SANERGY

SANERGY GROUP LIMITED
昇能集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2459

INTERIM REPORT 2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Peter Brendon Wyllie *(Chairman)*
(Appointed on 19 May 2023)
Dr. Wei-Ming Shen
(Former Chairman, resigned with effect from 19 May 2023)
(Chief Executive Officer)
Mr. Hou Haolong
Mr. Yan Haiting
Mr. Adriaan Johannes Basson
(Retired on 19 May 2023)

Non-executive Director

Mr. Wang Ping

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

(Note)

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 Michael
Ms. Chan Chore Man Germaine
Mr. Sun Qing (Resigned on 12 April 2023)

NOMINATION COMMITTEE

Mr. Peter Brendon Wyllie *(Chairman)*
(Appointed on 19 May 2023)
Mr. Cheng Tai Kwan Sunny
Ms. Chan Chore Man Germaine
(Appointed on 12 April 2023)
Mr. Sun Qing (Resigned on 12 April 2023)
Dr. Wei-Ming Shen
(Resigned on 19 May 2023)

REMUNERATION COMMITTEE

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

ESG COMMITTEE

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

Note: Ms. Ip Cheuk Man Louisa has resigned as a joint company secretary of the Company with effect from 13 September 2023 and since then, Mr. Lau Che Yan Kenneth has become the sole company secretary of the Company.

CORPORATE INFORMATION

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest
Entity Auditors
35/F One Pacific Place
88 Queensway
Hong Kong
(Appointed on 31 July 2023)

Ernst & Young
Certified Public Accountants
Registered Public Interest
Entity Auditors
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong
(Resigned on 31 July 2023)

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.
The Hongkong and Shanghai
Banking Corporation Limited

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 21,000MT 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 with long standing relationship.

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 interim report, the following terms shall have the following meanings, except otherwise stated:

"1H2022"	six months ended 30 June 2022
"APAC"	Asia-Pacific
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"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
"Director(s)"	the director(s) of the Company
"EAF"	electric arc furnace
"EMEA"	Europe, Middle East and Africa

DEFINITIONS

"EUR"	Euro, the lawful currency of the member states of the European Union
"Group" or "we"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"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
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MT"	metric tonne
"Nomination Committee"	the nomination committee of the Company
"Prospectus"	the prospectus of the Company dated 30 December 2022
"Reporting Period" or "1H2023"	six months ended 30 June 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Sanode International"	Sanode International Co., Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

"SFO"	the Securities Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Option Scheme"	the share option scheme adopted by the Company on 19 December 2022
"Share(s)"	ordinary share(s) of nominal value of US$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UHP graphite electrodes"	ultra high power graphite electrodes, a term used in the global graphite electrode market, which can generally withstand current densities greater than 25 ampere per square centimeter
"U.S."	the United States
"US$"	United States dollars, the lawful currency of the United States

BUSINESS REVIEW

The slowdown in economic growth, high inflation and geopolitical tensions remain to impact global markets and the steel industry. Based on International Monetary Fund's latest estimate, the global economic growth rate is projected to be approximately 3.0% in 2023, showing slower growth as compared to approximately 3.5% in 2022. On the other hand, the world's crude steel production for the 63 countries reporting to the World Steel Association during 1H2023 decreased by 1.1% as compared to 1H2022, among which North America and the European Union's crude steel production during 1H2023 decreased by 3.5% and 10.9%, respectively as compared to 1H2022. This slowdown in steel production has affected the Group's downstream demand for graphite electrode products.

Against the backdrop of a slowdown in economic growth, the Group recorded revenue of approximately US$43.7 million during 1H2023, representing a decrease of approximately 26.8% compared with 1H2022 due to suppressed customer demand and de-stocking in the downstream supply chain. Notwithstanding the Group's continuous efforts to maintain a relatively stable average selling price, these macroeconomic uncertainties led to a decrease in sales quantity of graphite electrodes in 1H2023 by 22.9% compared with 1H2022. In terms of geographic sectors, with the exception of slight increase in revenue from the Americas, all other regions recorded a decrease in revenue ranging from US$2.2 million to US$8.9 million, which were generally in line with the slowdown of the world's crude steel production in 1H2023.

In order to effectively manage our production resources and minimise our inventory risk exposure, we also adjusted our production plan to adhere to the decrease in sales quantities. Correspondingly, the Group's total cost of sales decreased from US$44.1 million in 1H2022 to US$38.4 million in 1H2023. Taking into account:

(i) the decreased production volume as well as the fixed overhead costs; and

(ii) the increase in the average purchase price of needle coke as compared to 1H2022, this resulted in an increase in the average cost of sales per MT.

The loss attributable to owners of the Company for 1H2023 amounted to approximately US$4.2 million, as compared to the profit attributable to owners of the Company for 1H2022 of approximately US$6.5 million. Excluding the non-recurring listing expenses and discretionary listing bonus expenses incurred during 1H2023 under non-HKFRS financial measures, the Group remained profitable by having profit attributable to owners of the Company amounting to approximately US$0.5 million.

Last but not least, 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 PROSPECT

With the full relaxation of the global COVID-19 pandemic control measures and the return to global normalcy, during 1H2023, the global market and the steel industry were temporarily affected by global macroeconomic uncertainty. Notwithstanding the above, the global context of carbon neutrality continues to be the Group's growth driver in the mid-to-long term. The Group remains optimistic about its future business outlook.

In connection with the graphite electrode business, despite the challenging market in the near term, the Group observed potential signs of market recovery, including:

(i) the utilisation rate of electric arc furnace in China demonstrated signs of recovering starting from May 2023;

(ii) the price increase of scrap steel during the second quarter of 2023; and

(iii) U.S. steel production utilisation rate rising from 72% in January 2023 to 78% in June 2023.

