



SANERGY

SANERGY GROUP LIMITED

昇能集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2459

2026

**INTERIM
REPORT**



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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
Professor the Honourable
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*)
Professor the Honourable
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*)
Professor the Honourable
Ngai Ming Tak Michael
Mr. Peter Brendon Wyllie

ESG COMMITTEE

Professor the Honourable
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:

"1H2025"	six months ended 30 June 2025
"APAC"	Asia-Pacific
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Capital Reorganisation"	shall have the same meaning as defined in the circular of the Company dated 10 April 2026
"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 "1H2026"	six months ended 30 June 2026
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Option(s)"	share options to subscribe for Shares in accordance with the terms set out in the Share Option Scheme

DEFINITIONS

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

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE INDICATION

	For the six months ended	
	30 June 2026	2025
Sales volume (metric ton ("MT"))	6,994	8,062
Debtor days ^(Note a)	95	85
Creditor days ^(Note b)	182	103
Inventory days ^(Note c)	331	301
Work-related fatality (cases)	–	–

Notes:

- (a) Debtor days are derived by dividing the closing balances of trade receivables for the relevant period by revenue for the relevant period and multiplying by 182 days.
- (b) Creditor days are derived by dividing the closing balances of trade and notes payables for the relevant period by cost of sales for the relevant period and multiplying the resulting value by 182 days.
- (c) Inventory days are derived by dividing the closing balances of inventories for the relevant year/period by cost of sales for the relevant period and multiplying by 182 days.

BUSINESS REVIEW

In the first half of 2026, against a persistently challenging market backdrop, the Group's iconic "Double-Engine" strategy continued to demonstrate its strategic value and adaptability. We mothballed our Italy factory and focused on comprehensive cost restructuring and operational optimization, which has now achieved significant milestones, positioning it for a restart in the fourth quarter of 2026. Concurrently, our PRC factory played a pivotal role in sustaining sales volume and profitability, even under the U.S tariff measures on products originated from China.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result, the Group sustained the gross profit position achieved in FY2025, recording a gross profit of approximately US\$2.6 million (1H2025: US\$2.5 million). The gross margin improved from 10.4% in 1H2025 to 12.8% in 1H2026, demonstrating the durability of our margin-focused strategy even amid challenging market conditions and the strategic restructuring of our Italy factory.

This performance was supported by the continued execution of the following key measures:

- (a) a strategic redirection of sales towards higher-profitability regions, including markets in North America;
- (b) the proactive avoidance of loss-making regions and orders; and
- (c) a continued focus on cost discipline and working capital efficiency.

Compared with 1H2025, these measures contributed to a further reduction in the average cost of sales per MT, complemented by ongoing cost-saving initiatives and disciplined inventory management. As at 30 June 2026, inventory levels were reduced to approximately US\$31.8 million from US\$36.8 million as at 31 December 2025, reflecting the Group's continued de-stocking efforts. This has strengthened our liquidity and balance sheet, positioning us with greater flexibility to scale up production swiftly in response to any future market recovery.

Despite these industry headwinds, the Group delivered an improvement in financial and operational performance, underpinned by effective cost management and a strategic realignment of its operations. The management believes the Group has successfully completed the first phase of its transformation – restoring gross margin profitability and strengthening the balance sheet.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Market Environment and Outlook

The Group expects the challenging market conditions to persist through the second half of 2026. Looking ahead to 2027, however, we anticipate that additional U.S. trade measures – including potential countervailing duties on graphite electrode imports from both China and India – will introduce further uncertainties to the global trade flow for graphite electrode products. While these measures pose headwinds for our China-originated exports to the U.S., they concurrently create a strategic supply gap in the American market. The Group believes that its Italy factory, having undergone comprehensive cost restructuring and operational optimisation, is well-positioned to fill this gap and capture incremental demand, thereby turning a regulatory challenge into a competitive advantage.

Notwithstanding these emerging opportunities, the near-term demand environment remains under pressure. According to data from the World Steel Association, global crude steel production remained under pressure in the first half of 2026, with output among the 70 reporting countries declining by 0.7% year-on-year to 931.5 million tonnes. While North America demonstrated resilience with a 5.7% increase in production during the January-June period, the European Union region continued to face headwinds, with output contracting by 0.3% over the same period. This uneven recovery and overall contraction in steel production have continued to exert downstream pressure on demand for graphite electrode products.

Strengths, Resources and Strategic Positioning

Notwithstanding these external pressures, the Group has demonstrated resilience through proactive management actions. During 1H2026, while tariffs have exerted pressure on the Group's sales, the impact of tariffs on the Group's cost of sales was contained to a modest level, attributable to the rationalisation and fiscal prudence measures implemented by senior management.

