirement obligations of the employees. The subsidiary has no obligation for payment of retirement benefits beyond the monthly contributions.

The contributions to the above schemes are charged to the statement of profit or loss as they become payable in accordance with the rules of such schemes.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"), if any option is granted to the eligible employees.

The cost of equity-settled transactions with employees for grants after 19 December 2022 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model or the Black-Scholes model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits *(Continued)*

Share-based payments *(Continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the United States dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into United States dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into United States dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into United States dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into United States dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of land and buildings and plant and equipment

In the absence of current prices in an active market for similar property, plant and equipment, the Group considers information from a variety of sources, including:

(a) current prices in an active market for property, plant and equipment of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar property, plant and equipment on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices;

(c) an estimation of the new replacement cost of the assets from which deductions are then made to allow for physical deterioration and all forms of obsolescence and optimisation.

The carrying amount of land and buildings and plant and equipment at 31 December 2022 was US$92,911,000 (2021: US$99,733,000). Further details, including the key assumptions used for the fair value measurement and sensitivity analysis, are given in note 13 to the financial statements.

Provision for ECLs on trade receivables

The Group has evaluated the expected credit losses by considering the probability of default of the counterparty based on a provision matrix calculated with reference to its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. For instance, if forecast economic conditions (i.e., gross domestic product and unemployment rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the steel sector, the default rates are adjusted. At each reporting date, the probability of default and loss given default are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among probability of default, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's estimated probability of default and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statements. The carrying amount of trade receivables measured at amortised cost as at 31 December 2022 was US$16,695,000 (2021: US$18,832,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty *(Continued)*

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 23 to the financial statements.

Provision for inventories to net realisable value

Inventories are stated at the lower of cost and net realisable value. The assessment of the net realisable value involves management's judgement and estimates, based on management's expectations for future sales net of estimated selling expenses. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of the inventories and any provision will be written down or written back in the period in which such estimate has been changed. The carrying amount of inventories as at 31 December 2022 was US$58,605,000 (2021: US$60,872,000). The provision for inventories to net realisable value as at 31 December 2022 amounted to US$75,000 (2021: US$1,253,000).

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sale of graphite electrodes. Information reported to the Group's management for the purpose of resource allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	2022 US$'000	2021 US$'000
Americas	**33,484**	34,358
Europe, Middle East and Africa ("EMEA")	**51,664**	41,734
PRC	**27,871**	28,602
Asia Pacific excluding the PRC	**2,502**	4,000
	115,521	108,694

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2022 US$'000	2021 US$'000
Americas	**202**	65
EMEA	**50,739**	50,867
PRC	**52,168**	57,938
Asia Pacific excluding the PRC	**1,629**	1,744
	104,738	110,614

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from customers individually contributing over 10% to the total revenue of the Group during the year is as follows:

	2022 US$'000	2021 US$'000
Customer A	**14,421**	13,132
Customer B	**13,184**	13,403

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 US$'000	2021 US$'000
Revenue from contracts with customers		
Sale of graphite electrodes	**115,521**	108,694

(a) Disaggregated revenue information for revenue from contracts with customers

	2022 US$'000	2021 US$'000
Type of goods		
Sale of graphite electrodes	**115,521**	108,694
Timing of revenue recognition		
Goods transferred at a point in time	**115,521**	108,694

Details of the disaggregated revenue based on geographical locations are disclosed in note 4(a) to the financial statements.

Revenue of US$40,000 (2021: US$397,000) was recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period.

(b) Performance obligation

The performance obligation of the sale of graphite electrodes is satisfied upon delivery of the products and payment is generally due within 30 to 60 days from delivery, except for new customers, where payment in advance is normally required. As a practical expedient in HKFRS 15, the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to the sale of graphite electrodes are part of the contracts that have an original expected duration of one year or less.

An analysis of other income and gains is as follows:

	2022 US$'000	2021 US$'000
Other income and gains		
Bank interest income	**23**	87
Sublease interest income	**2**	1
Net profit from sale of other carbon products	**21**	289
Revaluation gain on property, plant and equipment (note 13)	**117**	471
Government subsidies*	**218**	440
Gain on novation of loans (note 21(c))	**155**	–
Others	**115**	12
	651	1,300

* The subsidies for the year represented business, export and environmental subsidies received from the Italian and PRC governments of US$218,000 (2021: US$100,000). In the prior year, an interest-bearing bank borrowing of US$340,000 obtained by the Group in 2020 was waived by the US government in 2021. There were no unfulfilled conditions or contingencies relating to these subsidies.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at charging/(crediting):

	Notes	2022 US$'000	2021 US$'000
Cost of inventories sold*		**89,493**	85,864
Depreciation of property, plant and equipment**	13	**3,660**	3,761
Depreciation of right-of-use assets**	14(a)	**811**	995
Amortisation of intangible assets^^	15	**279**	296
Lease payments not included in the measurement of lease liabilities	14(c)	**16**	205
Auditor's remuneration^^^		**367**	95
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**7,478**	8,080
Pension scheme contributions#		**1,265**	1,303
Less: Amount capitalised		**(4,323)**	(4,212)
Less: Government subsidies##		**(35)**	–
		4,385	5,171
Foreign exchange differences, net^		**534**	743
Revaluation loss on property, plant and equipment^	13	**829**	594
Revaluation gain on property, plant and equipment^	13	**(117)**	(471)
Impairment of trade receivables^^	17	**211**	95
Impairment of right-of-use assets^	14(a)	**–**	153
Loss on disposal of property, plant and equipment^		**–**	8
Loss on early termination of leases^	14(c)	**–**	3
Loss on derecognition of right-of-use assets arising from sublease^	14(c)	**–**	9

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions. At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

There are no unfulfilled conditions or contingencies relating to these subsidies.

* Included in cost of sales on the face of the consolidated statement of profit or loss. Certain government subsidies of US$2,718,000 for the year are included in cost of inventories sold. There are no unfulfilled conditions or contingencies relating to these subsidies.

** Certain depreciation charge for property, plant and equipment and right-of-use assets of US$3,762,000 (2021: US$3,781,000) for the year is included in cost of inventories sold.

^ Included in other income and gains/other expenses on the face of the consolidated statement of profit or loss.

^^ Included in selling and administrative expenses on the face of the consolidated statement of profit or loss.

^^^ Excluded the amounts paid to the reporting accountant for the initial public offering exercise of the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 US$'000	2021 US$'000
Interest on lease liabilities (note 14(b))	**93**	44
Interest on loans from a related company (note 21(c))	**378**	829
Interest on bank borrowings	**541**	218
Interest on other borrowings	**1,242**	–
Interest on an outstanding balance derived from acquisition of property, plant and equipment	**–**	1
Interest on an outstanding balance derived from acquisition of a subsidiary (note 27(d))	**70**	780
Other arrangement fee	**302**	116
	2,626	1,988

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Group did not have any independent non-executive directors at any time during the years ended 31 December 2022 and 2021.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 US$'000	2021 US$'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**841**	861
Commission fees	**8**	24
Pension scheme contributions	**27**	28
	876	913
	876	913

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

There were no fees paid nor other emoluments payable to the independent non-executive directors during the year.

