CHINA GRAPHITE GROUP LIMITED
中国石墨集团有限公司

(incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）
Stock code 股份代號：2237

INTERIM REPORT 2026
中期報告

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Zhao Liang
(Chairman and Chief Executive Officer)
Mr. Lei Wai Hoi

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Shen Shifu
Mr. Liu Zezheng
Ms. Zhao Jingran
Mr. Ho Hoi Tung

AUDIT COMMITTEE
Mr. Ho Hoi Tung *(Chairman)*
Mr. Shen Shifu
Mr. Liu Zezheng
Ms. Zhao Jingran

NOMINATION COMMITTEE
Mr. Zhao Liang *(Chairman)*
Mr. Shen Shifu
Mr. Liu Zezheng
Ms. Zhao Jingran

REMUNERATION COMMITTEE
Mr. Liu Zezheng *(Chairman)*
Mr. Zhao Liang
Mr. Shen Shifu
Ms. Zhao Jingran

COMPLIANCE COMMITTEE
Mr. Liu Zezheng *(Chairman)*
Mr. Lei Wai Hoi
Mr. Ho Hoi Tung

COMPANY SECRETARY
Mr. Lei Wai Hoi

AUTHORISED REPRESENTATIVES
Mr. Zhao Liang
Mr. Lei Wai Hoi

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PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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HONG KONG SHARE REGISTRAR
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Hong Kong

PRINCIPAL BANKS
Agricultural Bank of China Limited
Industrial and Commercial Bank of China Limited
China Merchants Bank Company Limited

STOCK CODE
2237

DEFINITIONS

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"1H 2025"	for the six months ended 30 June 2025
"1H 2026"	for the six months ended 30 June 2026
"Beishan Mine"	a graphite mine located approximately 28 km northwest of Luobei County in Heilongjiang Province, the mining rights of which were obtained by us in 2019
"Board" or "Board of Directors"	our board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, as amended and supplemented from time to time, where references to code provisions in this interim report refer to code provisions in the CG Code
"China" or "PRC"	the People's Republic of China, but for the purpose of this interim report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Company"	China Graphite Group Limited (中国石墨集团有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2020, the Shares of which are listed on the Stock Exchange (stock code: 2237)
"Director(s)"	the director(s) of our Company
"Group", "we", or "us"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

DEFINITIONS

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Mr. Zhao"	Mr. Zhao Liang (趙亮), the chairman of the Board, executive Director, chief executive officer and the controlling shareholder of the Company
"NEV(s)"	new energy vehicles
"Prospectus"	the prospectus of the Company dated 30 June 2022
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the share capital of the Company, with a nominal value of HK$0.001 each
"Shareholder(s)"	holder(s) of the Shares from time to time
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 21 June 2022, the principal terms of which are summarised in "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix VI to the Prospectus
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"tonne"	metric tonne
"Yixiang Graphite"	Heilongjiang Baoquanling Agricultural Reclamation Yixiang Graphite Co., Ltd.* (黑龍江省寶泉嶺農墾溢祥石墨有限公司), a company established under the laws of the PRC with limited liability on 26 June 2006 and is the Company's indirect wholly-owned subsidiary

DEFINITIONS

"Yixiang New Energy"	Heilongjiang Baoquanling Agricultural Reclamation Yixiang New Energy Materials Co., Ltd.* (黑龍江省寶泉嶺農墾溢祥新能源材料有限公司), a company established under the laws of the PRC with limited liability on 20 April 2011 and is the Company's indirect wholly-owned subsidiary
"%"	per cent

The English names of the PRC entities referred to in this interim report are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese marked with "*" is for identification purposes only.

CHAIRMAN'S STATEMENT FOR THE 2026 INTERIM RESULTS

Dear Shareholders,

In the first half of 2026, the global macroeconomy experienced a challenging recovery amidst intricate geopolitical landscapes and cyclical fluctuations. Domestically, China steadily advanced its high-quality economic transformation. Although counter-cyclical macroeconomic policy adjustments intensified and manufacturing activity gradually picked up, structural adjustments in domestic demand continued to present lingering pressures. These included localised liquidity tightness, commodity price volatility, and supply chain restructuring. This complex and volatile macroeconomic environment significantly heightened market uncertainty, posing multiple challenges to real-economy enterprises regarding the steady recovery of operational efficiency and risk resilience.

During the reporting period, driven by the dual engines of power and energy storage batteries, the lithium-ion battery anode material industry maintained high growth in total shipments. However, the competitive landscape within the industry remained severe, characterised by intensifying structural divergence. Capitalising on its scale and integrated supply chain advantages, artificial graphite continued to dominate the absolute mainstream market, structurally squeezing the market share of natural graphite. Burdened by rigid upstream costs and relentless price pressure across the entire value chain from automakers and battery manufacturers, the industry overall exhibited a competitive trend of "volume growth alongside falling prices". Consequently, natural graphite prices continued to fluctuate at low levels, relentlessly eroding the industry's profit margins.

In the face of severe market challenges, the Company fully implemented lean management in the first half of the year, achieving effective manufacturing cost control through production process optimisation and equipment energy-saving upgrades. Impacted by the general industry downturn, the Company's operating revenue decreased during the reporting period. Nevertheless, driven by visible cost-reduction outcomes, product gross profit recorded an increase, which in turn narrowed the Company's net loss year-on-year. This demonstrates that these practical cost-reduction and efficiency-enhancement initiatives have, to a certain extent, strengthened the Company's resilience against industry cyclical fluctuations.

CHAIRMAN'S STATEMENT FOR THE 2026 INTERIM RESULTS

PERFORMANCE OVERVIEW

As at 30 June 2026, the Group's total revenue amounted to approximately RMB32.9 million, representing a year-on-year decrease of 17.3%. Among the key segments: revenue from spherical graphite and by-products was approximately RMB8.2 million, up 70.8% year-on-year; revenue from flake graphite concentrate was approximately RMB23.4 million, down 22.8% year-on-year; and revenue from unprocessed marble was approximately RMB1.3 million, compared to RMB4.6 million in the prior year.

As at 30 June 2026, gross profit reached approximately RMB7.4 million, up 23.3% year-on-year, with gross margin at 22.4%, an increase of 7.4 percentage points compared to the previous year. The Group recorded a net loss of approximately RMB9.9 million for 1H 2026, which narrowed compared to the net loss of approximately RMB11.9 million in the same period last year.

CYCLICAL PRESSURES ON PRODUCTION AND OPERATIONS

During the first half of the year, the first quarter marked the traditional suspension period for graphite enterprises in Luobei County. Compounded by the ongoing intense and homogeneous competition within the domestic natural graphite industry, the Group proactively adjusted its operational strategies upon resuming production, focusing on enhancing product quality and minimising costs to the greatest extent possible. As a result, sales of spherical graphite witnessed a marginal improvement, and cost control initiatives yielded demonstrable outcomes.

As at 30 June 2026, the sales volume of spherical graphite reached 786 tonnes, representing a year-on-year increase of 11.5%. Flake graphite concentrate was dragged down by the downturn in the steel industry and the traditional refractory materials industry, leading to sustained weakness in downstream demand. As at 30 June 2026, the sales volume of flake graphite concentrate was 9,446 tonnes, representing a year-on-year decrease of 23.9%. Benefiting from the overall cost reduction and efficiency enhancement initiatives, the gross profit margin of the flake graphite concentrate sales segment reached 32.1%.

PRAGMATIC MANAGEMENT AND SOLID FOUNDATION BUILDING

The Group obtained the mining rights for the Beishan Mine in 2019. The Beishan Mine is endowed with abundant graphite resources of high grade. Utilising ore from its own mine, rather than procuring from third parties, enables synergistic effects across the upstream and downstream operations, ensuring a stable supply of premium graphite while reducing costs and safeguarding profitability.

CHAIRMAN'S STATEMENT FOR THE 2026 INTERIM RESULTS

At the present stage, the mining permit by the Chinese government is currently in the Beishan Mine with elevations ranging 274 to 150 metres above sea level. Resource report shows that, as of 30 April 2024, the total of the measured, indicated and inferred graphite mineral resources below 150 metres above sea level was approximately 54.9 million tonnes. The Group is in the process of preparing other necessary documents for submission to the relevant government authorities, and we plan to substantially increase the current permitted graphite mining capacity from 500,000 tonnes per annum so as to safeguard the future development.

Although the anode materials and graphite industry is currently undergoing a period of cyclical adjustment, its long-term favorable fundamentals remain unchanged. At this stage, the Group will closely monitor market dynamics and dynamically calibrate its development momentum with agile and prudent operational strategies, thereby ensuring that the enterprise achieves steady and sustainable progress amidst market volatility.

SCIENTIFIC RESEARCH DRIVING DEVELOPMENT

The Group has over 20 years of experience in the natural graphite industry and has consistently adhered to the philosophy of "Enhancing strength through steady development and strengthening innovation capability through innovation". Over the years, we have continued to enhance our innovation-oriented development by collaborating with a number of renowned institutions and research institutes in China, underpinning the strength of our product research and development through various completed key scientific research projects.

In the natural graphite industry, the Group actively positions itself at the forefront of development by leading technological innovation in flotation column techniques and developing a short-flow beneficiation process for graphite with an application-free purification process for processing graphene and development of micronised graphite with a fluorine-free purification process.

