



SANERGY

SANERGY GROUP LIMITED

昇能集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2459



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Peter Brendon Wyllie (*Chairman*)

Mr. Hou Haolong

Mr. Adriaan Johannes Basson

Non-executive Director

Mr. Wang Ping

Independent Non-executive Directors

Ms. Chan Chore Man Germaine

Mr. Cheng Tai Kwan Sunny

Mr. Ngai Ming Tak Michael

COMPANY SECRETARY

Mr. Lam Lok Fung

AUTHORIZED REPRESENTATIVES

Mr. Lam Lok Fung

Mr. Wang Ping

AUDIT COMMITTEE

Mr. Cheng Tai Kwan Sunny (*Chairman*)

Mr. Ngai Ming Tak Michael

Ms. Chan Chore Man Germaine

NOMINATION COMMITTEE

Mr. Peter Brendon Wyllie (*Chairman*)

Mr. Cheng Tai Kwan Sunny

Ms. Chan Chore Man Germaine

REMUNERATION COMMITTEE

Mr. Cheng Tai Kwan Sunny (*Chairman*)

Mr. Ngai Ming Tak Michael

Mr. Peter Brendon Wyllie

ESG COMMITTEE

Mr. Ngai Ming Tak Michael (*Chairman*)

Ms. Chan Chore Man Germaine

Mr. Adriaan Johannes Basson

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Registered Public Interest

Entity Auditor

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

3 East Industrial Road,

Hongzhou Industrial Park,

Huixian Industries Concentration Zone,

Xinxiang, Henan

China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2602, 26th Floor

China Resources Building

26 Harbour Road, Wanchai

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

PRINCIPAL BANKERS

Wells Fargo Bank, N.A.

Credit Suisse (Switzerland) Ltd.

STOCK CODE

2459

WEBSITE

www.sanergygroup.com

CORPORATE PROFILE

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

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

We have our production facilities in Italy and the PRC with annual effective production capacities of 46,000MT in aggregate, which enable us to flexibly meet the demand for graphite electrodes from our customers located in different parts of the world and provide them with support and technical services.

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

DEFINITIONS

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

"1H2024"	six months ended 30 June 2024
"APAC"	Asia-Pacific
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, for the purpose of this interim report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
"Company"	Sanergy Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (stock code: 2459)
"Director(s)"	the director(s) of the Company
"EAF"	electric arc furnace
"EMEA"	Europe, Middle East and Africa
"EUR"	Euro, the lawful currency of the member states of the European Union

DEFINITIONS

"GAM"	Graphite anode materials
"Group" or "we"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Date"	17 January 2023, being the date of listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"MT"	metric tonne
"Prospectus"	the prospectus of the Company dated 30 December 2022
"Reporting Period" or "1H2025"	six months ended 30 June 2025
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Option Scheme"	the share option scheme adopted by the Company on 19 December 2022

DEFINITIONS

"Share(s)"	ordinary share(s) of nominal value of US\$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UHP graphite electrodes"	ultra high power graphite electrodes, a term used in the global graphite electrode market, which can generally withstand current densities greater than 25 ampere per square centimeter
"U.S."	the United States
"US\$"	United States dollars, the lawful currency of the United States

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During 1H2025, the Group successfully reversed the gross loss trend of 2024 and recorded a gross profit by period-end. This was achieved through the continued and further enhanced fiscal prudence policy and measures put in place by the senior management team. Notably, the profitability was increased through the following measures taken by the Group:

- a) Focus on the ratio of deliverables between the lower cost PRC factory and the higher cost Italy factory;
- b) Sales were redirected toward higher-priced regions such as North America and markets with stronger pricing potential; and
- c) Loss-making regions and orders being deliberately avoided.

These strategic measures, in comparison to the same period last year, enabled the Group to achieve a notable 36.4% reduction in average cost of sales per MT. Additional contributors included ongoing cost-cutting initiatives and the reversal of inventory provisions.

As a result, the gross margin recovered significantly – reversing its position from a gross loss of US\$8.1 million in 1H2024 to a gross profit of US\$2.5 million in 1H2025.

The Group's continuous de-stocking effort has meant that the Group's inventory level successfully maintained a similar stock level as at 31 December 2024. This policy reflects the Group's rationale to minimize the overall potential inventory risk exposure, including:

- (i) Improving the Group's cashflow position through the reduction of capital committed to inventory;
- (ii) Increasing the Group's operational agility and response to changes in customer demand or market conditions; and
- (iii) Improving efficiency in forecasting, procurement and production planning.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of all the above, the Group's loss attributable to owners of the Company narrowed significantly from approximately US\$14.4 million in 1H2024 to approximately US\$9.7 million in 1H2025.

The positive impact was partially offset by an unrealized exchange loss of approximately US\$4.7 million, stemming from the depreciation of United States dollars against Euros – an external factor beyond the management's control. Under non-HKFRS financial measures, excluding the non-cash unrealized exchange loss of US\$4.7 million in 1H2025, the Group's adjusted net loss was reduced to approximately US\$4.9 million in 1H2025 from approximately US\$15.0 million in 1H2024.

Notably, Adjusted EBITDA (*Note*) reversed from a loss of US\$13.0 million in 1H2024 to a modest profit of US\$92,000 in 1H2025. The management believes the Group has made an outstanding achievement in 1H2025, highlighting the Group's resilience and positive cash flow generation capability in the midst of market challenges and trade-related uncertainties.

The Group continues to demonstrate resilience and adaptability which will help the Group weather the industry conditions and position itself for a stronger recovery as and when the market environment improves.

Note: Please refer to the section headed "Non-HKFRS Financial Measures" below for the definition of the Adjusted EBITDA.

FUTURE PROSPECT

The Group believes the current demand for downstream steelmaking, global geographical tensions and ongoing trade-related uncertainties will continue to prevail in the second half of 2025. In particular, the global implications of U.S. tariffs remain difficult to predict and quantify with precision.

MANAGEMENT DISCUSSION AND ANALYSIS

Tariffs have exerted pressure on global steel demand. However, the tariff impact on the Group's operations – specifically on cost of sales – was only approximately 1.0% during the first half of 2025 due to the aforementioned rationalisation and fiscal prudence measures implemented by the senior management. Leveraging the Group's unique position with two international production plants in Italy and the PRC, the Group is well-positioned to strategically optimize sales to selective geographical regions to mitigate the impact of U.S. tariffs being imposed. In light of the operational and financial performance in 1H2025, the Group will continue this strategy for the second half of 2025.