(b) Executive directors, a non-executive director and the chief executive

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Commission fees US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2022					
Executive directors:					
Adriaan Johannes Basson	–	105	8	11	124
Hou Haolong*	–	228	–	2	230
Yan Haiting	–	169	–	3	172
	–	502	8	16	526
Non-executive director:					
Wang Ping	–	108	–	2	110
Chief executive and executive director:					
Wei-Ming Shen	–	231	–	9	240
	–	841	8	27	876

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, a non-executive director and the chief executive *(Continued)*

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Commission fees US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2021					
Executive directors:					
Adriaan Johannes Basson	–	123	24	12	159
Hou Haolong*	–	229	–	2	231
Yan Haiting	–	170	–	3	173
	–	522	24	17	563
Non-executive director:					
Wang Ping	–	108	–	2	110
Chief executive and executive director:					
Wei-Ming Shen	–	231	–	9	240
	–	861	24	28	913

* Mr. Hou is also the controlling shareholder of the Company (the "Controlling Shareholder").

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included two directors (2021: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 US$'000	2021 US$'000
Salaries, allowances and benefits in kind	**566**	705
Performance related bonuses	**116**	–
Pension scheme contributions	**44**	76
	726	781

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands which is presented in Hong Kong Dollars ("HK$") is as follows:

	Number of employees	
	2022	2021
1,000,001 to 1,500,000	**–**	1
1,500,001 to 2,000,000	**2**	–
2,000,001 to 2,500,000	**–**	1
2,500,001 to 3,000,000	**1**	1
	3	3

10. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

Pursuant to the relevant tax laws of the USA, federal corporation income tax has been levied at the rate of up to 21% (2021: 21%) on the taxable income arising in the USA during the year.

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are normally subject to enterprise income tax at the rate of 25% (2021: 25%), except for one subsidiary of the Group which enjoys preferential enterprise income tax at a rate of 15%, on the taxable income generated during the year.

Pursuant to the Italian tax laws and the respective regulations, the subsidiary which operates in Italy is subject to corporate income tax and regional tax on productive activities at a rate of 24.0% and 3.9% (2021: 24.0% and 3.9%), respectively, on the taxable income generated during the year.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates of the jurisdictions in which the Group operates to the tax expense at the effective tax rates is as follows:

	2022 **US$'000**	2021 US$'000
Current — Hong Kong		
Charge for the year	**6**	–
Current — elsewhere	**(275)**	1,849
Deferred (note 23)	**1,961**	(83)
Total tax charge for the year	**1,692**	1,766

	2022 **US$'000**	**%**	2021 US$'000	%
Profit before tax	**9,188**		6,154	
Tax at the statutory rates	**1,985**	**21.6**	1,887	30.7
Income not subject to tax	**(758)**	**(8.3)**	(71)	(1.2)
Expenses not deductible for tax	**178**	**2.0**	286	4.7
Others	**287**	**3.1**	(336)	(5.5)
Tax charge at the Group's effective tax rate	**1,692**	**18.4**	1,766	28.7

11. DIVIDENDS

No dividend was declared by the Company to its shareholders during the year. In the prior year, the Company declared and paid dividend to its shareholders at US$1.4 per ordinary share, totalling US$14,000,000, out of the Company's share premium account which is distributable under Cayman Islands law. The rate of dividend was calculated based on the number of ordinary shares as at the date of the board of directors approving the dividend distribution.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares used for the purpose of calculating basic earnings per share and diluted earnings per share for the years ended 31 December 2022 and 2021 has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue which was completed on 17 January 2023.

The Group had no potentially diluted ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic and diluted earnings per share is based on:

	2022 US$'000	2021 US$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**7,496**	4,388

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**827,600,000**	801,320,795

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Furniture, fixtures and office equipment US$'000	Motor vehicles US$'000	Total US$'000
31 December 2022						
At 1 January 2022:						
Cost or valuation	36,642	63,091	437	163	130	100,463
Accumulated depreciation	–	–	(345)	(55)	(72)	(472)
Net carrying amount	36,642	63,091	92	108	58	99,991
At 1 January 2022, net of accumulated depreciation	36,642	63,091	92	108	58	99,991
Additions	386	5,530	79	30	–	6,025
Depreciation provided during the year	(661)	(2,856)	(94)	(23)	(26)	(3,660)
Revaluation deficit charged to asset revaluation reserve	(938)	(376)	–	–	–	(1,314)
Revaluation gain credited to profit or loss (note 5)	–	117	–	–	–	117
Revaluation loss charged to profit or loss (note 6)	(276)	(553)	–	–	–	(829)
Exchange realignment	(2,711)	(4,484)	(2)	(2)	–	(7,199)
At 31 December 2022, net of accumulated depreciation	32,442	60,469	75	113	32	93,131
At 31 December 2022:						
Cost or valuation	32,442	60,469	227	189	128	93,455
Accumulated depreciation	–	–	(152)	(76)	(96)	(324)
Net carrying amount	32,442	60,469	75	113	32	93,131

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land and buildings US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Furniture, fixtures and office equipment US$'000	Motor vehicles US$'000	Total US$'000
31 December 2021						
At 1 January 2021:						
Cost or valuation	35,900	60,897	437	147	130	97,511
Accumulated depreciation	–	–	(190)	(38)	(45)	(273)
Net carrying amount	35,900	60,897	247	109	85	97,238
At 1 January 2021, net of accumulated depreciation	35,900	60,897	247	109	85	97,238
Additions	236	3,945	–	34	–	4,215
Depreciation provided during the year	(664)	(2,893)	(155)	(22)	(27)	(3,761)
Revaluation surplus credited to asset revaluation reserve	1,739	3,363	–	–	–	5,102
Revaluation gain credited to profit or loss (note 5)	325	146	–	–	–	471
Revaluation loss charged to profit or loss (note 6)	(201)	(393)	–	–	–	(594)
Disposals	–	–	–	(11)	–	(11)
Exchange realignment	(693)	(1,974)	–	(2)	–	(2,669)
At 31 December 2021, net of accumulated depreciation	36,642	63,091	92	108	58	99,991
At 31 December 2021:						
Cost or valuation	36,642	63,091	437	163	130	100,463
Accumulated depreciation	–	–	(345)	(55)	(72)	(472)
Net carrying amount	36,642	63,091	92	108	58	99,991

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) At 31 December 2022, certain of the Group's land and buildings with a net carrying amount of approximately US$13,900,000 (2021: Nil) and plant and machinery with a net carrying amount of approximately US$24,295,000 (2021: Nil) were pledged to third parties to secure interest-bearing borrowings granted to the Group (note 22(c)). In the prior year, certain of the Group's plant and machinery with a net carrying amount of approximately US$18,576,000 were pledged to a related company to secure interest-bearing borrowings granted to the Group (note 21(c)).