Facing changes in the industry, the Group will deepen the implementation of its "innovation-driven development" strategy, continuously explore the field of natural graphite anodes, forge high value-added products in response to industry needs, and continue to enhance its core competitiveness.

CORPORATE GOVERNANCE

The Group always upholds the principles of openness, transparency, and efficiency in corporate governance in compliance with the Listing Rules to achieve high standards of corporate governance.

CHAIRMAN'S STATEMENT FOR THE 2026 INTERIM RESULTS

We have followed our Board Diversity Policy and Director Nomination Policy, fully leveraging the experience and expertise of our independent non-executive Directors to further improve our corporate governance structure and decision-making mechanism. We have adhered to compliant operations, enhanced our compliance management capabilities, and strengthened the construction of a compliance culture for all staff. Focusing on key areas such as graphite mining, product research and development, production, product safety, and sales, we continue to conduct compliance checks and provide guidelines. We are committed to refining our risk control systems to enhance our ability to detect risks and have strengthened supervision over key areas including mines and plugged management loopholes to ensure healthy business operations.

ANNUAL REVIEW AND FUTURE OUTLOOK

In the first half of 2026, driven continuously by technological innovation and policy guidance, the global new energy vehicle (NEV) industry maintained a steady growth resilience overall. In the opening year of the 15th Five-Year Plan period, domestic market still achieved better-than-expected year-on-year growth in both production and sales volumes, propelled by the continuous volume expansion of plug-in hybrid electric vehicles (PHEVs) and extended-range electric vehicles (EREVs), alongside the accelerated expansion into overseas markets. The robustness of the downstream market directly triggered a surge in installation demand for power and energy storage batteries upstream, pushing the overall shipment volume across the supply chain to consecutive record highs. However, as the price war among automakers persisted, cost pressures rapidly transmitted upstream along the value chain, posing more stringent challenges to the profitability resilience of supporting material enterprises.

Concurrently, fueled by the dual engines of power and energy storage demands, the lithium-ion battery anode material market achieved a corresponding expansion in its overall shipment volume. On the supply side, however, the phase-specific contradiction of industrial supply-demand imbalance remained prominent, and the market was undergoing a profound reshuffle. Due to rapid technological iterations in recent years and the scale effects brought by the centralised release of integrated production capacity, artificial graphite processing further consolidated its absolute mainstream market dominance. This led to a severe cannibalisation of natural graphite's market share in core application scenarios such as power batteries. Against the backdrop of the entire value chain pursuing ultimate cost-performance ratios, natural graphite product prices remained sluggish, exerting immense defensive pressure on enterprises at both top-line sales and bottom-line margins.

CHAIRMAN'S STATEMENT FOR THE 2026 INTERIM RESULTS

Faced with the complex situation where the industry has entered the deep-water zone of cyclical adjustment, at this stage, the Group will closely monitor market dynamics and dynamically calibrate its development pace with agile and prudent operational strategies. Through deeply cultivating our core businesses and achieving extreme cost reductions, we will spare no effort in enhancing the enterprise's immunity to industry fluctuations. Although the current anode materials and graphite industry is experiencing temporary pains, the long-term favorable fundamentals of graphite as a strategic core asset remain unchanged. The Group's management will maintain strategic resolve, actively adapt to market trend changes with pragmatic and cautious steps, and firmly accumulate future development initiatives during this industry bottoming-out phase, striving to create greater value for our shareholders.

ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to express my heartfelt gratitude to all shareholders, our valued customers, and all sectors of society for their continuous support and assistance. Meanwhile, I would also like to extend my deep appreciation to all employees of the Group for their dedicated efforts and hard work.

Zhao Liang
Chairman, executive Director and chief executive officer

Hong Kong, 28 August 2026

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

During 1H 2026 and up to the date of this report, the Group had not conducted any exploration drilling works in Beishan Mine and we had not entered into any contracts or commitments in respect of the development activities including mining structure or infrastructure. During 1H 2026, we focused on the extracting activities and removing the waste rocks from our Beishan Mine for our access to the unprocessed graphite ore. The following table illustrates the extraction costs (including the capitalised amount) incurred for 1H 2026 and 1H 2025:

	1H 2026 (RMB'000)	1H 2025 (RMB'000)
Depreciation	**210**	961
Blasting services	**4,230**	4,349
Fuel costs	**3,469**	1,894
Salaries and benefits	**1,184**	1,534
Machinery expenses	**7,304**	2,856
Amortisation of mining rights	**319**	662
Raw materials	**909**	1,022
Repairs and maintenance	**123**	24
Others	**525**	697
Total	**18,273**	13,999
Portion capitalised	**12,427**	4,622
Portion accounted for as cost for the extraction of graphite ore	**4,589**	4,882
Portion accounted for as cost for the extraction of marble	**1,257**	4,495
Total	**18,273**	13,999

MANAGEMENT DISCUSSION AND ANALYSIS

The extraction of our Beishan Mine is split into two phases. Phase one covered an area of approximately 0.10 km^2 and phase two covered an area of approximately 0.25 km^2. During 1H 2026, extraction works for removing the waste rocks and unprocessed marble in phase two had been commenced and approximately 3,198,000 tonnes (1H 2025: approximately 1,806,000 tonnes) of materials including approximately 3,101,000 tonnes (1H 2025: approximately 1,585,000 tonnes) of unprocessed marble and wastes rocks and approximately 97,000 tonnes (1H 2025: approximately 221,000 tonnes) of unprocessed graphite ore were extracted. The Group subcontracted certain mining production activities to independent third parties including blasting activities, graphite product processing services, logistic and transportation of the unprocessed graphite ore to our production site and finished graphite products to our customers and the leasing of equipment and machinery to assist with our mining operations amounting to approximately RMB19.0 million in total (1H 2025: RMB11.0 million). Mining production activities costs increased in step with the higher level of extraction activities and the ongoing tailing storage facility clearance throughout 1H 2026.

Extraction cost

The extraction cost consisted of primarily blasting services expenses, fuel costs, salaries and benefits and machinery expenses. Extraction costs increased from approximately RMB14.0 million for 1H 2025 to approximately RMB18.3 million for 1H 2026, which was mainly due to the increase of the total materials extracted during 1H 2026 (approximately 3,198,000 tonnes) as compared to that during 1H 2025 (approximately 1,806,000 tonnes), leading to the increase of machinery expense of approximately RMB4.4 million by renting more mining equipment and increase of the consumption of diesel oil of approximately RMB1.6 million, net off the decrease of the depreciation of mining equipment of approximately RMB0.8 million, primarily due to the Group's strategic shift toward increasing the use of the rented mining equipment.

FINANCIAL REVIEW

REVENUE

During 1H 2026, the Group generated the revenue primarily from (i) the sale of spherical graphite and its by-products; (ii) the sale of flake graphite concentrate; and (iii) the sale of unprocessed marble. The following table sets forth the revenue generated from each business segment for the periods indicated:

	1H 2026 (RMB'000)	**(%)**	1H 2025 (RMB'000)	(%)
Sale of spherical graphite and its by-products	**8,153**	**24.8**	4,836	12.2
Sale of flake graphite concentrate	**23,429**	**71.3**	30,323	76.2
Sale of unprocessed marble	**1,289**	**3.9**	4,636	11.6
Total	**32,871**	**100.0**	39,795	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue generated from the sale of spherical graphite and by-products

The revenue generated from the sale of the spherical graphite represented approximately 24.8% and 12.2% of the total revenue for 1H 2026 and 1H 2025, respectively. The Group have been selling spherical graphite since September 2012. We mainly sell model SG-9 during 1H 2026. Model numbers of the spherical graphite (i.e. SG-9 being the spherical graphite with a diameter of 9 μm) are designated according to the size of the spherical graphite processed, and additional specifications to spherical graphite may include designated density, purity or shapes of such spherical graphite. As by-products of processing the spherical graphite, we also produce and sell micro graphite powder. The following table summarises the revenue generated, the sales volume and the average selling prices of the spherical graphite and its by-products during 1H 2026.

	1H 2026			1H 2025		
	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/tonne)	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/tonne)
Spherical graphite						
SG-9	5,506	691	7,968	3,328	418	7,962
Others	404	95	4,253	1,272	287	4,432
Subtotal	5,910	786	7,519	4,600	705	6,525
Micro graphite powder	2,243	1,813	1,237	236	206	1,146
Total	8,153	2,599		4,836	911	

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue generated from the sale of flake graphite concentrate

The revenue generated from the sale of the flake graphite concentrate accounted for approximately 71.3% and 76.2% of the total revenue for 1H 2026 and 1H 2025, respectively. The Group have been selling flake graphite concentrate since the business was founded in 2006. For 1H 2026 and 1H 2025, sales from the flake graphite concentrate, mainly included types, "193" (indicating a carbon content of 93% or from 93% to less than 94%), "194" (indicating a carbon content of 94% or from 94% to less than 95%) and "195" (indicating a carbon content of 95% or from 95% to less than 96%). The following table summarises the revenue generated by, the sales volume and the average selling prices of our flake graphite concentrate during 1H 2026 and 1H 2025:

	1H 2026			1H 2025		
	Revenue (RMB'000)	**Sales volume (Tonnes)**	**Average selling price (RMB/tonne)**	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/tonne)
193	**3,723**	**1,496**	**2,489**	2,451	1,029	2,382
194	**8,914**	**3,456**	**2,579**	18,376	7,415	2,478
195	**5,409**	**2,087**	**2,592**	7,310	2,770	2,639
Others[(1)]	**5,383**	**2,407**	**2,236**	2,186	1,195	1,829
Total	**23,429**	**9,446**	**2,480**	30,323	12,409	2,444

Note:

(1) Others primarily include flake graphite concentrates of other carbon content specifications.