The Group continues to implement its capacity expansion plan as formulated during the listing exercise. Upon the completion of listing, the Group has proceeded with the acquisition of certain production facilities in Taigu County, Shanxi, the PRC (which will increase the Group's total annual production capacity from the current 35,000MT to 46,000MT post-acquisition); and signed a joint venture agreement with the government of Huixian, Henan, the PRC with an objective to further expand the Group's annual production capacity to 68,000MT. The management believes that these will have long-term benefits to the Group, including realizing increased economies of scale, improving market competitiveness and enhancing financial performance.

With the vision of entering into the graphite anode material market due to the rapid development of electrical vehicles and energy storage industries, the Group has been proactively exploring research and development of synthetic graphite anode material and has produced trial lot of synthetic graphite anode material for customer qualification in the PRC and European markets. After a long qualification process including laboratory tests and customer trials, the Group has received its first purchase order from one of the leading European lithium-ion battery manufacturers and established a certain sales network in the European lithium-ion battery supply chain. In addition, as of the date of this interim report, the Group has invested its own fund in a PRC-based graphite anode material company with a well-established customer portfolio and strong research and development capabilities. The management believes this investment, along with the common process technologies between graphite electrode and graphite anode materials, has laid a strong foundation for the Group's future success in the graphite anode material business, and will contribute to the global lithium-ion battery supply chain.

Upholding the mission of driving the transformation of our downstream industries to be part of the sustainable value chain under the backdrop of dual carbon goals in the global market, we will continue to strive to realise and monetise our business strategies for the long-term interests of our stakeholders.

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately US$59.7 million in 1H2022 to approximately US$43.7 million in 1H2023 mainly due to:

(i) the decrease in sales quantities from approximately 12,456MT in 1H2022 to 9,603MT in 1H2023; and

(ii) the slight decrease in the average selling price of approximately US$4,793/MT in 1H2022 to approximately US$4,549/MT in 1H2023.

Cost of Sales

The cost of sales decreased from approximately US$44.1 million in 1H2022 to approximately US$38.4 million in 1H2023 mainly due to the decrease in sales quantities from approximately 12,456MT in 1H2022 to 9,603MT in 1H2023 and partly offset by the increase in average cost of sales from approximately US$3,544/MT in 1H2022 to approximately US$3,997/MT in 1H2023 driven by the increase in average purchase price of needle coke and the decrease in production volume in 1H2023 as compared to that of 1H2022.

Gross Profit and Gross Profit Margin

The gross profit decreased from approximately US$15.6 million in 1H2022 to approximately US$5.3 million in 1H2023 and the gross profit margin decreased from approximately 26.1% in 1H2022 to approximately 12.1% in 1H2023. Such decrease in gross profit margin was mainly driven by:

(i) the decrease in average selling price;

(ii) the decrease in sales quantities; and

(iii) the increase in average cost of sales per MT.

Finance Cost

The total finance cost of the Group was approximately US$2.1 million in 1H2023, representing an increase of approximately US$1.1 million as compared to approximately US$1.0 million in 1H2022. The main reason for such increase was the increase of loan interests on bank and other borrowings during 1H2023.

Listing Expenses

The Group's listing expenses increased from approximately US$0.6 million in 1H2022 to approximately US$1.7 million in 1H2023. As the Company successfully completed its listing on the Main Board of the Stock Exchange on 17 January 2023, higher listing expenses were incurred in 1H2023 as it was closer to the final stage of the listing as compared to that of 1H2022.

(Loss) profit for the Reporting Period

Overall, the profit attributable to owners of the Company decreased from approximately US$6.5 million in 1H2022 to the loss attributable to owners of the Company of approximately US$4.2 million in 1H2023, mainly driven by (i) substantial decrease in the gross profit, (ii) certain increase in administrative expenses, (iii) certain increase in finance costs and (iv) the discretionary bonus for employees declared and incurred after the listing of the Company, and such effect was partially offset by the income tax credit given the Group was loss making for 1H2023.

Non-HKFRS Financial Measures

	For the six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
(Loss)profit for the period attributable to owners of the Company	**(4,224)**	6,533
Add:		
Listing expense	**1,655**	559
Discretionary employee bonus	**3,045**	–
Adjusted net profit under non-HKFRS financial measures	**476**	7,092

The Board wishes to highlight that "adjusted net profit(loss)" is not defined under the HKFRS. It is defined by the Group as profit(loss) for the period adjusted by eliminating the impact of listing expenses and discretionary employee bonus, which are non-recurring in nature. The Board believes that the presentation of such non-HKFRS financial measure when shown in conjunction with the corresponding HKFRS measures provides useful information to the Shareholders and potential investors in facilitating a comparison of the Group's operating performance from period to period by eliminating the impact of incidental expenses. Such non-HKFRS financial measures allow investors to evaluate the Group's operating results and understand the Company's consolidated results of operations in the same manner as the management of the Company. The use of the non-HKFRS financial measures have limitations as analytical tools and such non-HKFRS financial measures may differ from the non-HKFRS financial measures used by other companies, and therefore the comparability of such information may be limited. Shareholders and potential investors should not consider such non-HKFRS financial measures in an isolated form, or as a substitute for the financial information prepared and presented in accordance with HKFRS.

Liquidity, Capital Resources and Capital Structure

During the Reporting Period, the Group meets its capital requirements principally with the following: (i) cash generated from operations; (ii) proceeds from bank and other borrowings; and (iii) proceeds from the global offering of shares of the Company on the Stock Exchange on 17 January 2023. 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 30 June 2023, the Group's cash and cash equivalents were approximately US$28.3 million (31 December 2022: US$11.7 million) and mainly denominated in US$, EUR, RMB and HK$.

The Group's total interest-bearing bank and other borrowings as at 30 June 2023 amounted to approximately US$30.0 million (31 December 2022: US$30.2 million), which were mainly denominated in US$, RMB, EUR and HK$. The interest-bearing bank borrowings were mainly used for working capital and all of which are at commercial lending interest rates.

The Group manages its capital structure by maintaining a balance between equity and debts. As at 30 June 2023, the Group's total equity and liabilities amounted to approximately US$159.3 million and US$70.2 million, respectively (31 December 2022: US$132.9 million and US$72.9 million, respectively).