(b) Below is a summary of the valuation of industrial land and buildings and plant and machinery:

Nature and location	Independent professionally qualified valuer	Revalued balance
Industrial land and buildings in Italy	2022: Kroll (HK) Limited 2021: D&P China (HK) Limited	2022: US$13,900,000 2021: US$14,170,000
Industrial plant and machinery in Italy	2022: Kroll (HK) Limited 2021: D&P China (HK) Limited	2022: US$33,494,000 2021: US$35,219,000
Industrial buildings in the PRC*	2022: CAREA Assets Appraisal Co., Ltd 2021: CAREA Assets Appraisal Co., Ltd	2022: US$18,542,000 2021: US$22,472,000
Industrial plant and machinery in the PRC	2022: CAREA Assets Appraisal Co., Ltd 2021: CAREA Assets Appraisal Co., Ltd	2022: US$26,975,000 2021: US$27,872,000

* In the opinion of the directors, the Group is entitled to lawfully and validly occupy and use certain of the industrial buildings in the PRC for its daily operations, notwithstanding the fact that the related building ownership certificates have not been obtained.

Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's land and buildings and plant and machinery. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results at least once a year when the valuations are performed for financial reporting.

The deficit on revaluation of US$1,314,000 (2021: surplus of US$5,102,000) has been recognised in other comprehensive income in the asset revaluation reserve.

The loss on revaluation totalling US$829,000 (2021: US$594,000) has been charged to profit or loss.

The gain on revaluation totalling US$117,000 (2021: US$471,000) has been credited to profit or loss.

Had these land and buildings and plant and machinery been carried at historical cost less accumulated depreciation, the carrying amount of the Group's land and buildings would have been approximately US$14,978,000 (2021: US$16,071,000) and the carrying amount of the Group's plant and machinery would have been approximately US$34,474,000 (2021: US$32,716,000).

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: *(Continued)*

(c) Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's land and buildings and plant and machinery:

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) US$'000	**Significant observable inputs (Level 2) US$'000**	**Significant unobservable inputs (Level 3) US$'000**	**Total US$'000**
Recurring fair value measurement for:				
Freehold land and buildings	**–**	**–**	**32,442**	**32,442**
Plant and machinery	**–**	**–**	**60,469**	**60,469**
	–	**–**	**92,911**	**92,911**

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Recurring fair value measurement for:				
Freehold land and buildings	–	–	36,642	36,642
Plant and machinery	–	–	63,091	63,091
	–	–	99,733	99,733

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: *(Continued)*

(d) Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Freehold land and buildings US$'000	Plant and machinery US$'000
Carrying amount at 1 January 2021	35,900	60,897
Additions	236	3,945
Depreciation recognised in profit or loss	(664)	(2,893)
Revaluation surplus recognised in other comprehensive income	1,739	3,363
Revaluation gain recognised in profit or loss	325	146
Revaluation loss recognised in profit or loss	(201)	(393)
Exchange realignment	(693)	(1,974)
Carrying amount at 31 December 2021 and 1 January 2022	**36,642**	**63,091**
Additions	**386**	**5,530**
Depreciation recognised in profit or loss	**(661)**	**(2,856)**
Revaluation deficit recognised in other comprehensive income	**(938)**	**(376)**
Revaluation gain recognised in profit or loss	**–**	**117**
Revaluation loss recognised in profit or loss	**(276)**	**(553)**
Exchange realignment	**(2,711)**	**(4,484)**
Carrying amount at 31 December 2022	**32,442**	**60,469**

(e) Below is a summary of the valuation techniques used and the key inputs to the valuation of land and buildings and plant and machinery:

	Valuation techniques	Significant unobservable inputs	Range
Freehold industrial land in Italy	Market approach	Price per square metre	2022: Euro 1 to 15 per square metre 2021: Euro 1 to 15 per square metre
Buildings, plant and machinery in Italy	Depreciated replacement cost ("DRC") approach	Remaining useful life	2022: 1 to 17 years 2021: 1 to 16 years
Buildings, plant and machinery in the PRC	DRC approach	Remaining useful life	2022: 1 to 46 years 2021: 1 to 47 years

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: *(Continued)*

(e) *(Continued)*

Under the market approach, the freehold industrial land is valued on the market basis assuming sale in its existing state with the benefit of vacant possession and by reference to comparable sales evidence available in the relevant markets. Comparison is based on prices realised in actual transactions or asking prices of comparable properties. Appropriate adjustments are then made to account for the differences between such properties in terms of location, size and other relevant factors.

A significant increase/(decrease) in the price per square metre would result in a significant increase/(decrease) in the fair value of the freehold industrial land.

Under the DRC approach, the valuation of the market value of the buildings, plant and machinery is determined based on their existing use which is the cost to reproduce or replace in a new condition the assets appraised in accordance with the current construction costs for similar assets in the locality, with allowance for accrued depreciation as evidenced by all forms of obsolescence and optimisation.

The DRC approach is used for the valuation of the buildings, plant and machinery due to the lack of comparable determining an active market for the assets being valued and the lack of recent sales transactions of these specialised assets.

The highest and best use of the buildings, plant and machinery at the measurement date is the most reliable indication for valuing the assets in the absence of a known market based on comparable sales. The Group has determined that this indication is the value of the existing use.

A significant increase/(decrease) in the estimated useful life of the buildings, plant and machinery in isolation would result in a significant increase/(decrease) in the fair value of such property, plant and equipment.

14. LEASES

The Group as a lease

The Group has lease contracts for various items of non-industrial building, industrial land, industrial buildings, plant, machinery and equipment, and motor vehicles used in its operations. Leases of non-industrial buildings have lease terms of 1 to 5 years, and those of industrial land, industrial buildings, plant, machinery and equipment have lease terms of 3 to 42 years, and those of motor vehicles generally have lease terms of 1 to 4 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension and termination options and variable lease payments.

14. LEASES (CONTINUED)

The Group as a lease *(Continued)*

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Non–industrial buildings US$'000	Industrial leasehold land, industrial buildings, plant, machinery and equipment US$'000	Motor vehicles US$'000	Total US$'000
As at 1 January 2021	1,267	6,848	30	8,145
Additions	8	263	30	301
Depreciation charge (note 6)	(751)	(224)	(20)	(995)
Impairment (note 6)*	–	(153)	–	(153)
Decrease arising from a sublease	(78)	–	–	(78)
Termination	(28)	–	–	(28)
Exchange realignment	–	133	(4)	129
As at 31 December 2021 and 1 January 2022	**418**	**6,867**	**36**	**7,321**
Additions	**608**	**1,541**	**5**	**2,154**
Depreciation charge (note 6)	**(546)**	**(245)**	**(20)**	**(811)**
Termination	**–**	**(1)**	**–**	**(1)**
Exchange realignment	**–**	**(552)**	**(2)**	**(554)**
As at 31 December 2022	**480**	**7,610**	**19**	**8,109**

* In the prior year, the Group's management identified certain industrial buildings which were not in use and expected that no cash inflow would be generated throughout the remaining lease period. The recoverable amount of these right-of-use assets was determined based on their value in use which approximated to nil. The industrial buildings cannot be subleased. Impairment loss of US$153,000, was recognised to write down the carrying amount of right-of-use assets.