The Group's unique operational footprint – comprising two international production plants located in Italy and the PRC – provides a distinct strategic advantage. This geographic diversification enables the Group to flexibly calibrate its operational strategy in response to evolving geopolitical dynamics and trade policy shifts, ensuring we remain agile in fulfilling customer orders across different markets. This approach underpins the Group's resilience and positions us to capture opportunities as they arise, providing a solid foundation for sustainable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Strategic Priorities and Implementation Roadmap

The Group's strategic priorities for the remainder of 2026 are clear and centred on the following pillars:

- **Capacity reactivation:** Following the comprehensive cost restructuring programme undertaken at the Italy factory during 1H2026 – which has streamlined the workforce, renegotiated key supply contracts, and reduced fixed costs – the factory is scheduled to resume production in the fourth quarter of 2026. These measures have materially reset the cost base, and volume ramp-up will drive further unit cost absorption.
- **Selective commercial growth:** Expand sales volumes while pursuing profitable orders and maintaining a disciplined approach in the face of market volatility. Where suitable sectors present opportunities to diversify and enhance revenue streams, the Group will not rule out such opportunities.
- **Operational discipline:** Sustain focus on operational efficiency and strengthen customer relationships as core elements of the Group's strategy.
- **Financial sustainability:** Achieve a gross profit level sufficient to cover operating and financing costs, progressing toward a sustainable profitability model.

Progress against the strategic priorities outlined above will be reviewed by the management from time to time and disclosed in subsequent interim or annual reports for any adjustments to strategy as market conditions evolve.

Medium-to Long-Term Prospects

Over the medium to long term, the global transition toward electric arc furnace steelmaking – driven by carbon neutrality goals and decarbonisation efforts – continues to underpin structural demand for ultra-high power graphite electrodes. The Group is well-positioned to benefit from this secular trend, supported by its strengthened operational base, improved cost structure, and strategic geographic footprint.

MANAGEMENT DISCUSSION AND ANALYSIS

Beyond organic growth, the Group is pursuing a two-pronged strategy to drive long-term value creation. Internally, we are actively exploring long-term solutions to further reduce electricity costs to enhance competitiveness. Externally, we are evaluating strategic industrial integration opportunities. Such initiatives are expected to generate multi-faceted synergies, diversify the Group's revenue streams, enhance overall business resilience to risk, and provide a more balanced revenue profile.

The Group remains confident in its ability to navigate near-term uncertainties while progressing toward sustainable profitability and long-term value creation for the Shareholders.

FINANCIAL REVIEW

Revenue

Revenue decreased from approximately US\$23.8 million in 1H2025 to US\$20.1 million in 1H2026, mainly due to:

- (i) the decrease in the average selling price of graphite electrodes from approximately US\$2,949/MT in 1H2025 to approximately US\$2,696/MT in 1H2026, reflecting the Group's continued discipline in avoiding loss-making orders amid a competitive market environment; and
- (ii) the decrease in sales quantities of graphite electrodes from approximately 8,062 MT in 1H2025 to approximately 6,862 MT in 1H2026, primarily attributable to the strategic production optimization and active inventory reduction at the Italy factory, where comprehensive cost restructuring and operation efficiency initiatives have been successfully implemented, not only streamlining operations but also significantly lowering stock levels.

These declines were partially offset by:

- (i) a notable revenue growth from the PRC, which increased to approximately US\$9.7 million (1H2025: US\$6.9 million), demonstrating the Group's strengthened foothold in the domestic market; and
- (ii) the successful pilot of a non-ferrous metals trading business, contributing approximately US\$1.6 million in new revenue, partially mitigating the contraction in the core graphite electrode business.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales decreased from approximately US\$21.3 million in 1H2025 to approximately US\$17.6 million in 1H2026, mainly due to:

- (i) continued cost optimization measures across the Group's operations, particularly in procurement and logistics; and
- (ii) the average cost of sales per MT in the core graphite electrode business continued its downward trajectory, declining from approximately US\$2,641/MT in 1H2025 to approximately US\$2,321/MT in 1H2026, representing a further 9.1% reduction;

These decreases were partially offset by:

- (i) the impact on the tariff imposed by the U.S. to our products; and
- (ii) the cost of sales incurred by the non-ferrous metal trading business.