There are tentative indications that market adjustments may be underway. During 1H2025, a number of production facilities were either shut down or divested. This contraction might reflect early signs of capacity rationalization. As competitors potentially exit or consolidate, it is likely that pricing dynamics will improve for remaining producers, with consumer sentiment and margin stabilization in the medium to long term.

The Group is optimistic about future business and continues to pursue its business plan with a view to future opportunities once the industry picks up momentum. The global context of carbon neutrality continues to be the Group's growth driver in the mid-to-long term. Notably, the Organisation for Economic Cooperation and Development ("**OECD**") indicates world demand is expected to grow by 0.7% per year through 2030 and the demand in the OECD area will remain roughly constant. The Group will therefore continue to pursue its geographic optimization strategy, focusing on higher-priced markets, while maintaining rigorous cost control measures, including sourcing graphite electrodes from more cost-efficient origins to navigate the prevailing challenges in the commercial landscape. These efforts aim to safeguard the Shareholders' interest and reinforce the Group's commitment to deliver sustainable and long-term growth.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During 1H2025, the Group proactively implemented a geographic optimization strategy by redirecting sales efforts toward higher-priced regions such as North America and markets with stronger pricing potential, while avoiding loss-making orders. Although total sales volume declined from 9,682 MT in 1H2024 to 8,062 MT in 1H2025, the Group successfully increased the proportion of sales volume to the Americas (from approximately 19.7% in 1H2024 to approximately 26.7% in 1H2025) and to the PRC (from approximately 29.3% in 1H2024 to approximately 43.5% in 1H2025).

As a result of this strategic reallocation – primarily shifting product distribution away from the EMEA market – sales to the PRC and the Americas grew by approximately 28.5% and 4.0%, respectively. Accordingly, overall revenue decreased from approximately US\$32.1 million in 1H2024 to approximately US\$23.8 million in 1H2025, while the average selling price fell from approximately US\$3,316/MT to approximately US\$2,949/MT over the same period. The Group remains focused on optimizing its product-market fit and enhancing profitability through disciplined market selection.

Cost of Sales

The cost of sales decreased from approximately US\$40.2 million in 1H2024 to approximately US\$21.3 million in 1H2025 mainly due to (i) the decrease in average cost of sales from approximately US\$4,154/MT in 1H2024 to approximately US\$2,641/MT in 1H2025 driven by the strategic shift of focus from sale of less cost-competitive graphite electrodes produced at our Italy factory to sale of more cost-competitive graphite electrodes sourced in the PRC; (ii) the optimized cost structure; and (iii) the inventory provision of approximately US\$0.2 million being recognised (1H2024: inventory provision of US\$4.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

The Group reversed its performance from a gross loss of approximately US\$8.1 million in 1H2024 to a gross profit of approximately US\$2.5 million in 1H2025. Correspondingly, the gross margin improved from a negative 25.3% to a positive 10.4%, reflecting the effectiveness of the Group's strategic initiatives in sales activities and cost optimization.

Administrative Expenses

The total administrative expenses of the Group were approximately US\$3.6 million in 1H2025, representing a significant decrease of approximately 37.4% as compared to approximately US\$5.8 million in 1H2024. Such significant decrease was mainly due to reduced staff cost and legal and professional fees as a result of the Group's cost optimization measures.

Finance Costs

The total finance costs of the Group were approximately US\$1.3 million in 1H2025, representing a decrease of approximately US\$0.4 million as compared to approximately US\$1.7 million in 1H2024. The main reason for such decrease was the repayment of certain bank and other borrowings.

Loss for the Reporting Period

Overall, the loss attributable to owners of the Company decreased from approximately US\$14.4 million in 1H2024 to approximately US\$9.7 million in 1H2025, mainly driven by (i) the gross profit due to the foregoing reasons, and (ii) a significant decrease in administrative expenses due to reduced staff cost and legal and professional fees as a result of the Group's cost optimization measures.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-HKFRS Financial Measures

The Board wishes to highlight that Adjusted EBITDA and Adjusted Net Loss are not defined under HKFRS Accounting Standards. Adjusted EBITDA refers to earnings before interest, taxes, depreciation and amortization, excluding non-cash unrealized foreign exchange differences. Adjusted Net Loss represents the loss attributable to owners of the Company for the period, also excluding non-cash unrealized foreign exchange differences. The Board believes that the presentation of such non-HKFRS financial measure when shown in conjunction with the corresponding HKFRS Accounting Standards measures provides useful information to the Shareholders and potential investors in illustrating a comparison of the Group's operating performance from period to period. Such non-HKFRS financial measures provide an additional metric to allow investors to evaluate the Group's operating results. The use of the non-HKFRS financial measures has limitations as analytical tools and such non-HKFRS financial measures may differ from the non-HKFRS financial measures used by other companies, and therefore the comparability of such information may be limited. Shareholders and potential investors should not consider such non-HKFRS financial measures in an isolated form, or as a substitute for the financial information prepared and presented in accordance with HKFRS Accounting Standards.

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
<i>Adjusted EBITDA</i>		
Loss before tax	(8,399)	(16,639)
Add:		
Depreciation and amortisation	2,443	2,452
Finance costs	1,322	1,733
EBITDA	(4,634)	(12,454)
Add:		
Non-cash unrealized foreign exchange differences	4,726	(588)
Adjusted EBITDA	92 Profit	(13,042) (Loss)
<i>Adjusted Net Loss</i>		
Loss attributable to owners of the Company for the period	(9,664)	(14,368)
Add:		
Non-cash unrealized foreign exchange differences	4,726	(588)
Adjusted Net Loss	(4,938)	(14,956)

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flows, Liquidity, Capital Resources and Capital Structure

During 1H2025, the Group satisfied its capital requirements principally with (i) the cash generated from operations; (ii) proceeds from bank and other borrowings; and (iii) proceeds from the listing of shares of the Company on the Stock Exchange on 17 January 2023.

The net cash from operating activities, the net cash used in investing activities and the net cash used in financing activities in 1H2025 amounted to approximately US\$4.5 million (1H2024: net cash from operating activities: US\$5.4 million), approximately US\$1.3 million (1H2024: net cash used in investing activities: US\$1.8 million) and approximately US\$4.9 million (1H2024: net cash used in financing activities: US\$10.9 million), respectively.

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

As at 30 June 2025, the Group's cash and cash equivalents were approximately US\$8.5 million (31 December 2024: US\$9.9 million) and mainly denominated in US\$, EUR, RMB and HK\$.