Gearing Ratio

The Group's gearing ratio, as calculated based on total debts divided by total equity, decreased from approximately 22.7% as at 31 December 2022 to approximately 18.8% as at 30 June 2023. This was mainly attributable to the substantial increase in total equity due to the Listing in January 2023, which outweighed the effect of the interest bearing bank and other borrowings increased during the Reporting Period.

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 for the expansion of our operations. For the Reporting Period, the Group incurred capital expenditures of approximately US$2.7 million.

Contingent Liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 30 June 2023, certain of property, plant and equipment, trade receivables and industrial leasehold land with carrying amounts of approximately US$38.1 million, US$17.0 million and US$3.2 million, respectively (31 December 2022: US$38.2 million, US$14.8 million and US$3.3 million, respectively) were pledged to third parties for interest-bearing bank and other borrowings granted to the Group.

Acquisitions or Disposals of Subsidiaries, Associates and Joint Venture

On 16 May 2023, Huixian Municipal People's Government (輝縣市人民政府) (the "**Huixian Government**") and the Company entered into a joint venture agreement and a supplemental agreement to the joint venture agreement (the "**JV Agreements**"), pursuant to which the parties agreed to establish a joint venture company in the PRC with limited liability (the "**JV Company**"). Pursuant to the JV Agreements, the registered capital of the JV Company will be RMB100 million, among which Huixian City Construction Investment Co., Ltd.* (輝縣市建設投資有限公司), a company wholly-owned by the Huixian Government, shall contribute RMB51 million, representing 51% of the total capital contribution of the JV Company, Gosource Capital Limited ("**Gosource Capital**"), an indirect wholly-owned subsidiary of the Company, shall contribute RMB37 million equivalent in US dollars, representing 37% of the total capital contribution of the JV Company, and Henan Sangraf Carbon Technology Company Limited* (河南昇瑞炭材料科技有限公司) ("**Sangraf Henan**"), an indirect wholly-owned subsidiary of the Company, shall contribute 12% of the total capital contribution by way of intellectual property. The JV Company will be a non-wholly owned subsidiary of the Company and thus the financial results of the JV Company will be consolidated into the financial statements of the Group.

The JV Company will, with the assistance of Gosource Capital and/or Sangraf Henan, expand the annual production capacity of the factory of the Group located in Hongzhou Town, Huixian City, Henan Province, the PRC to 40,000 tons of UHP graphite electrodes and the associated auxiliary facilities.

Further details of the JV Agreements are set out in the announcements of the Company dated 16 May 2023 and the supplemental announcement dated 8 August 2023.

Save as disclosed above or otherwise in this interim report, the Group did not have any material acquisitions nor disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Significant Investments

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 30 June 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares and underlying Shares 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 Director	Capacity and nature of interest	Number of shares	Percentage of shareholding interest in the Company (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 30 June 2023.

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 30 June 2023, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares and underlying Shares 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

To the best of the Directors' knowledge, as of 30 June 2023, the following persons or corporations (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 shareholding interest in the Company (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 30 June 2023.

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 30 June 2023, 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.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 19 December 2022, enabling the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the Company's issued share capital as at the Listing Date, i.e. 100,000,000 Shares. The maximum number of Shares issued and to be issued upon the exercise of the options granted under the Share Option Scheme to any one person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue from time to time. Since its adoption and up to 30 June 2023, no share options have been granted under the Share Option Scheme. Therefore, no options were exercised, cancelled or lapsed during the Reporting Period and there were no outstanding options under the Share Option Scheme as at 30 June 2023. At the beginning and the end of the six months ended 30 June 2023, the aggregate number of Shares which may be issued upon the exercise of all share options that may be granted under the Share Option Scheme was 100,000,000 Shares.

EVENTS AFTER THE REPORTING PERIOD

Acquisition of the Target Assets

On 6 July 2023, Shengrui (Shanxi) New Materials Technology Co. Limited* (昇瑞(山西) 新材料科技有限公司) (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, and Shanxi Taigu Mingxing Carbon Steel Company Limited* (山西太谷明興碳素瑪鋼有限公司) (the "**Vendor**") entered into an asset purchase agreement (the "**Asset Purchase Agreement**"). Pursuant to the Asset Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the target assets which shall comprise (a) the land, buildings, and facilities essential for production and operational purposes used in the re-baking, pitch impregnation and graphitisation of graphite electrodes; and (b) the intangible assets pertaining to graphite electrode products or similar products including a comprehensive range of proprietary technologies, technical documentation, data and archives, and other relevant media materials in various fields (the "**Target Assets**") at a consideration of approximately RMB80.5 million. Upon the completion of the acquisition of the Target Assets and the commencement of the operation of the Target Assets, the Group's annual effective production capacity of graphite electrodes is expected to increase from 35,000MT to 46,000MT.

Further details of the acquisition of the Target Assets are set out in the announcement of the Company dated 6 July 2023.

Change of Auditors

Ernst & Young ("**EY**") has resigned as the auditors of the Company upon the request of the Company with effect from 31 July 2023 as the Company and EY were unable to reach a consensus in respect of the audit fees for the year ending 31 December 2023.

Deloitte Touche Tohmatsu ("**Deloitte**") was appointed as the new auditors of the Company with effect from 31 July 2023 to fill the casual vacancy following the resignation of EY and to hold office until the conclusion of the next annual general meeting of the Company. The Board and the Audit Committee are of the view that the change of auditors would enable the Company to carry out more effective cost control.

The Board and the Audit Committee have confirmed that there are no other matters in relation to the change of auditors that need to be brought to the attention of the Shareholders.

Further details of the change of auditors are set out in the announcement of the Company dated 31 July 2023.

Resignation of a Joint Company Secretary and the Authorised Representative under the Companies Ordinance

Ms. Ip Cheuk Man Lousia ("**Ms. Ip**") has resigned as a joint company secretary and the authorised representative for acceptance of service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) of the Company with effect from 13 September 2023.