Gross Profit and Gross Margin

The Group delivered a resilient gross profit performance, reporting a gross profit of approximately US\$2.6 million in 1H2026 compared with US\$2.5 million in 1H2025. Gross margin improved from 10.4% to 12.8% over the same period. More importantly, the core graphite electrode business achieved a gross margin of 13.9%, a substantial improvement from the overall margin of 10.4% in 1H2025.

Administrative Expenses

Administrative expenses increased from approximately US\$3.6 million in 1H2025 to approximately US\$5.1 million in 1H2026. This increase was primarily attributable to various strategic initiatives, including professional advisory fees for financing and restructuring activities, and other fixed overheads relating to the maintenance of the Group's operational infrastructure during the restructuring period.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

Finance costs remained relatively stable at approximately US\$1.3 million in 1H2026 (1H2025: US\$1.3 million), reflecting the Group's continued prudent debt management. Total interest-bearing bank and other borrowings as at 30 June 2026 amounted to approximately US\$26.3 million (31 December 2025: US\$26.4 million).

Loss for the Period

The Company recorded a loss attributable to its owners of approximately US\$7.5 million in 1H2026, a significant improvement from the loss of US\$9.7 million in 1H2025, representing a 22.1% reduction. The reduction in loss was primarily driven by sustained gross profit generation, and continued cost optimization during 1H2026.

Debtor Days

Debtor days increased from 85 in 1H2025 to 95 in 1H2026, which remains broadly consistent with our expected payment terms and collection timelines. The Group does not consider this trend to indicate rising credit risk, and accordingly, no specific provision was made during 1H2026.

Creditor Days

Creditor days rose significantly from 103 in 1H2025 to 182 in 1H2026, reflecting the Group's successful efforts to extend settlement periods as part of its strategy of preserving cash and maintaining liquidity.

Inventory Days

Inventory days increased from 301 in 1H2025 to 331 in 1H2026. Despite ongoing challenging market conditions, sales were redirected toward higher-priced regions such as North America and other markets with stronger pricing potential, while loss-making regions and orders were deliberately avoided. This approach is in line with our strategic fiscal prudence policy and the measures implemented.

Liquidity, Capital Resources and Capital Structure

During 1H2026, the Group met its capital requirements principally with the following: (i) cash generated from operations; (ii) proceeds from bank and other borrowings; and (iii) proceeds from the initial public offering and rights issue and placing of shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow

The net cash from operating activities, the net cash used in investing activities and the net cash from financing activities in 1H2026 amounted to approximately US\$1.6 million (1H2025: net cash from operating activities: US\$4.5 million), approximately US\$1.7 million (1H2025: net cash used in investing activities: US\$1.3 million) and approximately US\$1.2 million (1H2025: net cash generated from financing activities: US\$4.9 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 2026, the Group's cash and cash equivalents and pledged bank deposits were approximately US\$13.1 million (31 December 2025: US\$11.0 million) and mainly denominated in US\$, EUR, RMB and HK\$. The Group's total interest-bearing bank and other borrowings as at 30 June 2026 amounted to approximately US\$26.3 million (31 December 2025: US\$26.4 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\$1.3 million of the total interest-bearing bank and other borrowings as at 30 June 2026 were fixed-rate borrowings.

The Group manages its capital structure by maintaining a balance between equity and debts. As at 30 June 2026, the Group's total equity and liabilities amounted to approximately US\$89.6 million and US\$80.3 million, respectively (31 December 2025: US\$91.1 million and US\$81.7 million, respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

The Group's gearing ratio, as calculated based on total debts divided by total equity, increased from 29.0% as at 31 December 2025 to approximately 29.3% as at 30 June 2026 primarily due to a decrease in total equity during the period.

Foreign Exchange Exposure

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. During 1H2026, 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 1H2026, the Group incurred capital expenditures of approximately US\$0.8 million.

Contingent Liabilities

As at 30 June 2026, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 30 June 2026, other than pledged bank deposits, certain of property, plant and equipment, trade receivables and industrial leasehold land with carrying amounts of approximately US\$6.9 million, approximately US\$2.2 million, US\$Nil and US\$Nil, respectively (31 December 2025: approximately US\$6.0 million, approximately US\$18.7 million, approximately US\$Nil and approximately US\$3.6 million, respectively) were pledged to third parties for interest-bearing bank and other borrowings.

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, an application for judicial appraisal has been submitted to the arbitration tribunal. The appraisal is expected to be completed within 2026. 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 2026.