The Group's total interest-bearing bank and other borrowings as at 30 June 2025 amounted to approximately US\$27.7 million (31 December 2024: US\$29.7 million), which were mainly denominated in US\$, RMB, EUR and HK\$. The interest-bearing bank and other borrowings were mainly used for working capital and capital expenditure and all of which were at commercial lending interest rates. Approximately US\$1.7 million of the total interest-bearing bank and other borrowings as at 30 June 2025 were fixed-rate borrowings.

The Group manages its capital structure by maintaining a balance between equity and debts. As at 30 June 2025, the Group's total equity and liabilities amounted to approximately US\$104.4 million and US\$72.5 million, respectively (31 December 2024: US\$105.8 million and US\$68.2 million, respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

The Group's gearing ratio, as calculated based on total debts divided by total equity, decreased from 28.1% as at 31 December 2024 to approximately 26.5% as at 30 June 2025 due to the repayment of certain bank and other borrowings.

Foreign Exchange Exposure

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. During 1H2025, the Group did not enter into any forward foreign exchange contract and the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group's management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future where appropriate.

Capital Expenditures

The Group's capital expenditures principally consisted of expenditures on additions to property, plant and equipment for the expansion of its operations. For 1H2025, the Group incurred capital expenditures of approximately US\$2.3 million.

Contingent Liabilities

As at 30 June 2025, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 30 June 2025, certain property, plant and equipment, trade receivables and industrial leasehold land and pledged bank deposits with carrying amounts of approximately US\$20.7 million, US\$0.7 million, US\$3.6 million and US\$5.3 million, respectively (31 December 2024: US\$21.0 million, US\$3.7 million, US\$3.6 million and US\$6.4 million, respectively) were pledged to independent third parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Venture

Acquisition of Taigu Assets

On 6 July 2023, Shengrui (Shanxi) New Materials Technology Co. Limited* (昇瑞(山西)新材料科技有限公司) (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the “**Asset Purchase Agreement**”) with Shanxi Taigu Mingxing Carbon Steel Company Limited* (山西太谷明興碳素瑪鋼有限公司) (the “**Vendor**”) to acquire relevant buildings, production facilities and intangible assets pertaining to graphite electrode products, etc (the “**Taigu Assets**”) for a consideration of approximately RMB80.5 million, of which RMB40 million had been paid in accordance with the payment schedule. Completion of the acquisition of the Taigu Assets had taken place in August 2023 and all of the Taigu Assets had been transferred to the Group in accordance with the terms of the Asset Purchase Agreement. Thereafter, the Vendor took the position to seek rescission of the Asset Purchase Agreement on the basis of force majeure and began to illegally occupy the Taigu Assets in around March 2024. As advised by the PRC legal advisers of the Company, the basis of force majeure proposed by the Vendor is groundless given that the completion of the acquisition of the Taigu Assets had taken place in August 2023. During this period and prior to the arbitration application in December 2024, the Company had made significant efforts to negotiate with the Vendor in an effort to regain access to the Taigu Assets. As advised by the PRC legal advisers, the Vendor’s occupation of the Taigu Assets is a breach of the Asset Purchase Agreement and PRC law. In December 2024, the Company filed an arbitration application to the Shanghai International Arbitration Center against the Vendor to seek immediate return of the Taigu Assets and compensation for losses suffered since the Vendor illegally occupied the Taigu Assets. As at the date of this report, the first pre-arbitration mediation session has been held in the first quarter of 2025 and the arbitration hearing was held in September 2025. The Company will update the Shareholders and potential investors on the latest developments as and when appropriate.

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

Significant Investments

The Group did not have any significant investments which accounted for more than 5% of the Group’s total assets as at 30 June 2025.

OTHER INFORMATION

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

As at 30 June 2025, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity and nature of interest	Number of Shares	Percentage of interest ^(Note 1)
Mr. Hou Haolong	Founder of a discretionary trust ^(Note 2)	109,212,000	9.58%
Mr. Peter Brendon Wyllie	Beneficial owner	112,000	0.01%

Notes:

1. Based on 1,140,000,000 Shares of the Company in issue as at 30 June 2025.
2. The shares were held by Otautahi Capital Inc. which is owned as to 100% by Otautahi Holdings Limited. Otautahi Holdings Limited is in turn wholly-owned by Otautahi Enterprises Trust Company Limited. Otautahi Enterprises Trust Company Limited is the trustee of the Otautahi Enterprises Trust, which is a discretionary trust established by Otautahi Enterprises Trust Company Limited as the trustee and Mr. Hou Haolong is one of the beneficiaries. Accordingly, Mr. Hou Haolong is deemed to be interested in the Shares held by Otautahi Capital Inc. under the SFO.

Save as disclosed above, as at 30 June 2025, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions deemed or taken under the relevant provisions of the SFO), or which were required to be entered in the register referred to therein under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

To the best of Directors' knowledge, as of 30 June 2025, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO which were kept by the Company pursuant to section 336 of the SFO:

Name of shareholders	Capacity and nature of interest	Number of Shares	Percentage of interest ^(Note 1)
Otautahi Capital Inc. ^(Note 2)	Beneficial owner	109,212,000	9.58%
Otautahi Holdings Limited ^(Note 2)	Interest in controlled corporations	109,212,000	9.58%
Otautahi Enterprises Trust Company Limited ^(Note 2)	Trustee	109,212,000	9.58%

Notes:

1. Based on 1,140,000,000 Shares of the Company in issue as at 30 June 2025.
2. The Shares were held by Otautahi Capital Inc. which is wholly-owned by Otautahi Holdings Limited. Otautahi Holdings Limited is wholly-owned by Otautahi Enterprises Trust Company Limited. Otautahi Enterprises Trust Company Limited is the trustee of Otautahi Enterprises Trust, which is a discretionary trust established by Otautahi Enterprises Trust Company Limited as the trustee and Mr. Hou Haolong is one of the beneficiaries of Otautahi Enterprises Trust. Accordingly, they are deemed to be interested in the Shares held by Otautahi Capital under the SFO.