The revenue generated from the sales of spherical graphite and by-products increased to approximately RMB8.2 million for 1H 2026 compared to approximately RMB4.8 million for 1H 2025. The sales growth was primarily driven by increased orders for our SG-9 model from a single customer.

The revenue generated from the sale of flake graphite concentrate decreased to approximately RMB23.4 million for 1H 2026 compared to approximately RMB30.3 million for 1H 2025. The sales decline was primarily driven by downturns in the steel and traditional refractory industries, which weakened the downstream demand.

Total revenue from the sale of our graphite products was approximately RMB31.6 million for 1H 2026 compared to approximately RMB35.2 million for 1H 2025. During 1H 2026, the natural graphite market experienced a period of stabilisation at cyclical lows, with little change in demand or pricing from prior period. Facing heightened competitive pressure in the new energy and spherical graphite markets, the Group kept its focus on the traditional segment and the sales of flake graphite concentrates. This pivot led to relative higher sales of flake graphite concentrates, which provided a higher gross profit margin than spherical graphite.

Revenue generated from the sales of unprocessed marble

For 1H 2026, the revenue generated from the sales of unprocessed marble amounted to approximately RMB1.3 million as compared to approximately RMB4.6 million for 1H 2025. Marble sales are highly cyclical, heavily dependent on recent construction activities in the surrounding regions. The decline in marble sales was primarily driven by a slowdown in local construction activities during 1H 2026.

COST OF SALES

The cost of sales consisted of primarily raw materials and consumables, electricity fees, extraction costs, labor costs and depreciation.

The cost of sales decreased to approximately RMB25.5 million for 1H 2026 compared to approximately RMB33.8 million for 1H 2025, representing a decrease of approximately 24.6%. This decrease was aligned with the revenue decline during 1H 2026, which was primarily driven by a lower allocation of extraction costs (approximately RMB3.5 million) and raw materials and consumables (approximately RMB2.1 million) to the cost of sales. Additionally, production costs were reduced through improved graphite ore quality and enhanced operational efficiency, leading to the savings of approximately RMB1.3 million in electricity, RMB0.7 million in production labor, and RMB0.6 million in repair and maintenance costs.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT AND GROSS PROFIT MARGIN

For 1H 2026 and 1H 2025, the Group's gross profit amounted to approximately RMB7.4 million and RMB6.0 million, representing a gross profit margin of approximately 22.4% and 15.0%, respectively. The following table summarises the gross profit and gross profit margin breakdown by business segment for 1H 2026 and 1H 2025:

	1H 2026		1H 2025	
	Gross profit (RMB'000)	**Gross profit margin (%)**	Gross profit (RMB'000)	Gross profit margin (%)
Sale of spherical graphite and its by-products	**(196)**	**(2.4)**	(352)	(7.3)
Sale of flake graphite concentrate	**7,532**	**32.1**	6,196	20.4
Sale of unprocessed marble	**32**	**2.5**	141	3.0
Gross profit/gross profit margin	**7,368**	**22.4**	5,985	15.0

Gross loss and gross loss margin from the sales of spherical graphite and its by-products were approximately RMB0.2 million and 2.4% for 1H 2026 compared to gross loss and gross loss margin of approximately RMB0.4 million and 7.3% for 1H 2025. The improvement was primarily driven by higher sales volume in 1H 2026. This growth enabled the company to achieve economies of scale, thereby diluting per-unit fixed overheads such as depreciation and maintenance costs.

Gross profit and gross profit margin from the sales of flake graphite concentrate increased to approximately RMB7.5 million and 32.1% for 1H 2026 from approximately RMB6.2 million and 20.4% for 1H 2025. The increase in gross profit and gross profit margin was primarily attributable to the improved quality of graphite ore extracted and processed during 1H 2026. This superior ore quality, combined with enhanced production efficiency, led to a reduction in unit production costs, including a RMB0.5 million decrease in consumables and a RMB0.7 million reduction in electricity expenses.

Gross profit from unprocessed marble decreased in line with the decline in its sales. Its gross profit margin remained relatively stable, coming in at 2.5% for 1H 2026 compared to 3.0% for 1H 2025, which was primarily driven by steady average selling prices ranging between RMB7.5 and RMB7.7 per tonne during both periods.

OTHER INCOME AND OTHER GAINS

Our other income and gains, primarily comprising government grants, declined to approximately RMB0.1 million for 1H 2026 from RMB0.5 million for 1H 2025, driven by a RMB0.4 million reduction in government grants.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses, which primarily comprise transportation fees for product delivery and sales department labor costs, remained stable at approximately RMB3.2 million for 1H 2026, compared to RMB3.3 million for 1H 2025. Despite a decline in graphite product sales during 1H 2026, these expenses held steady at a similar level to the prior period. This was mainly attributable to a higher proportion of product deliveries to geographically remote major customers during 1H 2026 compared to the same period in 2025.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses consisted of primarily the administrative labor costs, professional fees and office expenses decreased to approximately RMB11.1 million for 1H 2026 compared to approximately RMB12.0 million for 1H 2025, representing a decrease of approximately 7.5%. The decrease was primarily driven by stringent cost-control measures implemented during 1H 2026. These measures resulted in a RMB0.7 million reduction in administrative labor costs and a RMB0.6 million decline in office expenses, which were partially offset by a RMB0.3 million increase in professional fees for the development of our Beishan Mine.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses consisted of primarily the electricity fees, raw materials and labor cost used in the research and development activities. They decreased to approximately RMB2.3 million for 1H 2026 compared to approximately RMB3.2 million for 1H 2025, representing a decrease of approximately 28.1%. The Group remains committed to maintaining high-quality standards and ensuring safe, environmentally friendly, and efficient production lines. Our research and development activities are strategically focused on enhancing our graphite products to meet evolving customer needs and process optimisation through technical enhancements to crucial equipment to drive overall operational efficiency. However, in response to the cyclical low in the natural graphite market, our research and development budget for 1H 2026 was reduced, leading to an aggregate decrease of approximately RMB0.9 million in materials and utilities consumed.

FINANCE COSTS, NET

Our finance costs, net, primarily consisted of interest income at bank and interest expenses from bank borrowings.

Our finance cost, net increased to approximately RMB1.4 million for 1H 2026 from approximately RMB1.1 million for 1H 2025. This increase was primarily driven by a RMB0.1 million decline in bank interest income, a RMB0.1 million higher interest expenses on bank borrowings resulting from a slight increase in the effective borrowing rate, and a RMB0.1 million increase in interest expenses on lease liabilities.

INCOME TAX CREDIT

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, companies in the PRC are subject to income tax of 25% unless preferential rate is applicable. The Group's major operating subsidiary, Yixiang New Energy and Yixiang Graphite are subject to a tax rate of 15% during the period of 1H 2026 and 1H 2025 as they are eligible for the tax concession granted by the PRC government as a high-tech enterprise up to 2026 and 2027, respectively, subject to renewal upon expiry.

No Hong Kong profits tax has been provided for 1H 2026 and 1H 2025 since there was no tax assessable profit generated from Hong Kong. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the companies operate.

In the first half of 2026, the Group recognised an income tax credit of approximately RMB0.1 million. This was primarily driven by the operating losses at the subsidiary level, which resulted in no taxable income for the period, coupled with the recognition of deferred tax assets arising from temporary differences in certain fixed assets.

LOSS FOR 1H 2026

Loss after tax amounted to approximately RMB9.9 million and RMB11.9 million for 1H 2026 and 1H 2025 respectively.

The change in our financial performance was primarily driven by a RMB1.4 million increase in gross profit which was achieved through higher graphite ore quality and enhanced operational efficiency, along with a RMB1.0 million reduction in general and administrative expenses resulting from stringent cost-control measures during 1H 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Capital Structure

The Group requires a substantial amount of capital to fund the working capital requirements and business expansion. Our operation and growth have been primarily been financed by cash generated from our operating activities and loans from the banks. The Group's financial position remains healthy and stable. It is anticipated that the Group has sufficient working capital to fund its future operation. In 1H 2026, we did not use any financial instruments for hedging purpose.

The Group's objective in managing capital is to safeguard its ability to continue as a going concern, ensuring it can deliver returns to Shareholders and secure adequate financial resources from them.

As at 30 June 2026, the capital structure of the Group is comprised of share capital and reserves amounting to approximately RMB431.3 million (31 December 2025: RMB441.2 million).

As at 30 June 2026, the Group's net current assets were approximately RMB44.8 million (31 December 2025: approximately RMB73.2 million).

The Group's cash and cash equivalents as at 30 June 2026 were approximately RMB35.8 million (31 December 2025: approximately RMB50.5 million).

As at 30 June 2026, there were interest-bearing borrowings of approximately RMB65.6 million (31 December 2025: approximately RMB88.6 million) and unutilised bank facilities of approximately RMB104.9 million (31 December 2025: RMB105.0 million).