At 31 December 2022, certain of the industrial leasehold land with a net carrying amount of approximately US$3,323,000 (2021: Nil) was pledged to a third party to secure an interest-bearing borrowing granted to the Group (note 22(c)). In the prior year, certain of the industrial leasehold land with a net carrying amount of approximately US$2,255,000 was pledged to a bank to secure an interest-bearing bank borrowing granted to the Group (note 22(b)).

14. LEASES (CONTINUED)

The Group as a lease *(Continued)*

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2022 US$'000	2021 US$'000
Carrying amount at 1 January	**791**	1,575
New leases	**1,772**	123
Termination	**(1)**	(25)
Accretion of interest recognised during the year (note 7)	**93**	44
Payments	**(952)**	(913)
Exchange realignment	**37**	(13)
Carrying amount as at 31 December	**1,740**	791
Analysed into:		
Current portion	**562**	637
Non-current portion	**1,178**	154

The carrying amounts of lease liabilities are repayable:

	2022 US$'000	2021 US$'000
Within one year or on demand	**562**	637
In the second year	**340**	111
In the third to fifth years, inclusive	**546**	43
Beyond 5 years	**292**	–
	1,740	791

The maturity analysis of lease liabilities is disclosed in note 33 to the financial statements.

14. LEASES (CONTINUED)

The Group as a lease *(Continued)*

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

	2022 US$'000	2021 US$'000
Sublease interest income	**(2)**	(1)
Interest on lease liabilities (note 7)	**93**	44
Depreciation charge of right-of-use assets (note 6)	**811**	995
Expense relating to short-term leases and leases of low-value assets (note 6)	**16**	205
Impairment of right-of-use assets (note 6)	**–**	153
Loss on early termination of leases	**–**	3
Loss on derecognition of right-of-use assets arising from a sublease (note 6)	**–**	9
	918	1,408

(d) The total cash outflow for leases is disclosed in note 27(c) to the financial statements.

The Group as a lessor

The Group has also subleased an office building it leased in 2018. The Group has classified the sublease as a finance lease because the sublease is for the whole of the remaining term of the head lease.

The maturity analysis of lease receivables and the undiscounted lease payments receivable by the Group in future periods are as follows:

	2022 US$'000	2021 US$'000
Within one year	**27**	30
After one year but within two years	**–**	28
Total undiscounted lease payments receivable	**27**	58
Unearned finance income	**–**	(2)
Net investment in a lease (note 18)	**27**	56

15. INTANGIBLE ASSETS

	Computer software US$'000	Patents US$'000	Total US$'000
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	**387**	**881**	**1,268**
Additions	**17**	**–**	**17**
Amortisation provided during the year	**(100)**	**(179)**	**(279)**
Exchange realignment	**(25)**	**(68)**	**(93)**
At 31 December 2022	**279**	**634**	**913**
At 31 December 2022:			
Cost	**547**	**1,354**	**1,901**
Accumulated amortisation	**(268)**	**(720)**	**(988)**
Net carrying amount	**279**	**634**	**913**
31 December 2021			
At 1 January 2021			
Cost	481	1,446	1,927
Accumulated amortisation	(78)	(400)	(478)
Net carrying amount	403	1,046	1,449
Cost at 1 January 2021, net of accumulated amortisation	403	1,046	1,449
Additions	124	–	124
Amortisation provided during the year	(109)	(187)	(296)
Exchange realignment	(31)	22	(9)
At 31 December 2021	387	881	1,268
At 31 December 2021 and 1 January 2022			
Cost	563	1,479	2,042
Accumulated amortisation	(176)	(598)	(774)
Net carrying amount	387	881	1,268

16. INVENTORIES

	2022 US$'000	2021 US$'000
Raw materials	**7,471**	13,241
Work in progress	**34,054**	31,556
Finished goods	**17,155**	17,328
	58,680	62,125
Provision	**(75)**	(1,253)
	58,605	60,872

17. TRADE RECEIVABLES

	2022 US$'000	2021 US$'000
Trade receivables measured at amortised cost	**16,955**	18,968
Impairment	**(260)**	(136)
	16,695	18,832
Trade receivables measured at fair value through profit or loss	**4,351**	3,017
	21,046	21,849

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within 30 to 60 days from delivery. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

At the end of the reporting period, the Group had certain concentrations of credit risk as 21% (2021: 17%) and 66% (2021: 50%) of the Group's trade receivables from the Group's largest and the five largest customers, respectively.

Certain trade receivable balances were classified and measured at fair value through profit or loss as these trade receivables are held within a business model with the objective to sell the financial assets.

17. TRADE RECEIVABLES (CONTINUED)

As part of its normal business, the Group entered into a trade receivable factoring arrangement and transferred certain trade receivables to a bank with recourse. The carrying amount of the assets that the Group continued to recognise as at 31 December 2022 was US$617,000 (2021: US$663,000) and that of the associated liabilities as at 31 December 2022 was US$506,000 (2021: US$566,000) (note 22(a)).

At 31 December 2022, certain trade receivables of approximately US$14,843,000 (2021: Nil) were pledged to third parties to secure interest-bearing borrowings granted to the Group (note 22(c)).

An ageing analysis of the trade receivables as at the end of the reporting period, based on the past due date and net of loss allowance, is as follows:

	2022 US$'000	2021 US$'000
Not past due	**18,242**	18,717
Within 1 month	**2,483**	2,318
1 to 3 months	**321**	556
Over 3 months	**–**	258
	21,046	21,849

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022 US$'000	2021 US$'000
At beginning of year	**136**	39
Impairment losses	**215**	95
Reversal	**(4)**	–
Amount written off as uncollectible	**(79)**	–
Exchange realignment	**(8)**	2
At end of year	**260**	136

An impairment analysis is performed at each reporting date by considering the probability of default of the counterparty based on a provision matrix calculated with reference to its historical credit loss experience. The Group also takes into account forward-looking information to reflect the debtors' probability of default under the current and future economic conditions, as appropriate. The expected credit loss rates were assessed to be insignificant and accordingly, minimal loss allowance was provided for upon the assessment of expected credit losses. As at 31 December 2022, the expected credit loss rates ranged from 0.1% to 3.0% (2021: 0.1% to 1.7%).