Save as disclosed above, the Directors are not aware that there is any party (who were not Directors or chief executive of the Company) who, as at 30 June 2025, had interests or short positions in the Shares and underlying Shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

On 19 December 2022, the Company adopted the Share Option Scheme which had a term of 10 years until 18 December 2032. No option under the Share Option Scheme has been granted since its adoption. At the beginning and at the end of the Reporting Period, the number of options available for grant under the scheme mandate limit under the Share Option Scheme was 100,000,000.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During 1H2025, none of the Directors and directors of the Company's subsidiaries or their respective associates had any interests in any businesses, apart from the Group's business, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

On 7 July 2025, the Company announced that it proposed to raise gross proceeds of up to approximately US\$5,809,000 (equivalent to HK\$45,600,000) by way of the issue of up to 570,000,000 rights shares (the **"Rights Share(s)"**), at the subscription price of HK\$0.08 per Rights Share on the basis of one Rights Share for every two then existing Shares held (the **"Rights Issue"**) on the record date. On 7 July 2025, the Company and uSMART Securities Limited and Sinomax Securities Limited (the **"Placing Agents"**) entered into the placing agreement (the **"Placing Agreement"**), pursuant to which the Placing Agents have agreed to, on a best effort basis, procure placee(s) to subscribe for the unsubscribed Rights Shares.

As disclosed in the Company's announcement dated 25 August 2025, based on the acceptance results of the Rights Issue and the placing results of the compensatory arrangements pursuant to the Placing Agreement, the Rights Shares to be allotted and issued amounted to 570,000,000 Rights Shares, representing 100% of the total number of Rights Shares offered for subscription under the Rights Issue. The net proceeds raised from the Rights Issue after deducting the expenses were approximately HK\$43,900,000.

OTHER INFORMATION

In addition, the board lot size for trading on the Stock Exchange has been changed from 2,000 Shares to 20,000 Shares with effect from 9:00 a.m. on Tuesday, 29 July 2025 (the “**Change in Board Lot Size**”).

Further details in relation to, among others, the Rights Issue, the Placing Agreement and the Change in Board Lot Size are set out in the announcements of the Company dated 7 July 2025, 14 July 2025, 12 August 2025 and 25 August 2025, and the prospectus of the Company dated 25 July 2025.

Save as disclosed above, there are no significant events materially affecting the Group after the Reporting Period and up to the date of this report.

USE OF PROCEEDS FROM THE LISTING

The Company’s shares have been listed on the Main Board of the Stock Exchange since the Listing Date. The net proceeds from the global offering after deducting the underwriting fees and commissions and related expenses (the “**Net Proceeds**”) were approximately HK\$186.7 million. The Group has utilized and will continue to utilize the net proceeds from the global offering according to the purposes set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the change in use of proceeds as set out in the interim report for the six months ended 30 June 2024 (the “**Change in Use of Proceeds**”). The intended application of the net proceeds and the actual utilization of the net proceeds from the global offering as at 30 June 2025 are as follows:

OTHER INFORMATION

Purpose	Net proceeds as disclosed in the Prospectus	Revised net proceeds after the Change in Use of Proceeds	Utilized amount as at 1 January 2025	Unutilized amount as at 1 January 2025	Amount utilized during 1H2025	Unutilized amount as at 30 June 2025	Expected timeline of full utilization of the balance as at 30 June 2025
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
1 Pay for the purchase price of the Taigu Assets (as defined in the Prospectus)	65.0	44.2	(44.2)	–	–	–	–
2 Upgrade of the Group's production systems on the Italian Factory, the PRC Factory and the Sanli Assets (as defined in the Prospectus)	103.0	83.0	(38.3)	44.7	(2.5)	42.2	second half of 2026
3 Develop and expand GAM business	–	15.0	(4.5)	10.5	(7.2)	3.3	first half of 2026
4 Working capital and general corporate purposes	18.7	18.7	(18.7)	–	–	–	–
5 Pay for operational costs of our graphite electrode business	–	25.8	(25.8)	–	–	–	–
Total	186.7	186.7	(131.5)	55.2	(9.7)	45.5	–

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2025, the Group employed 154 (as at 30 June 2024: 207) staff. The staff costs (including directors' remuneration) for the Reporting Period amounted to approximately US\$3.3 million (1H2024: US\$5.1 million). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefits such as mandatory provident fund, state-managed social welfare scheme and share option scheme.

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not declare any interim dividend for 1H2025 and 1H2024.

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on principles and code provisions as set out in the CG Code. Throughout the Reporting Period, the Company has complied with the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. After making specific enquiries to all the Directors, each of them has confirmed that he or she has complied with the Model Code throughout the Reporting Period.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

The change in Directors' biographical details subsequent to the publication of the 2024 annual report of the Company on 16 April 2025 pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

- (a) Mr. Ngai Ming Tak Michael, an independent non-executive Director, was appointed as an external director of China Merchants Group Limited in June 2025 and resigned as an external director of China COSCO Shipping Corporation Limited in June 2025; and
- (b) Mr. Cheng Tai Kwan Sunny, an independent non-executive Director, has resigned as an independent non-executive director of Hua Lien International (Holding) Company Limited (stock code: 969) in September 2024.

Save as those disclosed above, there is no other information for the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION

AUDIT COMMITTEE

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

The Audit Committee has discussed with the management and the external auditors and reviewed this interim report and the unaudited condensed consolidated interim financial statements of the Group for 1H2025. The Audit Committee has also reviewed this interim report and confirms that it is complete and accurate and complies with the requirements of the Listing Rules.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for 1H2025 has been reviewed and agreed by the Company's auditors, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The review report of the auditors will be included in this interim report of the Company for the Reporting Period to be dispatched to the Shareholders.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF SANERGY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sanergy Group Limited (the “**Company**”) and its subsidiaries set out on pages 26 to 56, which comprise the condensed consolidated statement of financial position at 30 June 2025 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) as issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 August 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

	NOTES	Six months ended 30 June	
		2025 US\$'000 (unaudited)	2024 US\$'000 (unaudited)
Revenue	4	23,776	32,101
Cost of sales		(21,293)	(40,215)
Gross profit (loss)		2,483	(8,114)
Other income	4	333	303
Other gains and losses	5	(4,979)	721
Impairment losses under expected credit loss model, net of reversal		–	(61)
Selling expenses		(1,137)	(1,635)
Administrative expenses		(3,643)	(5,818)
Other expenses		(4)	(110)
Share of results of an associate		(130)	(192)
Finance costs		(1,322)	(1,733)
Loss before tax	6	(8,399)	(16,639)
Income tax (expense) credit	7	(1,265)	2,271
Loss for the period attributable to owners of the Company		(9,664)	(14,368)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