Following Ms. Ip's resignation, the other joint company secretary of the Company, Mr. Lau Che Yan Kenneth ("**Mr. Lau**"), who possesses the requisite qualifications and experience as required under Rule 3.28 of the Listing Rules, will remain in office and act as the sole company secretary of the Company. Mr. Lau has also been appointed as the authorised representative under the Companies Ordinance with effect from 13 September 2023.

Further details of the resignation of the joint company secretary and the authorised representative under the Companies Ordinance are set in the announcement of the Company dated 13 September 2023.

USE OF PROCEEDS FROM THE LISTING

The Company's Shares have been listed on the Main Board of the Stock Exchange since Listing Date. The net proceeds from the global offering after deducting the underwriting fees and commissions and related expenses were approximately HK$186.7 million. The Group has utilised and will continue to utilise 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 as at 30 June 2023 are as below:

	Purpose	Percentage of total amount	Net proceeds HK$ million	Utilised up to 30 June 2023 HK$ million	Unutilised as at 30 June 2023 HK$ million	Expected timeline of full utilisation of the balance as at 30 June 2023
1	Pay for the purchase price of the Taigu Assets (as defined in the Prospectus) (Note)	34.8%	65.0	–	65.0	first half of 2024
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	(28.8)	74.2	first half of 2025
3	Working capital and general corporate purposes	10.0%	18.7	(18.7)	–	–

Note: As disclosed in the announcement of the Company dated 6 July 2023, the Asset Purchase Agreement has superseded the original agreements entered into between the Purchaser and the Vendor for the acquisition of the Taigu Assets, and the Group intends to finance a portion of the consideration for the acquisition of the Target Assets in the sum of approximately RMB59 million (approximately equivalent to HK$65 million) from the net proceeds of the global offering.

The net proceeds have been and will be used according to the allocations and purposes as stated in the Prospectus, and there are no material change or delay in the use of proceeds.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 206 staff. The staff costs (including directors remuneration) for the Reporting Period amounted to approximately US$8.3 million (six months ended 30 June 2022: US$4.5 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.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the Reporting Period and six months ended 30 June 2022.

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 was not applicable to the Company prior to the Listing Date. Throughout the period from the Listing Date to 30 June 2023, the Company has complied with the code provisions as set out in the CG Code. It is worth noting that the roles of chairman and chief executive officer should be separate and performed by different individuals pursuant to Code A.2.1 of the Code Provisions. During the Reporting Period, Dr. Wei-Ming Shen resigned as the chairman of the board with effect from 19 May 2023 and following his resignation, Mr. Peter Brendon Wyllie, an executive Director at the time, was appointed as the chairman of the Board. Such is in line with the requirement under the Code A.2.1 of the Code Provisions and demonstrated a clear division of responsibilities between the management of the Board and the day-to-day management of the Company's business to ensure a balance of power and authority.

CHANGES IN INFORMATION OF DIRECTORS

Changes in information in relation to the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

(i) Mr. Hou Haolong has been appointed as a director of Sanode International with effect from 31 March 2023;

(ii) Mr. Yan Haiting has been appointed as a director of Sanode International with effect from 31 March 2023;

(iii) Dr. Wei-Ming Shen has resigned as the chairman of the Board and the chairman of the nomination committee with effect from 19 May 2023;

(iv) Mr. Adriaan Johannes Basson has retired as an executive Director with effect from 19 May 2023; and

(v) Mr. Peter Brendon Wyllie has been appointed as a director of Sanode International with effect from 31 March 2023, and as an executive Director, the chairman of the Board and the chairman of the nomination committee with effect from 19 May 2023.

Save as disclosed above, there were no other changes in information of the Directors and chief executives that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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. Since the Shares were listed on the Main Board of the Stock Exchange on 17 January 2023, the Model Code was not applicable to the Company prior to the Listing Date. 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 30 June 2023.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules, and currently comprises three independent non-executive Directors, namely Mr. Cheng Tai Kwan Sunny (Chairman), Ms. Chan Chore Man Germaine and Mr. Ngai Ming Tak Michael.

The Audit Committee has discussed with the management and the external auditor and reviewed the interim results, this interim report and the unaudited condensed consolidated interim financial statement of the Group for 1H2023. The Audit committee has no disagreement with respect to the accounting principles and practices, financial reporting process, risk management, and internal control systems adopted by the Group and is of the view that such accounts are in compliance with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for 1H2023 has been reviewed and agreed by the Company's auditors, Deloitte, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The review report of the auditors will be included in the interim report of the Company for the Reporting Period to be dispatched to the Shareholders.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF SANERGY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sanergy Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 28 to 56, which comprise the condensed consolidated statement of financial position at 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2022 and the relevant explanatory notes included in these condensed consolidated financial statements were extracted from the consolidated financial statements of the Group for the six-month period ended 30 June 2022 audited by another auditor who expressed an unmodified opinion on the consolidated financial statements on 30 December 2022. The comparative condensed consolidated statement of financial position as at 31 December 2022 were extracted from the consolidated financial statements of the Group for the year ended 31 December 2022 audited by the same auditor who expressed an unmodified opinion on those statements on 29 March 2023.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June 2023 US$'000 (unaudited)	2022 US$'000 (audited)
Revenue	4	**43,685**	59,706
Cost of sales		**(38,384)**	(44,142)
Gross profit		**5,301**	15,564
Other income	4	**463**	705
Selling expenses		**(1,325)**	(1,612)
Administrative expenses		**(5,342)**	(4,338)
Other expenses		**(1,315)**	(863)
Finance costs		**(2,145)**	(967)
Listing expenses		**(1,655)**	(559)
Discretionary listing bonus expenses		**(3,045)**	–
(Loss) profit before tax	5	**(9,063)**	7,930
Income tax credit (expense)	6	**4,839**	(1,397)
(Loss) profit for the period attributable to owners of the Company		**(4,224)**	6,533
(Loss) earnings per share for profit attributable to the owners of the Company			
— Basic	8	**US$(0.4) cents**	US$0.8 cents
— Diluted	8	**US$(0.4) cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June **2023** **US$'000** **(unaudited)**	 2022 US$'000 (audited)
Other comprehensive expense			
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(791)**	(9,329)
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:			
Revaluation loss on property, plant and equipment		**–**	(347)
Income tax effect		**–**	55
Net other comprehensive expense that will not be reclassified to profit or loss in subsequent periods		**–**	(292)
Other comprehensive expense for the period, net of tax		**(791)**	(9,621)
Total comprehensive expense for the period attributable to owners of the Company		**(5,015)**	(3,088)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	**At 30 June 2023 US$'000 (unaudited)**	At 31 December 2022 US$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**92,995**	93,131
Right-of-use assets	9	**7,541**	8,109
Intangible assets		**772**	913
Prepayments and deposits		**2,376**	2,737
Interest in an associate	10	**5,693**	–
Deferred tax assets	15	**2,230**	2,147
Total non-current assets		**111,607**	107,037
CURRENT ASSETS			
Inventories		**64,286**	58,605
Trade receivables	11	**19,909**	21,046
Prepayments, deposits and other receivables		**5,382**	7,511
Cash and cash equivalents		**28,344**	11,652
Total current assets		**117,921**	98,814
CURRENT LIABILITIES			
Trade payables	12	**9,851**	12,314
Other payables and accruals		**11,494**	10,804
Interest-bearing bank and other borrowings	14	**25,609**	16,611
Lease liabilities	13	**528**	562
Income tax payable		**5,298**	5,232
Total current liabilities		**52,780**	45,523
Net current assets		**65,141**	53,291
Total assets less current liabilities		**176,748**	160,328