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 US$'000	2021 US$'000
Prepayments	**4,369**	4,839
Deposits and other receivables (note a)	**5,276**	6,010
Net investment in a lease (note 14)	**27**	56
Due from the intermediate holding company (note a)	**549**	192
Due from the immediate holding company (note a)	**17**	4
Due from a related company:		
Rental deposit (note b)	**10**	10
	10,248	11,111
Less: Non-current portion of prepayments and deposits	**(2,737)**	(2,092)
	7,511	9,019

The carrying amounts of deposits and other receivables approximated to their fair value as at 31 December 2022 and 2021. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at 31 December 2022 and 2021 were considered minimal.

Notes:

(a) The balances were non-trade related, unsecured, non-interest-bearing and repayment on demand. Subsequent to the end of the reporting period, the balances had been fully settled.

(b) The balance as at 31 December 2022 and 2021 was due from a related company, which is wholly owned by a close family member of the Controlling Shareholder. The balance is non-trade related, unsecured, non-interest-bearing and is refundable upon expiry of the rental contracts in February and April 2024.

Details of all related party transactions are disclosed in note 30 to the financial statements.

19. CASH AND CASH EQUIVALENTS

	2022 US$'000	2021 US$'000
Cash and cash equivalents	**11,652**	15,086

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$543,000 (2021: US$1,021,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE AND NOTES PAYABLES

	2022 US$'000	2021 US$'000
Trade payables	**12,314**	18,530
Notes payable	**–**	455
	12,314	18,985

An ageing analysis of the trade and notes payables as at the end of the reporting period, based on the past due date, is as follows:

	2022 US$'000	2021 US$'000
Not past due	**10,982**	17,185
Within 1 month	**705**	516
1 to 3 months	**476**	453
Over 3 months	**151**	831
	12,314	18,985

The trade and notes payables are non-interest-bearing and are normally settled on terms ranging from 28 to 120 days.

21. OTHER PAYABLES AND ACCRUALS

	2022 US$'000	2021 US$'000
Other payables	**9,121**	5,406
Accruals	**2,372**	3,119
Contract liabilities	**1,107**	191
Due to the Controlling Shareholder (note a)	**–**	2,439
Due to a shareholder (note a)	**616**	616
Due to a related company — unsecured (note b)	**–**	2,907
Loans from a related company — secured (note c)	**–**	10,473
	13,216	25,151
Less: Non-current portion of other payables and accruals	**(2,412)**	(6,743)
	10,804	18,408

Notes:

(a) The balances were non-trade related, unsecured, non-interest-bearing and repayable on demand.

(b) In the prior year, the balance was due to a related company in which a close family member of the Controlling Shareholder is a key management personnel and owns certain equity interest. The balance was non-trade related, unsecured and interest-bearing at 7% per annum.

(c) As at 31 December 2021, the loans were due to a related company, in which a close family member of the Controlling Shareholder is a key management personnel and owns certain equity interest. The loans were non-trade related, interest-bearing at 8% per annum, secured by the Group's property, plant and equipment with a carrying amount of US$18,576,000 and included amounts of US$4,807,000 and US$5,666,000 which were repayable in 2022 and 2023 to 2024, respectively. On 2 June 2022, the Group transferred the then outstanding loans of US$7,518,000 to a third party pursuant to a refinancing arrangement as set out in note 22(c)(ii). Interest expenses of US$378,000 (2021: US$829,000) were charged to profit or loss for the year ended 31 December 2022 (note 7). The gain on novation of loans of US$155,000 (2021: Nil) was credited to profit or loss for the year ended 31 December 2022 (note 5).

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2022			2021		
	Notes	Effective interest rate (%)	Maturity	US$'000	Effective interest rate (%)	Maturity	US$'000
Current							
Interest-bearing bank borrowing — secured	(a)	1.5	2023	506	1.5	2022	566
Interest-bearing bank borrowing — secured	(b)	–	–	–	5.22	2022	1,568
Interest-bearing bank borrowings — unsecured		0.75 – 5.51 or EURIBOR+2	2023 or on demand	7,508	0.75 – 2.27	2022 or on demand	12,369
Interest-bearing other borrowings — secured	(c)	8	2023	8,597	–	–	–
				16,611			14,503
Non-current							
Interest-bearing bank borrowings — unsecured		EURIBOR+2	2024–2026	5,175	0.75 – 1.59	2023–2026	5,756
Interest-bearing other borrowings — secured	(c)	8	2024	8,443	–	–	–
				13,618			5,756
				30,229			20,259

22. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2022 US$'000	2021 US$'000
Analysed into:		
Within one year or on demand	**16,611**	14,503
In the second year	**10,197**	114
In the third to fifth years, inclusive	**3,421**	5,642
	30,229	20,259

Notes:

(a) The loan was secured by the Group's trade receivables of US$617,000 as at 31 December 2022 (2021: US$663,000).

(b) In the prior year, the loan was secured by the Group's industrial leasehold land with a carrying amount of US$2,255,000.

(c) During the year ended 31 December 2022, pursuant to financing arrangements entered into between the Group and two wholly-owned subsidiaries of an independent third party, the Group obtained two new interest-bearing loans with an aggregate amount of US$17,040,000 of which approximately US$8,597,000 is repayable in 2023 while approximately US$8,443,000 is repayable in 2024. Details and the carrying amounts of each of these loans as at 31 December 2022 are as follows:

(i) US$9,755,000 was secured by 100% shares in the Group's subsidiaries including Gosource Capital Limited, Gosource (China) Limited, Henan Sangraf Carbon Technologies Company Limited and Sangraf Italy S.r.l., and certain property, plant and equipment and trade receivables with carrying amounts of US$13,900,000 and US$7,644,000 as at 31 December 2022, respectively.

(ii) US$7,285,000, representing a refinancing arrangement for the previous loans due to a related company amounting to US$7,518,000 (note 21(c)), which was secured by certain property, plant and equipment and industrial leasehold land of the Group with carrying amounts of US$24,295,000 and US$3,323,000, respectively, as well as the Group's trade receivables of US$7,199,000 as at 31 December 2022.

23. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Right-of-use assets US$'000	Fair value adjustments arising from acquisition of a subsidiary US$'000	Revaluation of property, plant and equipment US$'000	Others US$'000	Total US$'000
At 1 January 2021	227	266	13,833	3,252	17,578
Deferred tax credited to the statement of profit or loss during the year (note 10)	(131)	(47)	(35)	(81)	(294)
Deferred tax charged to asset revaluation reserve during the year	–	–	1,370	–	1,370
Exchange realignment	–	–	(971)	–	(971)
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	96	219	14,197	3,171	17,683
Deferred tax credited to the statement of profit or loss during the year (note 10)	(22)	(44)	(6)	(164)	(236)
Deferred tax credited to asset revaluation reserve during the year	–	–	(1,641)	–	(1,641)
Exchange realignment	–	–	(927)	–	(927)
Gross deferred tax liabilities at 31 December 2022	74	175	11,623	3,007	14,879

Deferred tax assets

	Provision for inventories US$'000	Tax losses US$'000	Lease liabilities US$'000	Others US$'000	Total US$'000
At 1 January 2021	1,007	5,774	284	2,166	9,231
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(742)	69	(116)	578	(211)
Gross deferred tax assets at 31 December 2021 and 1 January 2022	265	5,843	168	2,744	9,020
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(249)	(2,977)	(10)	1,039	(2,197)
Gross deferred tax assets at 31 December 2022	16	2,866	158	3,783	6,823

23. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 **US$'000**	2021 US$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**2,147**	5,362
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(10,203)**	(14,025)
	(8,056)	(8,663)

The Group had aggregated tax losses of US$15,590,000 (2021: US$28,624,000) for which deferred tax assets have been recognised for such tax losses that are available for setting off against taxable profits generated indefinitely or within the next 5 to 10 years.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China.