		Six months ended 30 June	
		2025	2024
	NOTES	US\$'000	US\$'000
		(unaudited)	(unaudited)
Other comprehensive income			
(expense)			
<i>Other comprehensive income (expense)</i>			
<i>that may be reclassified to profit or loss</i>			
<i>in subsequent periods:</i>			
Exchange differences on translation of			
foreign operations		8,322	(2,595)
Other comprehensive income (expense)			
for the period, net of tax		8,322	(2,595)
Total comprehensive expense for			
the period attributable to owners of			
the Company		(1,342)	(16,963)
Loss per share for profit attributable			
to the owners of the Company			(Restated)
– Basic	9	US\$(0.7) cents	US\$(1.3) cents
– Diluted	9	US\$(0.7) cents	US\$(1.3) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

	NOTES	At 30 June 2025 US\$'000 (unaudited)	At 31 December 2024 US\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	94,688	88,567
Right-of-use assets	10	7,021	7,264
Intangible assets		488	576
Prepayments and deposits		556	496
Interest in an associate	11	5,836	5,997
Deferred tax assets	16	3,020	4,566
		111,609	107,466
CURRENT ASSETS			
Inventories		35,109	33,138
Trade receivables	12	9,330	10,227
Prepayments, deposits and other receivables		7,064	6,783
Financial asset at fair value through profit or loss	11	–	–
Pledged bank deposits		5,307	6,418
Cash and cash equivalents		8,498	9,937
		65,308	66,503
CURRENT LIABILITIES			
Trade and notes payables	13	12,007	7,609
Other payables and accruals		18,623	17,190
Lease liabilities	14	506	523
Interest-bearing bank and other borrowings	15	24,533	25,556
Income tax payable		4,267	4,706
		59,936	55,584
NET CURRENT ASSETS		5,372	10,919
TOTAL ASSETS LESS CURRENT LIABILITIES		116,981	118,385

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

		At 30 June 2025 US\$'000 (unaudited)	At 31 December 2024 US\$'000 (audited)
NOTES			
NON-CURRENT LIABILITIES			
		1,243	1,118
Other payables and accruals			
Lease liabilities	14	936	1,084
Interest-bearing bank and other borrowings	15	3,124	4,118
Deferred tax liabilities	16	7,269	6,314
		12,572	12,634
NET ASSETS		104,409	105,751
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	17	11,400	11,400
Reserves		93,009	94,351
TOTAL EQUITY		104,409	105,751

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025

	Attributable to owners of the Company								
	Issued capital	Share premium*	Other reserve*	Capital reserve*	Statutory reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Retained profits*	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2024 (audited)	10,100	28,812	(100)	(4,684)	1,257	31,335	(7,384)	89,157	148,493
Loss for the period	-	-	-	-	-	-	-	(14,368)	(14,368)
Other comprehensive expense for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,595)	-	(2,595)
Total comprehensive expense for the period	-	-	-	-	-	-	(2,595)	(14,368)	(16,963)
At 30 June 2024 (unaudited)	10,100	28,812	(100)	(4,684)	1,257	31,335	(9,979)	74,789	131,530
At 1 January 2025 (audited)	11,400	33,497	(100)	(4,684)	1,257	27,080	(12,283)	49,584	105,751
Loss for the period	-	-	-	-	-	-	-	(9,664)	(9,664)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	8,322	-	8,322
Total comprehensive income (expense) for the period	-	-	-	-	-	-	8,322	(9,664)	(1,342)
At 30 June 2025 (unaudited)	11,400	33,497	(100)	(4,684)	1,257	27,080	(3,961)	39,920	104,409

* These reserve accounts comprise the consolidated reserves of US\$93,009,000 (2024: US\$94,351,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Loss before tax	(8,399)	(16,639)
Adjustments for:		
Bank interest income	(120)	(134)
Share of results of an associate	130	192
Finance costs	1,322	1,733
Depreciation of property, plant and equipment	1,903	2,023
Depreciation of right-of-use assets	390	286
Amortisation of intangible assets	150	143
Impairment losses of trade receivables, net of reversal	–	61
Loss on disposal of property, plant and equipment	–	6
Write-down of inventories	168	4,555
Unrealized exchange differences	4,726	(588)
Reversal of provision for legal costs	(1,149)	–
Operating cash flows before movements in working capital	(879)	(8,362)
(Increase) decrease in inventories	(886)	7,463
Decrease (increase) in trade receivables	990	(1,569)
Increase in prepayments, deposits and other receivables	(736)	(1,926)
Increase in trade and notes payables	3,920	1,852
Increase in other payables and accruals	3,073	9,640
Cash generated from operations	5,482	7,098
Interest received	120	134
Interest paid	(1,071)	(1,579)
Interest element in lease payments	(60)	(60)
Income taxes paid	(3)	(170)
NET CASH FROM OPERATING ACTIVITIES	4,468	5,423

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(5,307)	–
Withdrawal of pledged bank deposits	6,418	–
Purchase of property, plant and equipment	(2,349)	(1,613)
Additions to intangible assets	(27)	(179)
NET CASH USED IN INVESTING ACTIVITIES	(1,265)	(1,792)
FINANCING ACTIVITIES		
New borrowings	1,621	3,789
Repayment of borrowings	(6,216)	(14,554)
Principal portion of lease payments	(268)	(165)
NET CASH USED IN FINANCING ACTIVITIES	(4,863)	(10,930)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,660)	(7,299)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET	221	(42)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	9,937	29,620
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	8,498	22,279

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. GENERAL AND BASIS OF PREPARATION

Sanergy Group Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 2602, 26/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 January 2023.

The condensed consolidated financial statements are presented in United States dollars (“**US\$**”), which is also the functional currency of the Company.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the manufacturing and sale of graphite electrodes. There has been no significant change in the Group’s principal activities during the six months ended 30 June 2025.