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	At 30 June 2023 US$'000 (unaudited)	At 31 December 2022 US$'000 (audited)
NON-CURRENT LIABILITIES			
Other payables and accruals		**2,392**	2,412
Interest-bearing bank and other borrowings	14	**4,385**	13,618
Lease liabilities	13	**1,020**	1,178
Deferred tax liabilities	15	**9,647**	10,203
Total non-current liabilities		**17,444**	27,411
Net assets		**159,304**	132,917
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	**10,000**	110
Reserves		**149,304**	132,807
Total equity		**159,304**	132,917

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company							
	Issued capital US$'000	Share premium* US$'000	Capital reserve* US$'000	Statutory reserve* US$'000	Asset revaluation reserve* US$'000	Exchange fluctuation reserve* US$'000	Retained profits* US$'000	Total US$'000
At 1 January 2022 (audited)	110	7,300	(4,684)	1,240	36,530	705	93,788	134,989
Profit for the period	–	–	–	–	–	–	6,533	6,533
Other comprehensive income (expense) for the period:								
Exchange differences on translation of foreign operations	–	–	–	–	–	(9,329)	–	(9,329)
Revaluation loss on property, plant and equipment	–	–	–	–	(347)	–	–	(347)
Income tax effect on revaluation on property, plant and equipment	–	–	–	–	55	–	–	55
Total comprehensive income (expense) for the period	–	–	–	–	(292)	(9,329)	6,533	(3,088)
Appropriation to statutory reserve	–	–	–	66	–	–	(66)	–
Release of asset revaluation reserve	–	–	–	–	(771)	–	771	–
At 30 June 2022 (audited)	110	7,300	(4,684)	1,306	35,467	(8,624)	101,026	131,901
At 1 January 2023 (audited)	**110**	**7,300**	**(4,684)**	**1,257**	**35,157**	**(9,190)**	**102,967**	**132,917**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(4,224)**	**(4,224)**
Other comprehensive expense for the period:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(791)**	**–**	**(791)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(791)**	**(4,224)**	**(5,015)**
Issuance of shares (note 16)	**9,890**	**21,512**	**–**	**–**	**–**	**–**	**–**	**31,402**
Appropriation to statutory reserve	**–**	**–**	**–**	**2**	**–**	**–**	**(2)**	**–**
Release of asset revaluation reserve	**–**	**–**	**–**	**–**	**(823)**	**–**	**823**	**–**
At 30 June 2023 (unaudited)	**10,000**	**28,812**	**(4,684)**	**1,259**	**34,334**	**(9,981)**	**99,564**	**159,304**

* These reserve accounts comprise the consolidated reserves of US$149,304,000 (2022: US$132,807,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(unaudited)	(audited)
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
(Loss) profit before tax	**(9,063)**	7,930
Adjustments for:		
Increase in inventories	**(6,078)**	(5,958)
Decrease (increase) in trade receivables	**656**	(4,552)
Decrease in prepayments, deposits and other receivables	**1,497**	1,367
Decrease in trade payables	**(2,460)**	(3,004)
Increase in other payables and accruals	**2,779**	1,899
Other operating activities	**4,595**	4,243
Cash (used in) generated from operations	**(8,074)**	1,925
Interest received	**176**	7
Interest paid	**(1,100)**	(545)
Interest element in lease payments	**(58)**	(12)
Income taxes refunded (paid)	**4,310**	(128)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(4,746)**	1,247
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(4,284)**	(2,842)
Payment to acquire right-of-use assets	**–**	(376)
Additions to intangible assets	**(15)**	(12)
Proceeds from sublease	**15**	14
Acquisition of subsidiaries	**–**	(2,459)
Acquisition of interest in an associate	**(5,695)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(9,979)**	(5,675)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds on issue of shares	**35,364**	–
Transaction costs attributable to issue of shares	**(2,830)**	–
New borrowings	**12,886**	9,424
Repayment of borrowings	**(14,305)**	(2,165)
Repayment of a loan from a related company	**–**	(2,356)
Principal portion of lease payments	**(289)**	(485)
NET CASH FROM FINANCING ACTIVITIES	**30,826**	4,418

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(unaudited)	(audited)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**16,101**	(10)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, net	**591**	(457)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**11,652**	15,086
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	**28,344**	14,619

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL AND BASIS OF PREPARATION

Sanergy Group Limited (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 condensed consolidated financial statements are presented in United States dollars ("**US$**"), which is also the functional currency of the Company.