Details of the capital structure, cash and cash equivalents and borrowings are set out in note 23, note 19 and note 22 respectively to the interim condensed consolidated financial information.

The following table sets forth certain key financials for the periods/year end date indicated:

	1H 2026	1H 2025
Net loss margin	**30.1%**	29.9%

	As at 30 June 2026	As at 31 December 2025
Current ratio (times)	**1.4**	1.5
Gearing ratio	**6.5%**	8.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Net loss margin equals to loss for the period divided by revenue for the period, multiplied by 100%. Net loss during 1H 2026 was illustrated in the subsection headed “loss for 1H 2026” in this interim report.

Current ratio equals to total current assets divided by total current liabilities as at the period/year end date. There was no significant change for the current ratio and it maintained at 1.4 as at 30 June 2026 compared to 1.5 as at 31 December 2025.

Gearing ratio equals to net debt divided by total capital as at the period/year ended date. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as net debt plus total equity. For 1H 2026, the improvement in the gearing ratio was primarily driven by the decrease of the borrowings of approximately RMB23.0 million and the expedited collection of trade receivables.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group’s cash balances and maintain a strong and healthy liquidity to fund the working capital requirements and business expansion.

CHARGE OVER THE GROUP’S ASSETS

As at 31 December 2025 and 1H 2026, the bank facilities of the Group were secured by the guarantee provided by the controlling shareholder, property, plant and equipment, land use rights, mining rights and certain trade receivables of the Group. More details are set out in note 22 to the interim condensed consolidated financial information in this report.

CONTINGENT LIABILITIES

As at 31 December 2025 and 30 June 2026, the Directors confirm that the Group had no contingent liabilities. The Group are currently not a party to any litigation that is likely to have a material adverse effect on the business, results of operations or financial condition.

FINANCIAL RISKS

The Group is exposed to certain financial risks including interest rate risk, credit risk and liquidity risk.

Interest Rate Risk

The interest rate risk arises from bank and other borrowings. Most of the Group's assets and liabilities are either interest-free or subject to interest at fixed rates which expose us to fair value interest rate risk. As at 31 December 2025 and 30 June 2026, the Group's borrowings at several rates were denominated in RMB. We believe that our exposure to fair value interest rate risk as at 31 December 2025 and 30 June 2026 is not material.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. We are not exposed to significant cash flow interest rate risk as most of our assets and liabilities is either interest-free or subject to interest at fixed rates.

As such, we currently do not have hedging policy on interest rate risk.

Credit Risk

As at 31 December 2025 and 30 June 2026, the Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the interim condensed consolidated statement of financial position. In order to minimise the credit risk, we generally provide a credit period of not more than three months to the customers. The sales team is responsible for management of the customer database, which contains information such as credit period determination and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we maintain a defined credit policy with tightened risk profile and apply prudent policies to manage our credit risk with our trade receivables it includes an aging analysis and comprehensive assessment of the expected credit loss of our trade receivables which is usually prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

Liquidity Risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. As at 30 June 2026, the Directors are of the opinion that we do not have significant liquidity risk.

FOREIGN EXCHANGE EXPOSURE

Assets and liabilities of the Group are mainly denominated in RMB. Most of these assets and liabilities are in the functional currency of the operations to which the transactions relate. We have certain HK$ denominated deposit in bank during 1H 2026 which is exposed to foreign exchange risk. However, the exposure to foreign exchange risk is not material to the Group. As such, we currently do not have a foreign currency hedging policy.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during 1H 2026.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2026, the Group had a total of 151 workers (31 December 2025: 161) of which 89 were full-time employees (31 December 2025: 114) and the remaining 62 workers were sourced from the crowdsourcing service provider (31 December 2025: 47). As at 30 June 2026, three full-time employees were based in Hong Kong (31 December 2025: three) and the remaining were all based in PRC. Decrease of the total workers as at 30 June 2026 compared to that as at 31 December 2025 was mainly due to the competition of graphite industry and our cost control policy to streamline the employee structure in 1H 2026. Total labor costs of the Group for 1H 2026 amounted to approximately RMB8.9 million (1H 2025: approximately RMB10.4 million). The Company has also established the Share Option Scheme to grant options to eligible participants (including employees) as incentives or rewards for their contribution to our Group.

We believe that the employees are valuable assets that contribute to our success. We recruit the employees based on a number of factors such as their industry experience in the graphite mining industry, their educational background, and the vacancy needs. We generally pay the employees a fixed salary and other allowances based on their respective positions and responsibilities. We also conclude individual employment contracts with the employees covering matters such as wages, employee benefits, employment scope and grounds for termination. The employees have never negotiated their terms of employment through any labour union or by way of collective bargaining agreements.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

We understand the importance of maintaining a good relationship with our suppliers, customers, social communities and governments to realise our objectives and long-term goals. During 1H 2026, there was no material or significant dispute between us and our suppliers, customers and/or stakeholders.

COMMITMENTS

As at 30 June 2026 and 31 December 2025, the Group's capital commitment on property, plant and equipment amounted to RMB4,220,000 and RMB1,670,000 respectively.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for 1H 2026 (1H 2025: nil).

SIGNIFICANT EVENTS AFTER 1H 2026

Save as disclosed in this report, there are no material subsequent events undertaken by the Company or by the Group after 30 June 2026 and up to the date of this report.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed elsewhere in this report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures, during 1H 2026 and there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this report.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to a resolution passed by the Company's then sole Shareholder on 21 June 2022. No share option was granted, lapsed, exercised or cancelled by the Company under the Share Option Scheme during 1H 2026 and there was no outstanding share option as at the date of this interim report.

As at 31 December 2025 and 30 June 2026, the number of share options available for grant under the scheme mandate was 160,000,000 each. The total number of Shares available for issue under the Share Option Scheme was 160,000,000, representing approximately 10% of the shares in issue of the Company (excluding treasury shares) as of the date of this report. No service provider sub-limit was set under the Share Option Scheme.

Subject to any early termination determined by the Board in accordance with the terms of the Share Option Scheme, the Share Option Scheme is valid and effective for a term of 10 years commencing on its adoption date (i.e. 21 June 2022). The Share Option Scheme will expire on 20 June 2032.

The other principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in the annual report of the Company for the year ended 31 December 2025.

DIRECTORS' INTEREST IN CONTRACT

As at 30 June 2026, none of the directors of the Company had any material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, its subsidiaries or any of its fellow subsidiaries was a party during 1H 2026.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2026, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director/chief executive of the Company	Position	Capacity/Nature of interest	Number of Shares held[(1)]	Approximate percentage of shareholding in the total issued Shares of the Company[(2)]
Mr. Zhao	Chairman, executive Director and chief executive officer	Interest in controlled corporation[(3)]	1,200,000,000 (Long Position)	75.0%

Notes:

(1) All interest stated are long positions.

(2) The calculation is based on the total number of 1,600,000,000 Shares in issue as at 30 June 2026.

(3) As at 30 June 2026, Sandy Mining Limited ("**Sandy Mining**"), which beneficially owned 75.0% of the issued Shares, was wholly-owned by Mr. Zhao. Under the SFO, Mr. Zhao is deemed to be interested in the 1,200,000,000 Shares held by Sandy Mining.

Save as disclosed above, as at 30 June 2026, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this Interim Report, during 1H 2026, the Company or any of its subsidiaries had never concluded any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

To the best knowledge and information of the Directors after making all reasonable enquiries, as at 30 June 2026, the following persons (other than the Directors and chief executives of the Company) had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholder/other person of the Company	Nature of interest	Number of Shares held[1]	Approximate percentage of shareholding in the total issued Shares of the Company[2]
Sandy Mining	Beneficial owner	1,200,000,000 (Long position)	75.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

(1) All interest stated are long positions.

(2) The calculation is based on the total number of 1,600,000,000 Shares in issue as at 30 June 2026.

Save as disclosed above, as at 30 June 2026, the Directors and chief executives of the Company were not aware of any other persons (other than the Directors and chief executives of the Company) who had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management know, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on our business and operation. During 1H 2026, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company strives to attain and maintain relatively high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries as it believes that effective corporate governance practices are fundamental to safeguard the interests of shareholders and other stakeholders and enhance the shareholder value.

During 1H 2026, the Company has complied with all applicable code provisions of the CG Code, save for code provision C.2.1 of Part 2 of the CG Code.

The roles of the chairman and chief executive of the Company have not been segregated as required by the code provision C.2.1 of Part 2 of CG Code. Mr. Zhao is the executive Director, chairman of the Board and the chief executive officer of the Company. With extensive experience in the graphite mining industry, Mr. Zhao is responsible for the overall management, decision-making and strategy planning of the Group and is instrumental to our growth and business expansion since our establishment. Since Mr. Zhao has held the key leadership position of our Group and has been deeply involved in the formulation of corporate strategies and management of the business and operations of the Group, the Board considers that vesting the roles of chairman and the chief executive officer of the Company in the same person, Mr. Zhao, would be beneficial to the management of our Group.

In addition, the operation of the senior management and the Board, which are comprised of experienced individuals, effectively check and balance the power and authority of Mr. Zhao. The Board currently comprises two executive Directors (including Mr. Zhao) and four independent non-executive Directors and therefore has a fairly strong independent element in its composition.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. All Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by Directors as set out in the Model Code throughout 1H 2026.