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

The Group reported a loss of US\$9,664,000 during the period ended 30 June 2025 and as of that date, the Group’s interest-bearing bank and other borrowings amounted to US\$27,657,000, of which balances of US\$4,848,000 is in ongoing restructuring process with the relevant bank. The Group held cash and cash equivalents amounting to US\$8,498,000 as of 30 June 2025. Details of the bank and other borrowings are disclosed in note 15.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. GENERAL AND BASIS OF PREPARATION (CONTINUED)

In preparing the condensed consolidated financial statements of the Group, the directors of the Company have given careful consideration to the future liquidity with reference to its working capital forecast, the financial performance, the financial position and the available sources of financing of the Group in assessing the Group's ability to continue as a going concern. The directors of the Company therefore are satisfied that the Group will have sufficient internal generated financial resources and available credit facilities to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors of the Company continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

2. MATERIAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024.

Application of amendments to HKFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to a HKFRS Accounting Standard issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 21

Lack of Exchangeability

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Americas	8,820	8,479
Europe, Middle East and Africa ("EMEA")	8,035	18,162
People's Republic of China (the "PRC")	6,921	5,385
Asia Pacific excluding the PRC	–	75
	23,776	32,101

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

(b) Non-current assets

	At	At
	30 June	31 December
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(audited)
Americas	108	165
EMEA	51,027	44,596
PRC	56,753	57,329
Asia Pacific excluding the PRC	522	633
	108,410	102,723

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Sale of graphite electrodes	23,776	32,101

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

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Type of goods or service		
Sale of graphite electrodes	23,776	32,101

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	23,776	32,101

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

For the six months ended 30 June 2025 and 2024, revenue of US\$60,000 and US\$66,000, respectively, was recognised that was included in the contract liabilities at the beginning of the relevant period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

4. REVENUE AND OTHER INCOME (CONTINUED)

(b) Performance obligation for contracts with customers and revenue recognition policies

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

The performance obligation of the sale of graphite electrodes is satisfied upon delivery of the products and payment is generally due within 30 to 60 days from delivery, except for new customers, where payment in advance is normally required.

An analysis of other income is as follows:

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Bank interest income	120	134
Government subsidies*	39	121
Others	174	48
	333	303

- * The subsidies for the six months ended 30 June 2025 and 2024 represented business, export and environmental subsidies received from the PRC government. There were no unfulfilled conditions or contingencies relating to these subsidies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Loss on disposal of property, plant and equipment	-	(6)
Net (loss) gain from sale of other carbon products	(1,343)	550
Reversal of provision for legal costs	1,149	-
Foreign exchange differences, net	(4,785)	177
	(4,979)	721

6. LOSS BEFORE TAX

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
The Group's loss before tax is arrived at after charging (crediting):		
Cost of inventories sold*	21,125	35,660
Write-down of inventories*	168	4,555
Depreciation of property, plant and equipment**	1,903	2,023
Depreciation of right-of-use assets**	390	286
Amortisation of intangible assets^	150	143
Lease payments not included in the measurement of lease liabilities	5	50
Directors' remuneration	569	711
Other employee benefit expenses:		
- Wages and salaries and pension scheme contributions	2,692	4,363
- Less: Amount capitalised	(1,098)	(1,995)
Total employee benefit expenses	2,163	3,079

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

6. LOSS BEFORE TAX (CONTINUED)

- * Included in cost of sales on the condensed consolidated statement of profit or loss and other comprehensive income.
- ** Certain depreciation charge for property, plant and equipment and right-of-use assets of US\$1,639,000 and US\$1,825,000 for the six months ended 30 June 2025 and 2024, respectively, are included in cost of sales on the condensed consolidated statement of profit or loss and other comprehensive income.
- ^ Included in administrative expenses on the condensed consolidated statements of profit or loss and other comprehensive income.

7. INCOME TAX (EXPENSE) CREDIT

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

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for both periods, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary for both periods are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

7. INCOME TAX (EXPENSE) CREDIT (CONTINUED)

Pursuant to the Italian tax laws and the respective regulations, the subsidiary which operates in Italy is subject to corporate income tax and regional tax on productive activities at a rate of 24% and 3.9%, respectively, on the taxable income for both periods.

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Current – Hong Kong		
Charge for the period	10	8
Current – elsewhere		
Charge for the period	422	121
	432	129
Overprovision in prior years	(866)	–
Deferred tax charge (credit)	1,699	(2,400)
Income tax expense (credit) for the period	1,265	(2,271)

8. DIVIDENDS

No dividend was declared by the Company to its shareholders during the six months ended 30 June 2025 and 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(9,664)	(14,368)

	Six months ended 30 June	
	2025	2024
		(Restated)
	(unaudited)	(unaudited)

Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,298,508,772	1,149,122,807
--	---------------	---------------

The weighted average number of ordinary shares used to calculate the basic loss per share for both periods have been adjusted to reflect the Rights Issue (as defined in note 21). Accordingly, the basic loss per share for the six months ended 30 June 2024 is restated.

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

The computation of basic loss per share for the six months ended 30 June 2025 and 2024 does not include the issuance of 10,000,000 shares as a consideration for acquisition of a land in Italy as the shares are subject to return.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (CONTINUED)

The computation of diluted loss per share for the six months ended 30 June 2025 and 2024 does not assume the issuance of 10,000,000 shares since their assumed exercise would result in a decrease in loss per share.

The Group had no potentially diluted ordinary shares in issue during the six months ended 30 June 2025 and 2024.

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

During the six months ended 30 June 2025, the Group incurred total expenditure of approximately US\$2,255,000 (six months ended 30 June 2024: US\$878,000) on the acquisition of property, plant and equipment.

In the opinion of the directors of the Company, the respective carrying amounts of the Group's property, plant and equipment at the end of the current interim period that are carried at revalued amounts do not differ significantly from their respective estimated fair values. Consequently, no revaluation surplus or deficit has been recognised in the current interim period.

During the current interim period, the Group did not enter into new lease agreement (six months ended 30 June 2024: entered into three new lease agreements with lease terms ranging from 24 to 36 months). The Group recognised new right-of-use assets of approximately US\$230,000, and lease liabilities of approximately US\$230,000 during the six months ended 30 June 2024.

At 30 June 2025, certain of the Group's land and buildings with a net carrying amount of approximately US\$7,789,000 (31 December 2024: US\$7,780,000), plant and machinery with a net carrying amount of approximately US\$12,948,000 (31 December 2024: US\$13,217,000) and industrial leasehold land with a net carrying amount of approximately US\$3,623,000 (31 December 2024: US\$3,609,000) were pledged to independent third parties for interest-bearing bank and other borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

11. INTEREST IN AN ASSOCIATE

	At 30 June 2025 US\$'000 (unaudited)	At 31 December 2024 US\$'000 (audited)
Cost of investment in an associate	6,913	6,913
Share of post-acquisition losses and other comprehensive expense	(1,005)	(875)
Exchange difference arising on translation	(72)	(41)
	5,836	5,997

In May 2023, the Group has entered into an investment agreement (“**Investment Agreement**”) with third parties to inject a total of RMB40,000,000 (equivalent to approximately US\$5,709,000) into Hubei Hairong Technology Co., Ltd (“**Hubei Hairong**”). The Group is entitled to appoint one out of three directors of Hubei Hairong, which represented 33.3% of voting right, the Group is considered to have significant influence over Hubei Hairong. In November 2023, a third party injected additional capital into Hubei Hairong, pursuant to an investment agreement entered between the third party and Hubei Hairong. After the capital injection, the Group holds 28.3% of total equity interest of Hubei Hairong and is entitled to appoint one out of four directors, which represented 25% of voting right. Hubei Hairong remains as an associate of the Group upon the completion of the transaction.