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 six months ended 30 June 2023.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Other than additional accounting policies resulting from the application of amendments to the Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

Moreover, the Group has applied the following accounting policies which became relevant to the Group in the current period.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Interest in an associate

An associate is an entity, other than a subsidiary or a joint venture, of which the Group has significant influence over its financial and operating policy decisions.

Investments in associates are carried in the condensed consolidated financial statements at cost plus share of post-acquisition results less dividends/distributions received and provision for impairment.

Results of associates are incorporated in the condensed consolidated financial statements to the extent of the Group's share of total comprehensive income based on their financial statements made up to 30 June 2023 and where necessary, adjusted to ensure consistency with the Group's accounting policies.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sale of graphite electrodes. The executive directors of the Company have been identified as the chief operating decision maker. Information reported to the executive directors 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

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(unaudited)	(audited)
Americas	**13,578**	12,989
Europe, Middle East and Africa ("**EMEA**")	**23,272**	28,752
People's Republic of China (the "**PRC**")	**6,771**	15,698
Asia Pacific excluding the PRC	**64**	2,267
	43,685	59,706

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

(b) Non-current assets

	At 30 June 2023	At 31 December 2022
	US$'000	US$'000
	(unaudited)	(audited)
Americas	**140**	202
EMEA	**50,506**	50,739
PRC	**57,036**	52,168
Asia Pacific excluding the PRC	**1,542**	1,629
	109,224	104,738

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

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(unaudited)	(audited)
Revenue from contracts with customers		
Sale of graphite electrodes	**43,685**	59,706

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

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(unaudited)	(audited)
Type of goods or service		
Sale of graphite electrodes	**43,685**	59,706

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(unaudited)	(audited)
Timing of revenue recognition		
Goods transferred at a point in time	**43,685**	59,706

Details of the disaggregated revenue based on geographical locations are disclosed in note 3(a).

For the six months ended 30 June 2023 and 2022, revenue of US$26,000 and US$36,000, respectively, was recognised that was included in the contract liabilities at the beginning of the relevant period.

4. REVENUE AND OTHER INCOME (CONTINUED)

(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 "Revenue from Contracts with Customers", the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to these condensed consolidated financial statements because all the remaining performance obligations in relation to the sale of graphite electrodes are a part of contracts that have an original expected duration of one year or less.

An analysis of other income is as follows:

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(unaudited)	(audited)
Bank interest income	**175**	6
Sublease interest income	**1**	1
Net profit from sale of other carbon products	**–**	188
Revaluation gain on property, plant and equipment	**–**	82
Government subsidies*	**283**	189
Gain on novation of loans	**–**	155
Others	**4**	84
	463	705

* The subsidies for the period represented business, export and environmental subsidies received from the PRC government of US$283,000 (six months ended 30 June 2022: US$189,000). There were no unfulfilled conditions or contingencies relating to these subsidies.

5. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(unaudited)	(audited)
The Group's (loss) profit before tax is arrived at after charging (crediting):		
Cost of inventories sold*	**38,384**	44,142
Depreciation of property, plant and equipment**	**2,020**	2,209
Depreciation of right-of-use assets**	**462**	434
Amortisation of intangible assets^^	**142**	145
Lease payments not included in the measurement of lease liabilities	**9**	9
Employee benefit expense:		
— Wages and salaries and pension scheme contributions#	**8,349**	4,524
— Less: Amount capitalised	**(2,174)**	(2,137)
— Less: Government subsidies##	**(508)**	(13)
Total employee benefit expense	**5,667**	2,374
Foreign exchange differences, net^	**938**	121
Impairment of trade receivables^^	**–**	114

The amount included the discretionary listing bonus expense of US$3,045,000.

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

* Included in cost of sales on the condensed consolidated statement of profit or loss and other comprehensive income.

** Certain depreciation charge for property, plant and equipment and right-of-use assets of US$1,933,000 and US$2,231,000 for the six months ended 30 June 2023 and 2022, respectively, are included in cost of sales on the condensed consolidated statement of profit or loss and other comprehensive income.

^ Included in other income or other expenses on the condensed consolidated statements of profit or loss and other comprehensive income.

^^ Included in administrative expenses on the condensed consolidated statements of profit or loss and other comprehensive income.

6. INCOME TAX (CREDIT) 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% on the estimated assessable profits arising in Hong Kong for both periods, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary for both periods are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Pursuant to the relevant tax laws of the United States of America (the "**US**"), federal corporation income tax was levied at the rate of up to 21% for both periods on the taxable income arising in the US during the period.

The Coronavirus Aid, Relief, and Economic Security Act ("**CARES Act**") was enacted on 27 March 2020 in the US. Under the CARES Act, the companies incorporated in the US can carry back net operating loss incurred (if any), in the calendar year ended 31 December 2018, 2019 and 2020 to previous five financial years that has taxable profit for tax refund. As such, the subsidiary of the Company in the US is eligible to carry back approximately US$21,952,000 net operating loss incurred in the year ended 31 December 2020 which give rise to approximately US$4,610,000 tax credit.

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

6. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

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% and 3.9%, respectively, on the taxable income for both periods.

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(unaudited)	(audited)
Current — Hong Kong		
Charge for the period	**3**	–
Current — elsewhere*	**(4,082)**	229
Deferred tax	**(760)**	1,168
Income tax (credit) expense for the period	**(4,839)**	1,397

* The amount for the current period included the tax credit impact of CARES Act received in March 2023, amounting to US$4,610,000 (six months ended 30 June 2022: US$Nil).

7. DIVIDENDS

No dividend was declared by the Company to its shareholders during the six months ended 30 June 2023 and 2022.