BOARD COMMITTEE

Following committees have been established within the Board of Directors, namely, an audit committee, a remuneration committee, a nomination committee and a compliance committee. The committees operate in accordance with the terms of reference adopted by the Board.

Audit Committee

The Group has established an audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and the Paragraph D.3 of Part 2 of the CG Code. The audit committee consists of four members, namely, Mr. Ho Hoi Tung, Mr. Shen Shifu, Mr. Liu Zezheng and Ms. Zhao Jingran. Mr. Ho Hoi Tung, the independent non-executive Director with appropriate accounting and financial management expertise, is the chairperson of the committee. The primary duties of the audit committee are to make recommendations to our Board on the appointment, re-appointment and removal of external auditors; review the financial statements; provide material advice in respect of our financial reporting process; oversee our internal control and risk management systems and audit process; and provide advice and comment to our Board on matters related to corporate governance.

Remuneration Committee

The Group has established a remuneration committee with written terms of reference in compliance with Rules 3.25 and 3.26 of the Listing Rules and the Paragraph E.1 of Part 2 of the CG Code. The remuneration committee consists of four members, three independent non-executive Directors and one executive Director namely, Mr. Liu Zezheng, Mr. Zhao, Mr. Shen Shifu and Ms. Zhao Jingran. Mr. Liu Zezheng is the chairperson of the committee. The primary duties of the remuneration committee are to make recommendations to the Board regarding our policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies, and to make recommendations to the Board on the remuneration packages of our Directors and senior management and on the employee benefit arrangement.

Nomination Committee

The Group has established a nomination committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Paragraph B.3 of Part 2 of the CG Code. The nomination committee consists of four members, three independent non-executive Directors and one executive Director namely, Mr. Zhao, Mr. Shen Shifu, Mr. Liu Zezheng and Ms. Zhao Jingran. Mr. Zhao is the chairperson of the committee. The primary duties of the nomination committee are to make recommendations to review the structure, size and composition (including the skills, knowledge and experience) of our Board; and review and make recommendations to the Board on appointment of Directors and the management of the Board succession.

Compliance Committee

The Group has established a compliance committee with written terms of reference. The compliance committee consists of three members, two independent non-executive Directors and one executive Director namely, Mr. Liu Zezheng, Mr. Ho Hoi Tung and Mr. Lei Wai Hoi. Mr. Liu Zezheng is the chairperson of the committee. The primary duties of the compliance committee are to ensure compliance with regulatory matters as well as the adequacy and effectiveness of regulatory compliance procedures and system.

REVIEW OF THE INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") has reviewed with the management the accounting policies adopted by the Group and discussed auditing, risk management and internal control system, and financial reporting matters.

The interim results of the Group for 1H 2026 and this interim report have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited interim condensed consolidated financial statements of the Group for 1H 2026 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

By Order of the Board
China Graphite Group Limited
Zhao Liang
Chairman, executive Director and chief executive officer

Hong Kong, 28 August 2026

FINANCIAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the interim condensed consolidated results of the Group for the six months ended 30 June 2026, together with the comparative unaudited figures for the corresponding periods in 2025 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2026

		Six months ended 30 June	
	Notes	**2026 RMB'000 (Unaudited)**	2025 RMB'000 (Unaudited)
Revenue	*6*	**32,871**	39,795
Cost of sales	*8*	**(25,503)**	(33,810)
Gross profit		**7,368**	5,985
Other income and other gains	*7*	**105**	545
Selling and distribution expenses	*8*	**(3,209)**	(3,253)
General and administrative expenses	*8*	**(11,059)**	(12,019)
Research and development expenses	*8*	**(2,329)**	(3,191)
Reversal of impairment of financial assets		**477**	1,167
Operating Loss		**(8,647)**	(10,766)
Finance income	*9*	**75**	183
Finance costs	*9*	**(1,451)**	(1,318)
Finance costs — net		**(1,376)**	(1,135)
Loss before income tax		**(10,023)**	(11,901)
Income tax credit	*10*	**144**	11
Loss for the year		**(9,879)**	(11,890)
Basic and diluted	*11*	**(0.62) cents**	(0.74) cents

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2026

	Notes	**As at 30 June 2026 RMB'000 (Unaudited)**	As at 31 December 2025 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	*13*	**174,011**	156,729
Right-of-use assets	*14*	**67,518**	69,207
Mining rights	*15*	**19,552**	19,871
Other intangible assets		**213**	231
Deferred income tax assets		**2,384**	2,240
Prepayments	*18*	**130,332**	129,417
		394,010	377,695
Current assets			
Inventories	*16*	**30,223**	22,676
Trade and bills receivables	*17*	**85,063**	144,054
Deposits, prepayments and other receivables	*18*	**8,367**	3,091
Financial assets at fair value through profit or loss		**204**	266
Cash and cash equivalents	*19*	**35,830**	50,460
		159,687	220,547
Total assets		**553,697**	598,242
Equity			
Equity attributable to owners of the Company			
Share capital	*23(a)*	**1,375**	1,375
Share premium	*23(b)*	**303,829**	303,829
Other reserves	*23(b)*	**(126,655)**	(125,909)
Retained earnings	*23(b)*	**252,785**	261,918
Total equity		**431,334**	441,213

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2026

	Notes	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities	*14*	**3,201**	5,312
Provision for reclamation and mine closure	*21(b)*	**3,011**	2,939
Deferred income	*7*	**1,294**	1,422
		7,506	9,673
Current liabilities			
Trade payables	*20*	**26,552**	32,295
Accruals and other payables	*21(a)*	**10,573**	20,091
Borrowings	*22*	**65,587**	88,594
Contract liabilities	*6(f)*	**10,159**	3,760
Lease liabilities	*14*	**1,677**	1,156
Current tax liabilities		**309**	1,460
		114,857	147,356
Total liabilities		**122,363**	157,029
Total equity and liabilities		**553,697**	598,242

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Six months ended 30 June 2026 (Unaudited)						
Balance at 1 January 2026	**1,375**	**303,829**	**15,193**	**(141,102)**	**261,918**	**441,213**
Comprehensive loss						
Loss for the period	**–**	**–**	**–**	**–**	**(9,879)**	**(9,879)**
Total comprehensive loss	**1,375**	**303,829**	**15,193**	**(141,102)**	**252,039**	**431,334**
Transaction with owners						
Appropriation to other reserve	**–**	**–**	**–**	**(746)**	**746**	**–**
	–	**–**	**–**	**(746)**	**746**	**–**
Balance at 30 June 2026	**1,375**	**303,829**	**15,193**	**(141,848)**	**252,785**	**431,334**
Six months ended 30 June 2025 (Unaudited)						
Balance at 1 January 2025	1,375	303,829	15,193	(143,128)	259,039	436,308
Comprehensive loss						
Loss for the period	–	–	–	–	(11,890)	(11,890)
Total comprehensive loss	–	–	–	–	(11,890)	(11,890)
Transactions with owners						
Appropriation to other reserve	–	–	–	(536)	536	–
	–	–	–	(536)	536	–
Balance at 30 June 2025	1,375	303,829	15,193	(143,664)	247,685	424,418

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Cash generated from operations	**40,155**	54,353
Income tax paid	**(1,151)**	–
Net cash generated from operating activities	**39,004**	54,353
Cash flows from investing activities		
Purchase of property, plant and equipment	**(27,816)**	(7,932)
Payment for land use rights	**–**	(13,136)
Proceeds from disposal of property, plant and equipment	**110**	–
Interest received	**75**	183
Net cash used in investing activities	**(27,631)**	(20,885)
Cash flows from financing activities		
Proceeds from borrowings	**12,087**	50,156
Repayment of borrowings	**(35,094)**	(53,332)
Interest paid	**(1,379)**	(1,254)
Repayment of lease liabilities	**(1,585)**	(138)
Net cash used in financing activities	**(25,971)**	(4,568)
Net (decrease)/increase in cash and cash equivalents	**(14,598)**	28,900
Cash and cash equivalents at the beginning of the period	**50,460**	32,484
Effects of exchange rate changes on cash and cash equivalents	**(32)**	(13)
Cash and cash equivalents at end of the period	**35,830**	61,371

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

China Graphite Group Limited (the "**Company**") was incorporated in the Cayman Islands on 3 August 2020 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is 71 Fort Street, PO Box 500, George Town, Grand Cayman, KY1–1106, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the manufacturing and sale of graphite products. The ultimate holding company of the Company is Sandy Mining Limited. The ultimate controlling party of the Group is Mr. Zhao Liang ("**Mr. Zhao**").

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 July 2022.

This interim condensed consolidated financial information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000), unless otherwise stated, and was approved for issue by the Board of Directors on 28 August 2026.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PRESENTATION

This interim condensed consolidated financial information for the six months ended 30 June 2026 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This interim condensed consolidated financial information does not include all the notes of the type normally included in the annual financial report, accordingly, it should be read in conjunction with the annual report for the year ended 31 December 2025 and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

3 ACCOUNTING POLICIES *(Continued)*

(i) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The adoption of these standards did not have any significant financial impact to the interim condensed consolidated financial information.

Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendments to HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37	Disclosures about Uncertainties in the Financial Statements	1 January 2026

(ii) New and amended standards and interpretation which are not yet effective

The following new and amended standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2026 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICIES *(Continued)*

(ii) New and amended standards and interpretation which are not yet effective *(Continued)*

The Group will adopt the above new and amended standards and interpretation as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standard, amendments to existing standards and interpretation.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those described in the annual consolidated financial statements for the year ended 31 December 2025.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2025.

There have been no changes in the risk management policies since 31 December 2025.

5.2 Fair value estimation

The carrying values less loss allowance for trade and bills receivables, deposits, other receivables and cash and cash equivalents, and trade payables, accruals and other payables and borrowings are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments, unless the effect of discounting is insignificant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owners to procure adequate financial resources from the owners. There have been no changes in the capital risk management policies since 31 December 2025.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends proposed or paid to the owners or issue new shares.

The capital structure of the Group consists of shareholders' equity and total borrowings. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain future development of the business. The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings as shown in the interim condensed consolidated statement of financial position and excluding lease liabilities) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the interim condensed consolidated statement of financial position plus net debt.

The debt-to-capital ratios as at 30 June 2026 and 31 December 2025 were as follows:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Total borrowings	**65,587**	88,594
Less: Cash and cash equivalents	**(35,830)**	(50,460)
Net debt	**29,757**	38,134
Total equity	**431,334**	441,213
Total capital	**461,091**	479,347
Debt-to-capital ratio	**6.5%**	8.0%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION

The Group operates as two segments. The two operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operation Decision-Maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that make strategic decisions.

The CODM considered the nature of the Group's business and determined that the Group has two reportable operating segments as follows:

— Sale of flake graphite concentrate

— Sale of spherical graphite and its by products, and unprocessed marble

The accounting policies of the reportable segments are the same as the Group's accounting policies. Performance is measured based on segment results that is used by the CODM for the purposes of resources allocation and assessment of segment performance. Income tax credit/(expense) is not allocated to reportable segments. The Group derived revenue from the sales of goods at a point in time.

The revenue, profit or loss, assets and liabilities of the Group are allocated based on the operations of the segments.

Reportable segment results is (loss)/profit before income tax, excluding unallocated other income and other gains, finance (costs)/income, net, amortisation of land-use rights that are used by all segments and other corporate expenses (mainly including staff costs, professional fees and other general administrative expenses) of the head office.

Reportable segment assets exclude unallocated deferred income tax assets, cash and cash equivalents and other corporate assets (mainly including land-use rights that are used by all segments).

Reportable segment liabilities exclude unallocated deferred income tax liabilities, current tax liabilities, bank borrowings and other corporate liabilities (mainly including accrued charges of the head office).

There are no unsatisfied nor partially unsatisfied performance obligation that has an original expected duration of one year or more.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2026 is as follows:

	Sale of flake graphite concentrate RMB'000 (Unaudited)	Sale of spherical graphite and its by products, and unprocessed marble RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	26,857	14,252	41,109
Inter-segment revenue	(3,428)	(4,810)	(8,238)
Revenue from external customers	23,429	9,442	32,871
Cost of sales	15,897	9,606	25,503
Segment results	(252)	(2,935)	(3,187)
Elimination of inter-segment profit			(1,299)
Unallocated amounts:			
Other income and other gains			105
Depreciation of right-of-use assets			(265)
Corporate expenses			(4,001)
Finance costs, net			(1,376)
Loss before income tax			(10,023)
Income tax credit			144
Loss for the period			(9,879)
Depreciation of property, plant and equipment	(6,583)	(3,713)	(10,296)
Depreciation of right-of-use assets	(768)	(656)	(1,424)
Amortisation of mining rights	–	(319)	(319)
Reversal of provision for impairment of financial assets	171	306	477
Capital expenditures	6,502	21,314	27,816

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Reportable segment assets and liabilities are reconciled to total assets and total liabilities of the Group as at 30 June 2026 as follows:

	Sale of flake graphite concentrate RMB'000 (Unaudited)	Sale of spherical graphite and its by products, and unprocessed marble RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Assets			
Reportable segment assets	171,433	374,373	545,806
Inter-segment elimination			(149)
Unallocated assets			8,040
Total assets per interim condensed consolidated statement of financial position			553,697
Liabilities			
Reportable segment liabilities	27,603	26,991	54,594
Unallocated liabilities			67,769
Total liabilities per interim condensed consolidated statement of financial position			122,363

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2025 is as follows:

	Sale of flake graphite concentrate RMB'000 (Unaudited)	Sale of spherical graphite and its by products, and unprocessed marble RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	30,323	19,257	49,580
Inter-segment revenue	–	(9,785)	(9,785)
Revenue from external customers	30,323	9,472	39,795
Costs of sales	24,127	9,683	33,810
Segment results	(1,987)	(3,076)	(5,063)
Elimination of inter-segment profit			(1,598)
Unallocated amounts:			
Other income and other gains			545
Depreciation of right-of-use assets			(338)
Corporate expenses			(4,312)
Finance costs, net			(1,135)
Loss before income tax			(11,901)
Income tax credit			11
Loss for the period			(11,890)
Depreciation of property, plant and equipment	(8,749)	(2,905)	(11,654)
Depreciation of right-of-use assets	(53)	(416)	(469)
Amortisation of mining rights	–	(662)	(662)
Reversal of impairment of financial assets	963	204	1,167
Capital expenditures	1,535	4,962	6,497

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(d) Reportable segment assets and liabilities are reconciled to total assets and total liabilities of the Group as at 31 December 2025 as follows:

	Sale of flake graphite concentrate RMB'000 (Unaudited)	Sale of spherical graphite and its by products, and unprocessed marble RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Assets			
Reportable segment assets	215,189	374,636	589,825
Inter-segment elimination			(296)
Unallocated assets			8,713
Total assets per interim condensed consolidated statement of financial position			598,242
Liabilities			
Reportable segment liabilities	35,196	32,108	67,304
Unallocated liabilities			89,725
Total liabilities per interim condensed consolidated statement of financial position			157,029

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(e) Other segment information

The Group is domiciled in the People's Republic of China ("**PRC**"). All of its revenue from external customers are from customers located in the PRC.

Revenue from 2 customers individually contributed over 10% of the Group's revenue during the six months ended 30 June 2026 (30 June 2025: 1 customer). The revenue from these customers during the periods are as follows:

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	*	5,643
Customer B	**5,794**	*
Customer C	**3,641**	*

* Revenue from these customers is less than 10% of the total revenue of the Group for the respective periods.

All of the Group's activities are carried out in the PRC and all of the Group's assets and liabilities are substantially located in the PRC. Accordingly, no analysis by geographical basis is presented.

(f) Assets and liabilities related to contracts with customers

The Group has recognised RMB10,159,000 and RMB3,760,000 receipts in advance from customers for the sale of graphite products as contract liabilities as at 30 June 2026 and 31 December 2025. For the six months ended 30 June 2026 and 2025, RMB1,773,000 and RMB1,713,000 of revenue recognised, respectively, relates to carried-forward contract liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 OTHER INCOME AND OTHER GAINS

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	**129**	521
Gain on disposal of property, plant and equipment	**15**	–
Other (losses)/gains	**(39)**	24
	105	545

As at 30 June 2026, government grants relating to the purchase of equipment of RMB1,294,000 are included in non-current liabilities as deferred income and will be credited to profit or loss on a straight-line basis over the expected lives of the related assets (31 December 2025: RMB1,422,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Raw materials used		
— in production	**19,448**	12,015
— for research and development	**314**	1,744
Changes in inventories of finished goods and work in progress	**(16,588)**	(5,603)
Blasting expense	**1,358**	2,913
Provision for impairment of inventories	**–**	775
Transportation fees	**2,185**	2,158
Auditor's remuneration	**700**	700
Depreciation of property, plant and equipment *(Note 13)*	**10,296**	11,654
Depreciation of right-of-use assets *(Note 14)*	**1,689**	807
Amortisation of mining rights *(Note 15)*	**319**	662
Amortisation of other intangible assets	**18**	18
Employee benefit expenses (including directors' emoluments)	**5,189**	7,603
Outsourcing charges	**3,710**	2,813
Short-term operating lease rentals	**–**	138
Utilities expenses	**6,874**	7,639
Professional fees	**842**	571
Repair and maintenance expense	**2,638**	2,954
Exchange losses	**4**	30
Resource tax and other miscellaneous tax	**1,495**	452
Others	**1,609**	2,230
Total cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses	**42,100**	52,273

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9 FINANCE COSTS, NET

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income from bank deposits	**75**	183
	75	183
Finance costs		
Interest expenses on borrowings	**(1,280)**	(1,189)
Interest expenses on discounted bill financing	**(1)**	(45)
Interest elements of lease liabilities	**(98)**	(20)
Interest elements of provision for reclamation and mine closure	**(72)**	(64)
	(1,451)	(1,318)
Finance costs, net	**(1,376)**	(1,135)

10 INCOME TAX CREDIT

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the "**CIT Law**"), companies in the PRC are subject to income tax of 25% unless preferential rate is applicable. The Group's major operating subsidiary, Heilongjiang Baoquanling Agricultural Reclamation Yixiang New Energy Materials Co., Ltd. ("**Yixiang New Energy**") and Heilongjiang Baoquanling Agricultural Reclamation Yixiang Graphite Co., Ltd. ("**Yixiang Graphite**") are subject to a tax rate of 15% for the six months ended 30 June 2026 and 2025 as they are eligible for the tax concession granted by the PRC government as a high-tech enterprise up to 2026 and 2027, respectively, subject to renewal upon expiry.