Pursuant to the Investment Agreement, the Group has a share acquisition option to purchase 51% of a Hong Kong incorporated investment holding company holding 52.5% equity interest of Hubei Hairong, the exercise of the option is subjected to terms and conditions including, but not limited to certain amount of additional fundings to be raised by Hubei Hairong which is not yet met as at 30 June 2025 and 31 December 2024. The option is classified as financial asset at fair value through profit or loss (“**FVTPL**”) and recognised a loss from changes in fair value of financial asset at FVTPL amounted to US\$1,540,000 during the year ended 31 December 2024. No material movement in the financial asset at FVTPL was recorded during the six months ended 30 June 2025.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

12. TRADE RECEIVABLES

	At 30 June 2025 US\$'000 (unaudited)	At 31 December 2024 US\$'000 (audited)
Trade receivables measured at amortised cost	9,528	10,617
Impairment losses	(198)	(390)
	9,330	10,227

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

At 30 June 2025, certain trade receivables of approximately of US\$653,000 (31 December 2024: US\$3,726,000), were pledged to third parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

12. TRADE RECEIVABLES (CONTINUED)

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

	At	At
	30 June	31 December
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(audited)
Not past due	8,426	7,608
Within 1 month	655	993
1 to 3 months	240	982
Over 3 months	9	644
	9,330	10,227

13. TRADE AND NOTES PAYABLES

	At	At
	30 June	31 December
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(audited)
Trade payables	7,701	6,391
Notes payable (Note)	4,306	1,218
	12,007	7,609

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

13. TRADE AND NOTES PAYABLES (CONTINUED)

Note: These relate to trade payables in which the Group has issued bills to the relevant suppliers for settlement of trade payables. The suppliers can obtain the invoice amounts from the bank on the maturity date of the bills. The Group continues to recognise these trade payables as the Group is obliged to make payments to the relevant banks on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the condensed consolidated statement of cash flows, settlements of these bills by the Group are included within operating cash flows based on the nature of the arrangements.

The notes payables are secured by pledged bank deposits as set out in note 18. An ageing analysis of the trade and notes payables, based on the past due date as at the end of each of the period, is as follows:

	At	At
	30 June	31 December
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(audited)
Not past due	7,775	5,363
Within 1 month	927	494
1 to 3 months	1,046	1,048
Over 3 months	2,259	704
	12,007	7,609

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

14. LEASE LIABILITIES

During the current interim period, interest expense of approximately US\$60,000 (six months ended 30 June 2024: US\$60,000) has been charged to profit or loss and repayment of approximately US\$268,000 (six months ended 30 June 2024: US\$165,000) has been made in relation to the lease liabilities.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

During the six months ended 30 June 2025, the Group obtained new borrowings of approximately US\$1,621,000 (six months ended 30 June 2024: US\$3,789,000) and repaid borrowings of approximately US\$6,216,000 (six months ended 30 June 2024: US\$14,554,000). The borrowings of the Group obtained during the period carry interest at market rates of 3% to 3.4% (six months ended 30 June 2024: approximately 3.5%) per annum.

During the six months ended 30 June 2025, a bank borrowing with a carrying amount of US\$4,848,000 is due based on original repayment schedule and is therefore repayable on demand and was classified as current liabilities. The Group had negotiated with the relevant bank to vary the terms of the borrowing, and the bank had agreed to initiate the loan restructuring process before the original repayment schedule. As of 30 June 2025, the restructuring process was still in progress. The directors of the Company are confident that the process will ultimately reach a successful conclusion and believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

16. DEFERRED TAX

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

Deferred tax liabilities – Gross

	Right-of-use assets US\$'000	Fair value adjustments arising from acquisition of a subsidiary US\$'000	Revaluation of property, plant and equipment US\$'000	Others US\$'000	Total US\$'000
At 1 January 2024 (audited)	13	132	11,577	3,708	15,430
Deferred tax charged (credited) to the statement of profit or loss during the year	167	(42)	–	(861)	(736)
Deferred tax credited to asset revaluation reserve during the year	–	–	(836)	–	(836)
Exchange realignment	–	–	(608)	–	(608)
At 31 December 2024 (audited)	180	90	10,133	2,847	13,250
Deferred tax credited to the statement of profit or loss during the period	(13)	(21)	–	(100)	(134)
Exchange realignment	–	–	802	–	802
At 30 June 2025 (unaudited)	167	69	10,935	2,747	13,918

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

16. DEFERRED TAX (CONTINUED)

Deferred tax assets – Gross

	Provision for inventories US\$'000	Tax losses US\$'000	Lease liabilities US\$'000	Others US\$'000	Total US\$'000
At 1 January 2024 (audited)	757	4,226	221	4,812	10,016
Deferred tax credited (charged) to the statement of profit or loss during the year	1,021	(362)	155	672	1,486
At 31 December 2024 (audited)	1,778	3,864	376	5,484	11,502
Deferred tax charged to the statement of profit or loss during the period	(580)	(1,087)	(20)	(146)	(1,833)
At 30 June 2025 (unaudited)	1,198	2,777	356	5,338	9,669

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

	At 30 June 2025 US\$'000 (unaudited)	At 31 December 2024 US\$'000 (audited)
Net deferred tax assets	3,020	4,566
Net deferred tax liabilities	(7,269)	(6,314)
	(4,249)	(1,748)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

16. DEFERRED TAX (CONTINUED)

The Group had aggregated tax losses of US\$22,942,000 as at 30 June 2025 (31 December 2024: US\$31,513,000) for which deferred tax assets have been recognised for such tax losses that are available for setting off against taxable profits generated indefinitely or within the next five to ten years. No deferred tax asset has been recognised in respect of the remaining tax losses of US\$50,197,000 (31 December 2024: US\$30,144,000) due to unpredictability of future profit streams.

Included in unrecognised tax losses are losses of approximately US\$50,077,000 (31 December 2024: US\$30,037,000) with expiry dates as disclosed in the following table, other losses may be carried forward indefinitely.