8. (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

The weighted average number of ordinary shares used for the purpose of calculating basic loss per share and diluted loss per share for the six months ended 30 June 2023 and basic earnings per share for the six months ended 30 June 2022 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 six months ended 30 June 2022.

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

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(unaudited)	(audited)
(Loss) earnings:		
(Loss) profit for the period attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share	**(4,224)**	6,533
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	**984,760,221**	827,600,000

The computation of diluted loss per share for the six months ended 30 June 2023 does not assume the exercise of the Company's over-allotment option during the period since their assumed exercise would result in a decrease in loss per share.

9. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023 and 2022, the Group incurred total expenditure of approximately US$4,284,000 and US$2,842,000, respectively on the acquisition of property, plant and equipment.

In the opinion of the directors of the Company, the respective carrying amounts of the Group's property, plant and equipment at the end of the current interim period that are carried at revalued amounts do not differ significantly from their respective estimated fair values. Consequently, no revaluation surplus or deficit has been recognised in the current interim period. For the six months ended 30 June 2022, the resulting revaluation deficit (net of tax) of approximately US$292,000 has been debited to the property revaluation reserve.

During the current interim period, the Group entered into several new lease agreements with lease terms ranging from 36 to 48 months (six months ended 30 June 2022: 12 to 84 months) and fixed monthly payments. The Group recognised new right-of-use assets of approximately US$75,000 and US$1,743,000, and lease liabilities of approximately US$75,000 and US$1,367,000 during the six months ended 30 June 2023 and 2022, respectively.

At 30 June 2023, certain of the Group's land and buildings with a net carrying amount of approximately US$14,772,000 (31 December 2022: US$13,900,000), plant and machinery with a net carrying amount of approximately US$23,306,000 (31 December 2022: US$24,295,000) and industrial leasehold land with a net carrying amount of approximately US$3,163,000 (31 December 2022: US$3,323,000) were pledged to third parties to secure interest-bearing borrowings granted to the Group (note 14).

10. INTEREST IN AN ASSOCIATE

	At 30 June 2023 US$'000 (unaudited)	At 31 December 2022 US$'000 (audited)
Cost of investment in an associate	**5,695**	–
Share of post-acquisition profits and other comprehensive income, net of dividend received (included in other expenses)	**(2)**	–
	5,693	–

During the six months ended 30 June 2023, the Group has entered into an investment agreement with third parties to inject RMB40,000,000 (equivalent to US$5,695,000) into Hubei Hairong Technology Co., Ltd. (the "**Investee**"). As the Group holds 25% of the contributed capital of the Investee and is entitled to appoint one director of the Investee, the Group is considered to have significant influence over the Investee.

11. TRADE RECEIVABLES

	At 30 June 2023 US$'000 (unaudited)	At 31 December 2022 US$'000 (audited)
Trade receivables measured at amortised cost	**15,372**	16,955
Impairment losses	**(258)**	(260)
	15,114	16,695
Trade receivables measured at fair value through profit or loss ("**FVTPL**")	**4,795**	4,351
	19,909	21,046

11. TRADE RECEIVABLES (CONTINUED)

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.

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 on a non-recourse basis.

As part of its normal business, the Group also 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 30 June 2023 was US$Nil (31 December 2022: US$617,000) and that of the associated liabilities as at 30 June 2023 was US$Nil (31 December 2022: US$506,000).

At 30 June 2023 and 31 December 2022, certain trade receivables of approximately US$16,954,000 and US$14,843,000, respectively were pledged to third parties to secure interest-bearing borrowings granted to the Group (note 14).

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:

	At 30 June 2023 US$'000 (unaudited)	At 31 December 2022 US$'000 (audited)
Not past due	**17,595**	18,242
Within 1 month	**1,103**	2,483
1 to 3 months	**1,090**	321
Over 3 months	**121**	–
	19,909	21,046

12. TRADE PAYABLES

	At 30 June 2023 US$'000 (unaudited)	At 31 December 2022 US$'000 (audited)
Trade payables	**9,851**	12,314

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

	At 30 June 2023 US$'000 (unaudited)	At 31 December 2022 US$'000 (audited)
Not past due	**9,024**	10,982
Within 1 month	**440**	705
1 to 3 months	**222**	476
Over 3 months	**165**	151
	9,851	12,314

The trade payables are non-interest-bearing and are normally settled on terms ranging from 60 to 120 days.

13. LEASE LIABILITIES

During the current interim period, interest expense of approximately US$58,000 (six months ended 30 June 2022: US$12,000) has been charged to profit or loss and repayment of approximately US$289,000 (six months ended 30 June 2022: US$485,000) has been made in relation to the lease liabilities.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

During the six months ended 30 June 2023, the Group obtained new bank borrowings of approximately US$12,886,000 (six months ended 30 June 2022: US$9,424,000) and repaid bank borrowings of approximately US$14,305,000 (six months ended 30 June 2022: US$2,165,000). The bank borrowings of the Group carry interest at market rates ranging from approximately 0.75% to 8% (six months ended 30 June 2022: approximately 0.75% to 8%) per annum.

15. DEFERRED TAX

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

Deferred tax liabilities — Gross

	Right-of-use assets	Fair value adjustments arising from acquisition of a subsidiary	Revaluation of property, plant and equipment	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2022	96	219	14,197	3,171	17,683
Deferred tax credited to the statement of profit or loss during the year	(22)	(44)	(6)	(164)	(236)
Deferred tax credited to asset revaluation reserve during the year	–	–	(1,641)	–	(1,641)
Exchange realignment	–	–	(927)	–	(927)
At 31 December 2022	74	175	11,623	3,007	14,879
Deferred tax (credited) charged to the statement of profit or loss during the period	(28)	(22)	(7)	110	53
Exchange realignment	–	–	121	–	121
At 30 June 2023	**46**	**153**	**11,737**	**3,117**	**15,053**

15. DEFERRED TAX (CONTINUED)

Deferred tax assets — Gross (Continued)