At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately US$1,074,000 (2021: US$1,164,000).

24. SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the scheme include (i) any directors or employees of the Company or any of its subsidiaries; (ii) the director or employee of its holding company, a subsidiary of its holding company or an associated company of the Company; and (iii) any person who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group.

On 19 December 2022 (the "Adoption Date"), the Company adopted a share option scheme (the "Scheme"). The Scheme is valid and effective for a period of 10 years from the Adoption Date, after which no further share options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Share options complying with the provisions of the Listing Rules which are granted during the duration of the Scheme and remain unexercised immediately prior to the end of the 10-year period shall continue to be valid and exercisable subject to and in accordance with the Scheme, notwithstanding the expiry of the Scheme.

24. SHARE OPTION SCHEME (CONTINUED)

The maximum number of shares which may be issued upon exercise of all share options granted under the Scheme and any other schemes of the Company shall not in aggregate exceed 100,000,000 ordinary shares, being 10.0% of the shares of the Company in issue on 17 January 2023. The maximum number of shares issued and to be issued upon exercise of share options granted and to be granted to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at the relevant time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or a substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company (excluding any independent non-executive director who is a grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, within any 12-month period, which are in excess of 0.1% of the shares of the Company in issue at the relevant time, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted by the eligible participant within 28 days from the date of offer, with the duplicate offer letter comprising acceptance of the offer duly signed by the grantee with the number of shares in respect of which the offer is accepted clearly stated therein, together with payment of a nominal consideration of US$1 by the grantee to the Company provided that no offer shall be open for acceptance after the expiry of the Scheme or after the Scheme has been terminated.

The terms and conditions of the share options granted are determinable by the board of directors of the Company on a case-by-case basis. Such terms and conditions may include, but are not limited to (i) the exercise price; (ii) the period within which the Company's shares must be taken up under the share option, which must not be more than 10 years from the offer date; (iii) the minimum period, if any, for which a share option must be held before it can be exercised; and (iv) the performance target, if any, that must be achieved before the share option can be exercised.

The exercise price of the share options is determinable by the directors in their absolute discretion at the time of the making of the offer which shall be stated in the letter containing the offer, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the grant date which must be a trading day; and (ii) the average closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the grant date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Since the Adoption Date and up to 31 December 2022, no share options of the Company were granted, exercised, cancelled or lapsed under the Scheme.

25. SHARE CAPITAL

Authorised:

	Number of shares	Share capital US$'000
At 1 January 2021 with par value of US$0.01 each	10,000,000	100
Increase of authorised share capital with par value of US$0.01 each[(a)]	20,000,000	200
At 31 December 2021 and 1 January 2022	30,000,000	300
Increase of authorised share capital with par value of US$0.01 each[(b)]	4,970,000,000	49,700
At 31 December 2022	5,000,000,000	50,000

(a) On 31 August 2021, the shareholders of the Company resolved to increase the authorised share capital of US$100,000 to US$300,000 by the creation of 20,000,000 additional shares, each ranking pari passu in all aspects with the Company's shares then in issue.

(b) On 19 December 2022, the shareholders of the Company resolved to increase the authorised share capital of US$300,000 to US$50,000,000 by the creation of 4,970,000,000 additional shares, each ranking pari passu in all aspects with the Company's shares then in issue.

Issued and fully paid:

	Number of shares in issue	Share capital US$'000
At 1 January 2021	10,000,000	100
Issue of 1,000,000 ordinary shares[(c)]	1,000,000	10
At 31 December 2021, 1 January 2022 and 31 December 2022	11,000,000	110

(c) On 31 August 2021, 442,540 and 21,980 additional shares were allotted to the immediate holding company and another shareholder, respectively, at par value, while 535,480 additional shares were allotted to various independent shareholders for a total cash consideration of US$11,403,000, resulting in share premium of approximately US$11,398,000.

Pursuant to a written resolution passed by the shareholders of the Company on 19 December 2022, a total of 816,600,000 shares of US$0.01 each were allotted to the shareholders of the Company whose names appeared on the register of members of the Company as at 31 December 2021 on a pro rata basis by way of capitalisation of US$8,166,000 from the Company's share premium account on the Listing Date. The capitalisation issue was completed on 17 January 2023, resulting in increase in share capital and reduction in share premium of US$8,166,000, respectively.

Subsequent to the end of the reporting period, the Company's shares were listed on the Main Board of the Hong Kong Stock Exchange on 17 January 2023 and as a result, an additional 172,400,000 ordinary shares were issued at US$0.21 (equivalent to HK$1.6) per share for a total consideration of US$35,364,000 (equivalent to HK$275,840,000), resulting in increase in share capital and share premium of US$1,724,000 and US$33,640,000, respectively.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) The capital reserve represents the distribution to the Controlling Shareholder with respect to the consideration for the acquisition of subsidiaries in prior years and the non-controlling interest of a non-wholly-owned subsidiary which was acquired by the Controlling Shareholder in prior years.

(b) In accordance with the Company law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards to their respective statutory reserve until the reserve reaches 50% of their respective registered capital. Subject to certain restrictions set out in the Company law of the PRC, part of the statutory reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) The asset revaluation reserve represents the revaluation surplus, net of tax, arising from the revaluation of property, plant and equipment. Release of asset revaluation reserve represents depreciation of the revaluation surplus, net of tax, of the related property, plant and equipment.

(d) The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US$1,772,000 (2021: US$123,000) and US$1,772,000 (2021: US$123,000), respectively, in respect of lease arrangements for property, plant and equipment.