	At 30 June 2025 US\$'000 (unaudited)	At 31 December 2024 US\$'000 (audited)
2026	7,625	–
2027	28,443	28,443
2028	11,566	–
2029	1,594	1,594
2030	849	–
	50,077	30,037

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

At 30 June 2025, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company's subsidiaries established in Mainland China and Italy (31 December 2024: US\$Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China and Italy for which deferred tax liabilities have not been recognised totalled approximately US\$1,220,000 (31 December 2024: US\$1,170,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

17. SHARE CAPITAL

Authorised:

	Number of shares	Share capital US\$'000
At 1 January 2024 (audited), 31 December 2024 (audited) and 30 June 2025 (unaudited)		
– Ordinary shares of US\$0.01 each	5,000,000,000	50,000

Issued and fully paid:

	Number of shares in issue	Share capital US\$'000
At 1 January 2024 (audited)	1,010,000,000	10,100
Placing of 50,000,000 ordinary shares	50,000,000	500
Placing of 80,000,000 ordinary shares	80,000,000	800
At 31 December 2024 (audited) and 30 June 2025 (unaudited)	1,140,000,000	11,400

On 20 September 2024, the Company, Otautahi Capital Inc., which was a then substantial shareholder of the Company (the “**Vendor**”), and a placing agent, entered into a placing and subscription agreement, pursuant to which the Vendor agreed to sell 50,000,000 shares at HK\$0.325 per share to not less than six placees, and to subscribe 50,000,000 new shares at subscription price of HK\$0.325 per shares. The placing of existing shares and subscription of new shares was completed on 27 September 2024, resulting in an increase in share capital and share premium of US\$500,000 and US\$1,584,000, respectively. Net proceeds from the placing after deduction of transaction cost is approximately US\$2,044,000. Transaction costs attributable to issue of shares amount to approximately US\$40,000 which is debited into share premium during the year ended 31 December 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

17. SHARE CAPITAL (CONTINUED)

On 30 September 2024, the Company, the Vendor and the placing agent, entered into a placing and subscription agreement, pursuant to which the Vendor agreed to sell 80,000,000 shares at HK\$0.39 per share to not less than six placees, and to subscribe 80,000,000 new shares at HK\$0.39 per shares. The placing of existing shares and subscription of new shares was completed on 8 October 2024, resulting in an increase in share capital and share premium of US\$800,000 and US\$3,211,000, respectively. Net proceeds from the placing after deduction of transaction cost is approximately US\$3,941,000. Transaction costs attributable to issue of shares amount to approximately US\$70,000 which is debited into share premium during the year ended 31 December 2024.

18. PLEDGE OF ASSETS

As at 30 June 2025, certain property, plant and equipment, trade receivables, industrial leasehold land and pledged bank deposits with carrying amounts of approximately US\$20.7 million, US\$0.7 million, US\$3.6 million and US\$5.3 million respectively (31 December 2024: US\$21.0 million, US\$3.7 million, US\$3.6 million and US\$6.4 million respectively) were pledged to independent third parties for notes payable, interest-bearing bank and other borrowings.

19. COMMITMENTS

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

	At 30 June 2025 US\$'000 (unaudited)	At 31 December 2024 US\$'000 (audited)
Contracted, but not provided for:		
Investment in an associate	2,095	2,087

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

20. RELATED PARTY TRANSACTIONS/BALANCES

Related party transactions

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

		Six months ended 30 June	
		2025	2024
Notes		US\$'000	US\$'000
		(unaudited)	(unaudited)
Lease payments paid to related companies	(i)	57	57
Salaries paid to a related party	(ii)	25	25

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

Notes:

- (i) The lease payments were based on terms determined between the Group and a related company which is wholly-owned by close family members of Mr. Hou Haolong, being a director of the Company and the single largest shareholder. Lease interest of US\$5,000 (six months ended 30 June 2024: US\$5,000) was charged to profit or loss.
- (ii) Salaries were paid to a close family member of Mr. Hou Haolong.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

20. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

Related party balances

		At 30 June 2025 US\$'000 (unaudited)	At 31 December 2024 US\$'000 (audited)
	Notes		
Due from a related party:			
Rental deposit	(iii)	10	11
Due from immediate holding company	(iv)	—	8
Included in other payables and accruals:			
Due to a shareholder	(iv)	616	616
Lease liabilities	(v)	74	126

Notes:

- (iii) The balance as at 30 June 2025 and 31 December 2024 was due from a related company, which is wholly-owned by a close family member of Mr. Hou Haolong. The balance is non-trade related, unsecured, non-interest-bearing and is refundable upon expiry of the rental contracts in February and April 2026.
- (iv) The balances were non-trade related, unsecured, non-interest-bearing and repayment on demand.
- (v) During the year ended 31 December 2024, the Group renewed the rental agreements with the related company which is a wholly-owned by close family members of Mr. Hou Haolong. The Group had recognised an addition of right-of-use assets and lease liabilities of US\$208,000 during the ended 31 December 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

20. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

Compensation of key management personnel

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

	Six months ended 30 June	
	2025	2024
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Short-term employee benefits	585	726
Post-employment benefits	11	11
	596	737

21. EVENTS AFTER THE REPORTING PERIOD

On 25 July 2025, the Company proposed to raise gross proceeds of up to approximately US\$5,809,000 (equivalent to HK\$45,600,000) by way of the issue of up to 570,000,000 rights shares (the **"Rights Share"**), at the subscription price of HK\$0.08 per Rights Share on the basis of one Rights Share for every two then existing shares held on the 24 July 2025 (the **"Rights Issue"**).

On 7 July 2025, the Company and uSMART Securities Limited and Sinomax Securities Limited (the **"Placing Agents"**) entered into the placing agreement (the **"Placing Agreement"**), pursuant to which the Placing Agents have agreed to, on a best effort basis, procure placee(s) to subscribe for the unsubscribed Rights Shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

21. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

The details of the results of the Rights Issue and the compensatory arrangements are set out in the Company's announcements dated 12 August 2025 and 25 August 2025.

Based on the acceptance results of the Rights Issue and the placing results of the compensatory arrangements pursuant to the Placing Agreement, the Rights Shares to be allotted and issued amounted to 570,000,000 Right Shares, representing 100% of the total number of Rights Shares offered for subscription under the Rights Issue. The net proceeds raised from the Rights Issue after deducting the expenses were approximately HK\$43,900,000.