	Provision for inventories	Tax losses	Lease liabilities	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2022	265	5,843	168	2,744	9,020
Deferred tax (charged) credited to the statement of profit or loss during the year	(249)	(2,977)	(10)	1,039	(2,197)
At 31 December 2022	16	2,866	158	3,783	6,823
Deferred tax (charged) credited to the statement of profit or loss during the period	(4)	(66)	19	864	813
At 30 June 2023	**12**	**2,800**	**177**	**4,647**	**7,636**

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

	At 30 June 2023	At 31 December 2022
	US$'000	US$'000
	(unaudited)	(audited)
Net deferred tax assets	**2,230**	2,147
Net deferred tax liabilities	**(9,647)**	(10,203)
	(7,417)	(8,056)

The Group had aggregated tax losses of US$14,573,000 as at 30 June 2023 (31 December 2022: US$15,590,000) for which deferred tax assets have been recognised for such tax losses that are available for setting off against taxable profits generated indefinitely or within the next 5 to 10 years. No deferred tax asset has been recognised in respect of the remaining tax losses of US$Nil (31 December 2022: US$15,762,000) due to unpredictability of future profit streams.

15. DEFERRED TAX (CONTINUED)

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 and Italy, respectively. 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 30 June 2023, 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 Company's subsidiaries established in Mainland China and Italy (31 December 2022: US$Nil). 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 and Italy for which deferred tax liabilities have not been recognised totalled approximately US$1,037,000 (31 December 2022: US$1,074,000).

16. SHARE CAPITAL

Authorised:

	Number of shares	Share capital US$'000
At 1 January 2022	30,000,000	300
Increased of authorised share capital with par value of US$0.01 each (note)	4,970,000,000	49,700
At 31 December 2022 and 30 June 2023	5,000,000,000	50,000

Note: 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.

16. SHARE CAPITAL (CONTINUED)

Issued and fully paid:

	Number of shares in issue	Share capital US$'000
At 1 January 2022 and 31 December 2022	11,000,000	110
Capitalisation issue of 816,600,000 ordinary shares	816,600,000	8,166
Issue of 172,400,000 ordinary shares	172,400,000	1,724
At 30 June 2023	1,000,000,000	10,000

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 17 January 2023, being the date of listing of the shares on the Stock Exchange. 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.

The Company's shares were listed on the 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. Transaction costs attributable to issue of shares amount to US$3,962,000 which is debited into share premium during the six months ended 30 June 2023.

17. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in the notes 9 and 11.

18. COMMITMENTS

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

	At 30 June 2023 US$'000 (unaudited)	At 31 December 2022 US$'000 (audited)
Contracted, but not provided for:		
Acquisition of land, property, plant and equipment	**10,380**	10,769
Investment in an investee company	**6,781**	–
	17,161	10,769

19. RELATED PARTY TRANSACTIONS/BALANCES

Related Party Transactions

The Group had following transactions with related parties during the period:

		Six months ended 30 June	
	Notes	**2023 US$'000 (unaudited)**	2022 US$'000 (audited)
Financing charge paid/payable to a related company charged on the outstanding balances derived from the acquisition of a subsidiary	(i)	**–**	70
Lease payments paid to related companies	(ii)	**54**	54
Interest expenses on lease liabilities	(ii)	**3**	3
Financing charge paid/payable to a related company	(iii)	**–**	378
Salaries paid to a related party	(iv)	**49**	20

The transactions were conducted on terms and conditions mutually agreed between the relevant parties. Management is of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

19. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

Related Party Transactions (Continued)

Notes:

(i) The financing charge was related to unpaid consideration for the acquisition of Sangraf Energy Technology Co., Ltd., 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.

(ii) The lease payments were based on terms determined between the Group and related companies which are wholly-owned by close family members of the Controlling Shareholder. Lease interest of US$3,000 and US$3,000 were charged to profit or loss during the six months ended 30 June 2023 and 2022, respectively.

(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.

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

Related Party Balances

	Notes	**At 30 June 2023 US$'000 (unaudited)**	At 31 December 2022 US$'000 (audited)
Included in prepayments, deposits and other receivables:			
Due from the intermediate holding company	(v)	**–**	549
Due from the immediate holding company	(v)	**–**	17
Due from a related company:			
Rental deposit	(vi)	**10**	10
Included in other payables and accruals:			
Due to a shareholder	(v)	**616**	616
Lease liabilities	(vii)	**75**	130

19. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

Related Party Balances (Continued)

Notes:

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

(vi) The balance as at 30 June 2023 and 31 December 2022 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.

(vii) During the year ended 31 December 2022, the Group entered into a rental agreements with the related company which is a wholly-owned by close family members of the Controlling Shareholder. The Group has recognised an addition of right-of-use assets and lease liabilities of US$209,000 and US$219,000 respectively.

Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management during the period was as follows:

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(unaudited)	(audited)
Short-term employee benefits	**746**	432
Post-employment benefits	**10**	14
Discretionary listing bonus expenses	**1,770**	–
	2,526	446

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value at		**Fair value**	**Valuation techniques and**
	30.6.2023	31.12.2022	**hierarchy**	**key inputs**
	US$'000	US$'000		
	(unaudited)	(audited)		
Financial Assets				
Trade receivables at FVTPL (note 11)	**4,795**	4,351	Level 2	Discounted cash flow method. The key input is market interest rate.

There were no transfers into or out of Level 2 during the period.

For financial assets and financial liabilities that are not measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of these financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

21. EVENT AFTER THE REPORTING PERIOD

On 6 July 2023, Shengrui (Shanxi) New Materials Technology Co. Limited (the "**Purchaser**"), a subsidiary of the Company, and Shanxi Taigu Mingxing Carbon Steel Company Limited (the "**Vendor**") entered into an asset purchase agreement (the "**Asset Purchase Agreement**"). Pursuant to the Asset Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the target assets which shall comprise land, property, plant and equipment at a consideration of approximately RMB80,500,000 (equivalent to approximately US$11,763,000).