(b) Changes in liabilities arising from financing activities

	Loans from a related company US$'000	Lease liabilities US$'000	Interest-bearing bank and other borrowings US$'000	Total US$'000
At 1 January 2021	9,267	1,575	7,046	17,888
Changes from financing cash flows:				
— Loan from a related company	2,201	–	–	2,201
— Repayment of loans from a related company	(1,668)	–	–	(1,668)
— New borrowings	–	–	14,326	14,326
— Repayment of borrowings	–	–	(351)	(351)
— Repayment of principal portion of lease payments	–	(869)	–	(869)
New leases (note 14(b))	–	123	–	123
Termination	–	(25)	–	(25)
Interest expenses	829	44	–	873
Interest paid classified as operating cash flows	(395)	(44)	–	(439)
Government subsidy (note 5)*	–	–	(340)	(340)
Exchange realignment	239	(13)	(422)	(196)
At 31 December 2021 and 1 January 2022	**10,473**	**791**	**20,259**	**31,523**
Changes from financing cash flows:				
— Repayment of loans from a related company	**(2,356)**	**–**	**–**	**(2,356)**
— New borrowings	**–**	**–**	**9,805**	**9,805**
— Repayment of borrowings	**–**	**–**	**(7,913)**	**(7,913)**
— Repayment of principal portion of lease payments	**–**	**(859)**	**–**	**(859)**
Gain on novation of loans	**(155)**	**–**	**–**	**(155)**
Transfer of loans (note 21(c))	**(7,518)**	**–**	**7,518**	**–**
New leases (note 14(b))	**–**	**1,772**	**–**	**1,772**
Termination	**–**	**(1)**	**–**	**(1)**
Interest expenses	**378**	**93**	**1,242**	**1,713**
Interest paid classified as operating cash flows	**(422)**	**(93)**	**–**	**(515)**
Exchange realignment	**(400)**	**37**	**(682)**	**(1,045)**
At 31 December 2022	**–**	**1,740**	**30,229**	**31,969**

* The amount represented an interest-bearing bank borrowing obtained during the year ended 31 December 2020 which was recognised as a government grant in the prior year as a result of a waiver by the lender.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2022 US$'000	2021 US$'000
Within operating activities	**107**	248
Within investing activities	**353**	164
Within financing activities	**859**	869
	1,319	1,281

(d) During the year ended 31 December 2022, the Group paid an aggregate consideration of US$2,930,000 (2021: US$10,409,000) to a related company in relation to the acquisition of Sangraf Energy in the prior years (note 21(b)). Interest expenses of US$70,000 (2021: US$780,000) were charged to profit or loss for the year ended 31 December 2022 (note 7).

(e) In the prior year, the outstanding consideration of US$138,000 and interest of US$515,000 for an acquisition of plant and machinery were settled through setting off the other payable against sales of finished goods to the same company.

(f) In the prior year, of the total dividend declared of US$14,000,000, US$12,664,000 was settled in cash while US$720,000 was settled through the current account with the Company's immediate holding company and intermediate holding company and US$616,000 remained unpaid and was included in an amount due to shareholder under other payables in note 21 to the financial statements.

28. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in the notes 13, 14, 17, 21(c) and 22 to the financial statements.

29. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 US$'000	2021 US$'000
Contracted, but not provided for:		
Acquisition of land, property, plant and equipment	**10,769**	11,763

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed in notes 18(a), 18(b), 21(a), 21(b), 21(c), 27(d) and 27(f) to the financial statements, the Group had the following transactions with related parties during the year:

	Notes	2022 US$'000	2021 US$'000
Financing charge paid/payable to a related company charged on the outstanding balances derived from the acquisition of a subsidiary	(i)	**70**	780
Rental expenses paid to related companies	(ii)	**115**	115
Financing charge paid/payable to a related company	(iii)	**378**	829
Salaries paid to a related party	(iv)	**45**	–

Notes:

(i) The financing charge was related to unpaid consideration for the acquisition of Sangraf Energy, as set out in notes 21(b) and 27(d) to the financial statements, and was paid/payable to a related company in which a close family member of the Controlling Shareholder is a key management personnel and owns certain equity interest. The financing charge was calculated at 7% per annum and was mutually agreed between the parties (notes 7 and 21(b)).

(ii) The rental expenses were paid based on terms determined between the Group and related companies which are wholly-owned by close family members of the Controlling Shareholder. In respect of the lease agreements entered into during the years ended 31 December 2020 and 2022 with lease terms longer than 1 year, US$209,000 and US$219,000 of right-of-use assets and lease liabilities were recognised on the commencement of the leases in 2020 and 2022, respectively, and depreciation of US$108,000 (2021: US$105,000) and lease interest of US$7,000 (2021: US$3,000) were charged to profit or loss for the year.

(iii) The financing charge was related to loans from a related company in which a close family member of the Controlling Shareholder is a key management personnel and owns certain equity interest. The financing charge was calculated on the loan at 8% per annum and was mutually agreed between the parties (notes 7 and 21(c)).

(iv) Salaries were paid to a close family member of the Controlling Shareholder.

(b) Outstanding balances with related parties

Details of the Group's non-trade balances with its related parties at the end of the reporting period are disclosed in notes 18 and 21 to the financial statements.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2022			2021		
	Financial assets at fair value through profit or loss			Financial assets at fair value through profit or loss		
	Mandatorily designated as such US$'000	Financial assets at amortised cost US$'000	Total US$'000	Mandatorily designated as such US$'000	Financial assets at amortised cost US$'000	Total US$'000
Trade receivables	**4,351**	**16,695**	**21,046**	3,017	18,832	21,849
Financial assets included in prepayments, deposits and other receivables (note 18)	**–**	**1,514**	**1,514**	–	1,318	1,318
Cash and cash equivalents	**–**	**11,652**	**11,652**	–	15,086	15,086
	4,351	**29,861**	**34,212**	3,017	35,236	38,253

Financial liabilities

	2022 Financial liabilities at amortised cost US$'000	2021 Financial liabilities at amortised cost US$'000
Trade and notes payables	**12,314**	18,985
Financial liabilities included in other payables and accruals (note 21)	**7,231**	20,764
Lease liabilities	**1,740**	791
Interest-bearing bank and other borrowings	**30,229**	20,259
	51,514	60,799

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, certain balances of trade receivables, trade and notes payables, financial assets included in the current portion of prepayments, deposits and other receivables and financial liabilities included in the current portion of other payables and accruals and current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of financial assets included in non-current deposits, financial liabilities included in non-current other payables and accruals and non-current interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and were assessed to be approximately their carrying amounts.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Except for certain balances of trade receivables of US$4,351,000 (2021: US$3,017,000) which were measured at fair value as at 31 December 2022, by discounting the expected future cash flows using rates currently available for instalments with similar terms and risks, all other financial assets and financial liabilities of the Group were measured at amortised cost.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's trade receivables measured at fair value through profit or loss:

	2022 **US$'000**	2021 US$'000
Quoted prices in active markets (Level 1)	**–**	–
Significant observable inputs (Level 2)	**4,351**	3,017
Significant unobservable inputs (Level 3)	**–**	–
	4,351	3,017