10 INCOME TAX CREDIT *(Continued)*

According to the Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profit earned after 1 January 2008. The Group did not recognise deferred income tax liabilities in respect of temporary differences relating to the withholding tax on the unremitted profits of subsidiaries that would be payable on the distribution of these retained profits. The Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future. Therefore, the related temporary difference will not be reversed and will not be taxable in the foreseeable future.

No Hong Kong profits tax has been provided for the six months ended 30 June 2026 and 2025 since there was no tax assessable profit generated from Hong Kong. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

The amount of income tax credit in the interim condensed consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
— (Over)/under-provision in prior years	**–**	(55)
Deferred income tax	**(144)**	44
Income tax credit	**(144)**	(11)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue (in thousand)	**1,600,000**	1,600,000
Group's loss attributable to the owners of the Company (RMB'000)	**(9,879)**	(11,890)
Basic loss per share (RMB cents)	**(0.62)**	(0.74)

(b) Diluted

The Company did not have any potential dilutive shares outstanding during the six months ended 30 June 2026 and 2025. Accordingly, the diluted loss per share is the same as the basic loss per share.

12 DIVIDENDS

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2026 (30 June 2025: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Plant and buildings RMB'000	Mining structures RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Total RMB'000
As at 31 December 2025 (Audited)							
Cost	28,387	97,553	49,937	101,017	11,740	4,191	292,825
Accumulated depreciation and impairment	–	(59,839)	(3,344)	(63,922)	(5,274)	(3,717)	(136,096)
Net book amount	28,387	37,714	46,593	37,095	6,466	474	156,729
Six months ended 30 June 2026 (Unaudited)							
Opening net book amount	**28,387**	**37,714**	**46,593**	**37,095**	**6,466**	**474**	**156,729**
Additions	**21,239**	**5,194**	**–**	**1,288**	**95**	**–**	**27,816**
Transfers	**(12,427)**	**–**	**12,427**	**–**	**–**	**–**	**–**
Disposal	**–**	**–**	**–**	**(48)**	**(47)**	**–**	**(95)**
Depreciation	**–**	**(5,649)**	**(894)**	**(3,045)**	**(699)**	**(152)**	**(10,439)**
Closing net book amount	**37,199**	**37,259**	**58,126**	**35,290**	**5,815**	**322**	**174,011**
As at 30 June 2026 (Unaudited)							
Cost	**37,199**	**102,747**	**62,364**	**101,346**	**10,902**	**4,191**	**318,749**
Accumulated depreciation and impairment	**–**	**(65,488)**	**(4,238)**	**(66,056)**	**(5,087)**	**(3,869)**	**(144,738)**
Net book amount	**37,199**	**37,259**	**58,126**	**35,290**	**5,815**	**322**	**174,011**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense has been recorded as below:

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	**9,197**	10,469
General and administrative expenses	**986**	1,022
Research and development expenses	**113**	163
	10,296	11,654
Capitalised as mining structures	**143**	542
	10,439	12,196

As at 30 June 2026, property, plant and equipment with the carrying amount of RMB17,129,000 were pledged as the security for bank facilities granted to the Group (31 December 2025: RMB17,983,000) (Note 22).

14 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the interim condensed consolidated statement of financial position

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Right-of-use assets		
Land use rights	**65,990**	67,352
Properties	**1,528**	1,855
	67,518	69,207
Lease liabilities		
Current	**1,677**	1,156
Non-current	**3,201**	5,312
	4,878	6,468

There is no addition to the right-of-assets for the six months ended 30 June 2026 (30 June 2025: Nil).

As at 30 June 2026, land use rights with the carrying amount of RMB2,814,000 were pledged as the security for bank facilities granted to the Group (31 December 2025: RMB3,021,000) (Note 22).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14 LEASES *(Continued)*

(ii) Amounts recognised in the interim condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation charge of right-of-use assets		
Land-use rights	**1,363**	469
Properties	**326**	338
	1,689	807
Interest expense (included in finance costs)	**98**	20
Expense relating to short-term leases (included in cost of sales and selling and distribution expenses)	**–**	138

(iii) The Group's leasing activities

The Group leases offices, a warehouse and equipment. Rental contracts are typically made for fixed periods of 1 to 20 years. The Group held land use rights which cover a period of 30 to 50 years. Payments associated with lease terms of 1 year or less are recognised on a straight-line basis as an expense in profit or loss.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

There is no extension option or termination option included in the leases of office and equipment of the Company.

15 MINING RIGHTS

	Total RMB'000
As at 31 December 2025 (Audited)	
Gross carrying amount	29,663
Accumulated amortisation	(9,792)
Net carrying amount	19,871
Six months ended 30 June 2026 (Unaudited)	
Opening net carrying amount	**19,871**
Amortisation	**(319)**
Closing net carrying amount	**19,552**
As at 30 June 2026 (Unaudited)	
Gross carrying amount	**29,663**
Accumulated amortisation	**(10,111)**
Net carrying amount	**19,552**

As at 30 June 2026, mining rights with the carrying amount of RMB19,552,000 were pledged as the security for bank facilities granted to the Group (31 December 2025: RMB19,871,000) (Note 22).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 INVENTORIES

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Raw materials	**6,285**	5,170
Work in progress	**8,629**	749
Finished goods	**17,778**	19,226
	32,692	25,145
Provision for inventories	**(2,469)**	(2,469)
Total	**30,223**	22,676

The additional provision for impairment of inventories amounting to RMB775,000 arising from the decrease in net realisable value as at 30 June 2025 was included in cost of sales in the interim condensed consolidated statement of comprehensive income. No provision for impairment of inventories was made for the six months ended 30 June 2026.

17 TRADE AND BILLS RECEIVABLES

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Trade receivables	**60,662**	103,517
Bills receivables	**30,357**	46,970
Trade and bills receivables	**91,019**	150,487
Less: loss allowance	**(5,956)**	(6,433)
Total	**85,063**	144,054

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 TRADE AND BILLS RECEIVABLES *(Continued)*

The Group's credit terms granted to third-party customers mainly range from 30 to 90 days.

As at 31 December 2025, trade receivables of certain customers with the aggregate carrying amount of RMB3,420,000 were pledged as the security for bank facilities granted to the Group. No trade receivable was pledged as the security for bank facilities as at 30 June 2026.

The ageing analysis of the third-party trade receivables, based on invoice date, are as follows:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Up to 90 days	**9,671**	58,744
91–180 days	**5,730**	25,463
181–270 days	**23,655**	3,737
271–365 days	**10,956**	684
Over 1 year	**10,650**	14,889
	60,662	103,517

Movements in the loss allowance of trade receivables are as follows:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
At the beginning of the period/year	**6,412**	10,519
Reversal of impairment of trade receivables	**(477)**	(4,107)
	5,935	6,412

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 TRADE AND BILLS RECEIVABLES *(Continued)*

The creation and release of provision for impaired receivables have been included in the interim condensed consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the carrying values of trade and bills receivables disclosed above. The Group did not hold any collateral as security.

The Group's bills receivables generally have maturity period of 6 to 12 months. As at 30 June 2026 and 31 December 2025, the ageing analysis of the bills receivables, based on the bills receiving date, are as follows:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Up to 90 days	**8,095**	28,337
91–180 days	**22,262**	18,633
	30,357	46,970

Movements in the loss allowance of bills receivables are as follows:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
At the beginning of the period/year	**21**	105
Reversal of impairment of bills receivables	**–**	(84)
	21	21

17 TRADE AND BILLS RECEIVABLES *(Continued)*

(a) Discounted bill financing

As at 30 June 2026, discounted bill financing of RMB87,000 (31 December 2025: RMB1,594,000) was secured by bills receivables of RMB88,000 (31 December 2025: RMB1,604,000) (Note 22).

(b) Bills receivables in relation to endorsement transactions

The Group endorsed certain of its bills receivables with full recourse to the creditors. In the event of default by the debtors, the Group is obliged to pay the creditors the amount in default. The Group is therefore exposed to the risks of credit losses and late payment in respect of its endorsed bills receivables.

The endorsement transactions do not meet the requirements for derecognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the endorsed bills receivables. As at 30 June 2026 and 31 December 2025, bills receivables and the corresponding trade and other payables of RMB3,595,000 and RMB9,036,000 continue to be recognised in the Group's interim condensed consolidated financial information although they have been legally transferred to the creditors. The proceeds of the endorsement transactions are included in trade and other payables until the related bills receivables are collected or the Group settles any losses suffered by the creditors. As these bills receivables have been legally transferred to the creditors, the Group does not have the authority to determine the disposition of the bills receivables.