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, interest-bearing bank and other borrowings and interest-bearing payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade and notes payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar exchange rates, with all other variables held constant, of the Group's profit before tax (arising from Euro and RMB denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax** US$'000	**Increase/ (decrease) in equity** US$'000
2022			
If the Renminbi weakens against US$	**–5%**	**91**	**(2,885)**
If the Renminbi strengthens against US$	**5%**	**(91)**	**2,885**
If the Euro weakens against US$	**–5%**	**857**	**(3,388)**
If the Euro strengthens against US$	**5%**	**(857)**	**3,388**
2021			
If the Renminbi weakens against US$	–5%	(11)	(3,403)
If the Renminbi strengthens against US$	5%	11	3,403
If the Euro weakens against US$	–5%	1,237	(3,799)
If the Euro strengthens against US$	5%	(1,237)	3,799

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'000	**Stage 2 US$'000**	**Stage 3 US$'000**	**Simplified approach US$'000**	**Total US$'000**
Trade receivables*	**–**	**–**	**–**	**16,955**	**16,955**
Financial assets included in prepayments, deposits and other receivables					
— Normal**	**1,514**	**–**	**–**	**–**	**1,514**
Cash and cash equivalents					
— Not yet past due	**11,652**	**–**	**–**	**–**	**11,652**
	13,166	**–**	**–**	**16,955**	**30,121**

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Simplified approach US$'000	Total US$'000
Trade receivables*	–	–	–	18,968	18,968
Financial assets included in prepayments, deposits and other receivables					
— Normal**	1,318	–	–	–	1,318
Cash and cash equivalents					
— Not yet past due	15,086	–	–	–	15,086
	16,404	–	–	18,968	35,372

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the probability of default of customers based on a provision matrix calculated with reference to its historical credit loss experience is disclosed in note 17 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of other loans and funds generated from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual and undiscounted payments, is as follows:

	2022				
	On demand US$'000	Within 1 year US$'000	2 to 5 years US$'000	Beyond 5 years US$'000	Total US$'000
Trade and notes payables	–	12,314	–	–	12,314
Financial liabilities included in other payables and accruals	–	7,231	–	–	7,231
Lease liabilities	–	647	1,052	307	2,006
Interest-bearing bank and other borrowings	7,256	10,962	14,398	–	32,616
	7,256	31,154	15,450	307	54,167

	2021				
	On demand US$'000	Within 1 year US$'000	2 to 5 years US$'000	Beyond 5 years US$'000	Total US$'000
Trade and notes payables	–	18,985	–	–	18,985
Financial liabilities included in other payables and accruals	–	15,685	6,775	–	22,460
Lease liabilities	–	654	161	–	815
Interest-bearing bank and other borrowings	12,384	2,339	6,111	–	20,834
	12,384	37,663	13,047	–	63,094

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk *(Continued)*

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank and other borrowings, the undiscounted amounts repayable in respect of the Group's interest-bearing bank and other borrowings were as follows:

	2022 US$'000	2021 US$'000
Within one year	**18,218**	14,723
In the second to fifth years, inclusive	**14,398**	6,111
	32,616	20,834

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is total debt divided by the total capital. Total debt includes other interest-bearing payables and interest-bearing bank and other borrowings. The gearing ratios as at the end of the reporting periods were as follows:

	2022 US$'000	2021 US$'000
Other interest-bearing payables (note 21)	**–**	13,380
Interest-bearing bank and other borrowings (note 22)	**30,229**	20,259
Total debt	**30,229**	33,639
Total equity	**132,917**	134,989
Gearing ratio	**23%**	25%

34. EVENT AFTER THE REPORTING PERIOD

On 17 January 2023, the Company issued 172,400,000 ordinary shares at an offer price of US$0.21 (equivalent to HK$1.6) per share during the Hong Kong public offering and the international placing. On the same date, the shares of the Company are listed on the Main Board of the Hong Kong Stock Exchange.

Save as disclosed above, no other significant events of the Group occurred after the end of 2022.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 US$'000	2021 US$'000
NON-CURRENT ASSET		
Investment in a subsidiary*	**–**	–
CURRENT ASSETS		
Due from the immediate holding company**	**4**	4
Due from subsidiaries**	**18,398**	21,357
Prepayments	**5**	–
Cash on hand	**2,702**	57
Total current assets	**21,109**	21,418
CURRENT LIABILITIES		
Due to a shareholder**	**616**	616
Due to subsidiaries***	**5,590**	315
Accruals	**11**	17
Interest-bearing bank borrowings	**7,256**	12,255
Total current liabilities	**13,473**	13,203
NET ASSETS	**7,636**	8,215
EQUITY		
Share capital	**110**	110
Reserves (note)	**7,526**	8,105
Total equity	**7,636**	8,215

* The investment cost in a subsidiary amounted to HK$1 as at 31 December 2022 and 2021.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

The amounts and movements of the Company's reserves during the year are as follows:

	Share premium	Retained earnings/ (accumulated losses)	Total
	US$'000	US$'000	US$'000
At 1 January 2021	9,902	(28)	9,874
Profit and total comprehensive income for the year	–	833	833
Dividend declared (note 11)	(14,000)	–	(14,000)
Issue of shares (note 25)	11,398	–	11,398
At 31 December 2021 and 1 January 2022	7,300	805	8,105
Net loss and total comprehensive loss for the year	–	(579)	(579)
At 31 December 2022	7,300	226	7,526

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2023.

Five-Year Financial Summary

A five-year financial summary of the results and of the assets and liabilities of the Group is set out below.

	Year ended 31 December				
	2018 US$'000	2019 US$'000	2020 US$'000	2021 US$'000	**2022** **US$'000**
Revenue	168,319	150,844	108,540	108,694	**115,521**
Cost of sales	(63,101)	(116,581)	(92,026)	(85,864)	**(89,493)**
Gross profit	105,218	34,263	16,514	22,830	**26,028**
Other income and gains	6,616	3,350	5,427	1,300	**651**
Selling and administrative expenses	(20,022)	(26,298)	(13,145)	(12,096)	**(12,060)**
Other expenses	(1,972)	(2,056)	(798)	(1,931)	**(1,607)**
Finance costs	(352)	(3,727)	(1,988)	(1,988)	**(2,626)**
Listing expenses	–	–	(2,804)	(1,961)	**(1,198)**
PROFIT BEFORE TAX	89,488	5,532	3,206	6,154	**9,188**
Income tax (expense)/credit	(17,472)	(369)	980	(1,766)	**(1,692)**
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	72,016	5,163	4,186	4,388	**7,496**

	As at 31 December				
	2018 US$'000	2019 US$'000	2020 US$'000	2021 US$'000	**2022** **US$'000**
Assets and liabilities					
Non-current assets	64,464	70,656	113,460	116,034	**107,037**
Current assets	147,162	143,782	96,108	106,826	**98,814**
Current liabilities	81,596	81,246	48,692	61,193	**45,523**
Non-current liabilities	23,857	22,870	27,666	26,678	**27,411**
Net assets	106,173	110,322	133,210	134,989	**132,917**