The carrying amounts of trade and bills receivables are denominated in RMB.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Deposits	**2,019**	1,522
Prepayments for property, plant and equipment	**2,694**	1,520
Prepayments for raw materials	**5,989**	1,242
Prepayments for leased land	**127,800**	127,800
Other receivables	**197**	424
	138,699	132,508
Less: non-current portion	**(130,332)**	(129,417)
Current portion	**8,367**	3,091

The carrying amounts of deposits, prepayments and other receivables approximate their fair values and are denominated in the following currencies:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
RMB	**138,448**	132,411
HK$	**251**	97
	138,699	132,508

19 CASH AND CASH EQUIVALENTS

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Cash at banks	**35,827**	50,454
Cash on hand	**3**	6
	35,830	50,460
Maximum exposure to credit risk	**35,827**	50,454

As at 30 June 2026 and 31 December 2025, the Group's cash and cash equivalents are denominated in the following currencies:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
RMB	**35,674**	49,184
HK$	**156**	1,276
	35,830	50,460

As at 30 June 2026 and 31 December 2025, cash and cash equivalents of approximately RMB35,674,000 and RMB49,184,000 of the Group were denominated in RMB and deposited with banks in the PRC. The conversion of the RMB denominated balance into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 30 June 2026 and 31 December 2025, cash and cash equivalents of approximately RMB2,757,000 and RMB2,778,000, respectively were deposited with a bank in the PRC for mine and land reclamation purpose. The withdrawal of funds from the account is subject to the approval of the local authority. The approval procedures are administrative and the Group expected it would take a short period of time to make the fund readily available to meet its cash commitments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

20 TRADE PAYABLES

Trade payables at the end of each reporting period comprise amounts outstanding to contract creditors and suppliers. The credit period taken for trade purchase is generally 0 to 180 days. The ageing analysis of the trade payables, based on invoice date, are as follows:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Up to 90 days	**21,617**	23,476
91–180 days	**2,733**	4,464
181–365 days	**1,405**	3,380
Over 1 year	**797**	975
	26,552	32,295

As at 30 June 2026 and 31 December 2025, the carrying amounts of trade payables are denominated in RMB and approximate their fair values.

21 ACCRUALS AND OTHER PAYABLES AND PROVISION FOR RECLAMATION AND MINE CLOSURE

(a) Accruals and other payables

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Accrued staff expense	**1,707**	1,146
Accrued construction cost	**4,096**	7,411
Other tax payable	**365**	5,248
Rent payable	**3,071**	1,870
Others	**1,334**	4,416
	10,573	20,091

21 ACCRUALS AND OTHER PAYABLES AND PROVISION FOR RECLAMATION AND MINE CLOSURE *(Continued)*

(a) Accruals and other payables *(Continued)*

As at 30 June 2026 and 31 December 2025, the carrying amounts of accruals and other payables approximate their fair values and are denominated in the following currencies:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
RMB	**9,957**	19,409
HK$	**616**	682
	10,573	20,091

(b) Provisions for reclamation and mine closure

Provisions for the Group's obligations for reclamation and mine closure are based on estimates of required expenditure at the mines in accordance with the rules and regulations in the PRC. The obligation generally arises when the asset is installed or the ground environment is disturbed at the mining operation's location. The Group estimates its liabilities for reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The present value of the estimated cost is recognised in cost of sales in the period of relevant ground environment being disturbed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 BORROWINGS

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Bank borrowings		
— Bank loans *(Note (a))*	**65,500**	87,000
— Discounted bill financing *(Note (b))*	**87**	1,594
	65,587	88,594

The Group's bank borrowings are repayable based on the scheduled repayment dates as follows:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Within 1 year	**65,587**	88,594

The weighted effective interest rates were follows:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Bank borrowings		
— Bank loans	**3.44%**	3.30%
— Discounted bill financing	**1.55%**	2.24%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 BORROWINGS *(Continued)*

Notes:

(a) As at 30 June 2026 and 31 December 2025, the Group's bank facilities, pursuant to which a total facility of RMB140,000,000 were granted to the Group for 3 years from the date of the respective facility letters, were secured by:

(i) the guarantee provided by the controlling shareholder of the Group;

(ii) property, plant and equipment with carrying amount of RMB17,129,000 (31 December 2025: RMB17,983,000) (Note 13);

(iii) land use rights of the Group with the carrying amount of RMB2,814,000 (31 December 2025: RMB3,021,000) (Note 14);

(iv) mining rights of the Group with carrying amount of RMB19,552,000 (31 December 2025: RMB19,871,000) (Note 15); and

(v) trade receivables of three customers with the aggregate carrying amount of RMB3,420,000 as at 31 December 2025 and no trade receivable was pledged for the bank facilities as at 30 June 2026 (Note 17).

There were no financial covenants attached to the Group's borrowings facilities as at 30 June 2026 and 31 December 2025.

The Group had unutilised facilities of RMB104,913,000 as at 30 June 2026 (31 December 2025: RMB105,000,000).

(b) Bank advances for discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bank's acceptance bills and the related proceeds of the same amount are included in the Group's trade and bills receivables and borrowings respectively as at 30 June 2026 and 31 December 2025.

The carrying amounts of borrowings are denominated in RMB.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 SHARE CAPITAL AND RESERVES

(a) Share capital

Ordinary shares of HK$0.001 each.

	Number of shares	HK$'000
Authorised share capital		
At 1 January 2026 (Audited) and 30 June 2026 (Unaudited)	2,000,000,000	2,000

	Number of shares	HK$'000	RMB'000
Issued and fully paid share capital			
At 1 January 2026 (Audited) and 30 June 2026 (Unaudited)	1,600,000,000	1,600	1,375

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 SHARE CAPITAL AND RESERVES *(Continued)*

(b) Reserves

	Share premium *(Note (i))* RMB'000	Statutory reserve *(Note (ii))* RMB'000	Capital reserve *(Note (iii))* RMB'000	Other reserve *(Note (iv))* RMB'000	Retained earnings RMB'000	Total RMB'000
Six months ended 30 June 2026 (Unaudited)						
Balance at 1 January 2026	**303,829**	**15,193**	**(148,670)**	**7,568**	**261,918**	**439,838**
Comprehensive loss						
Loss for the period	**–**	**–**	**–**	**–**	**(9,879)**	**(9,879)**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(9,879)**	**(9,879)**
Transaction with owners						
Appropriation to other reserve	**–**	**–**	**–**	**(746)**	**746**	**–**
	–	**–**	**–**	**(746)**	**746**	**–**
Balance at 30 June 2026	**303,829**	**15,193**	**(148,670)**	**6,822**	**252,785**	**429,959**
Six months ended 30 June 2025 (Unaudited)						
Balance at 1 January 2025	303,829	15,193	(148,670)	5,542	259,039	434,933
Comprehensive loss						
Loss for the period	–	–	–	–	(11,890)	(11,890)
Total comprehensive loss	–	–	–	–	(11,890)	(11,890)
Transaction with owners						
Appropriation to other reserve	–	–	–	(536)	536	–
	–	–	–	(536)	536	–
Balance at 30 June 2025	303,829	15,193	(148,670)	5,006	247,685	423,043

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 SHARE CAPITAL AND RESERVES *(Continued)*

(b) Reserves *(Continued)*

Notes:

(i) Share premium represents the difference between the net asset value of the subsidiaries and the nominal value of Company's shares issued in exchange for the acquisition of Yixiang Graphite and Yixiang New Energy pursuant to the reorganisation completed on 30 December 2020.

(ii) In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

(iii) Capital reserve represents the combined share capital of the subsidiaries comprising the Group before the completion of the reorganisation on 30 December 2020, and contributed surplus after the completion of such reorganisation.

(iv) Pursuant to the relevant PRC regulations, the Group is required to transfer safety fund at fixed rates based on the production volume, to a specific reserve account. The fund could be utilised when expenses or capital expenditures on safety measures are incurred. The amount of safety fund utilised would be transferred from the specific reserve account to retained earnings.

24 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or entities that are controlled or jointly controlled by a person who is a related party of the Group. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals were related parties that had transactions or balances with the Group during the period/year:

Name	Relationship with the Group
Mr. Zhao Liang	Shareholder and executive director
Mr. Zhao Changshan	Close family member of Mr. Zhao Liang
Mr. Zhao Changhai	Close family member of Mr. Zhao Liang
Ms. Zhang Yuqin	Close family member of Mr. Zhao Liang
Ms. Sun Yao	Close family member of Mr. Zhao Liang

(a) Transactions with related parties

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefit expenses received as employees of the Group *(Note)*		
— Mr. Zhao Changshan	**414**	360
— Mr. Zhao Changhai	**74**	72
— Ms. Zhang Yuqin	**414**	360
— Ms. Sun Yao	**340**	379

Note: Terms of employment are determined and agreed between the relevant parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel compensation

Key management includes directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages, salaries, bonuses and allowances	**1,708**	1,893
Pension costs — defined contribution plans	**23**	17
	1,731	1,910

25 COMMITMENTS

As at 30 June 2026 and 31 December 2025, the Group's capital commitment on property, plant and equipment amounted to RMB4,220,000 and RMB1,670,000 respectively.

26 CONTINGENCIES

The Group did not have any material contingent liabilities as at 30 June 2026 and 31 December 2025.

27 SUBSEQUENT EVENTS

Save as disclosed elsewhere in the interim condensed consolidated financial information, there are no material subsequent events undertaken by the Company or by the Group after 30 June 2026 and up to the date of this report.

CHINA GRAPHITE GROUP LIMITED

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