OTHER INFORMATION

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

As at 30 June 2026, 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	Total Interests	Percentage of interest ^(Note 1)
Mr. Hou Haolong	Founder of a discretionary trust ^(Note 3)	14,727,800	16,437,800	8.48%
Mr. Peter Brendon Wyllie	Beneficial owner	1,710,000 ^(Note 2)		
	Beneficial owner	49,600	1,649,600	0.85%
Mr. Wang Ping	Beneficial owner	1,600,000 ^(Note 2)		
Mr. Cheng Tai Kwan Sunny	Beneficial owner	420,000 ^(Note 2)	420,000	0.22%
Professor the Honourable Ngai Ming Tak Michael	Beneficial owner	100,000 ^(Note 2)	100,000	0.05%
Ms. Chan Chore Man Germaine	Beneficial owner	100,000 ^(Note 2)	100,000	0.05%

Notes:

1. Based on 193,800,000 Shares of the Company in issue as at 30 June 2026.
2. These interests represent the Share Options granted to the Directors pursuant to the terms of the Share Option Scheme, which entitle the Directors to subscribe for shares of the Company. Details of such Share Options are disclosed under the paragraph headed "Share Option Scheme" below.
3. The shares were held by Utmost Prosperity Limited which is owned as to 99.8% 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.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2026, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions deemed or taken under the relevant provisions of the SFO), or which were required to be entered in the register referred to therein under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

To the best of Directors' knowledge, as of 30 June 2026, 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)
Utmost Prosperity Limited ^(Note 2)	Beneficial owner	14,727,800	7.60%
Otautahi Holdings Limited ^(Note 2)	Interest in controlled corporations	14,727,800	7.60%
Otautahi Enterprises Trust Company Limited ^(Note 2)	Trustee	14,727,800	7.60%

Notes:

1. Based on 193,800,000 Shares of the Company in issue as at 30 June 2026.
2. The Shares were held by Utmost Prosperity Limited 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.

OTHER INFORMATION

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 2026, had interests or short positions in the Shares and underlying Shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

On 19 December 2022, the Company adopted the Share Option Scheme which had a term of 10 years until 18 December 2032. The purpose of the Share Option Scheme is to give the eligible participants an opportunity to have a personal stake in the Company and help motivate them to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of an employee participant, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Details of the movements of the Share Options during the Year under the Share Option Scheme are as follows:

	Date of Grant	Number of Share Options							Closing price per share immediately before date of grant	
		1 January 2026	Granted during the Reporting Period (Note 1)	Lapsed/Cancelled during the Reporting Period	Exercised during the Reporting Period	As at 30 June 2026	Vesting period	Exercise period	Exercise price per share HK\$ (Note 1)	HK\$
Directors and Chief Executive										
Mr. Hou Haolong	28 January 2026	Nil	1,710,000	-	-	1,710,000	Note 2	Note 3	1.06	1.08
Mr. Peter Brendon Wyllie	28 January 2026	Nil	1,600,000	-	-	1,600,000	Note 2	Note 3	1.06	1.08
Mr. Wang Ping	28 January 2026	Nil	420,000	-	-	420,000	Note 2	Note 3	1.06	1.08
Mr. Cheng Tai Kwan Sunny	28 January 2026	Nil	100,000	-	-	100,000	Note 2	Note 3	1.06	1.08

OTHER INFORMATION

Number of Share Options										
			Granted	Lapsed/ Cancelled	Exercised				Exercise	Closing price per share immediately
Date of	As at	during the	during the	during the	As at	Vesting	Exercise	price	per share	before date
Grant	1 January	Reporting	Reporting	Reporting	30 June	period	period	per share	of grant	
	2026	Period ^(Note 1)	Period	Period	2026			HK\$ ^(Note 1)	HK\$	
Directors and Chief Executive										
Mr. Ngai Ming Tak Michael	28 January 2026	Nil	100,000	-	-	100,000	Note 2	Note 3	1.06	1.08
Ms. Chan Chore Man Germaine	28 January 2026	Nil	100,000	-	-	100,000	Note 2	Note 3	1.06	1.08
Employee participants										
Employees	28 January 2026	Nil	5,170,000	-	-	51,700,000	Note 2	Note 3	1.06	1.08
Related entity participants										
Employees of an associated company	28 January 2026	Nil	800,000	-	-	8,000,000	Note 2	Note 3	1.06	1.08
Total			10,000,000			10,000,000				

Notes:

1. The Capital Reorganisation became effective on 14 May 2026 and adjustments have been made to the above number of Share Options and exercise price of Share Options in accordance with the terms of the Share Option Scheme. Further details are set out in the announcements of the Company dated 14 May 2026.
2. 50% of the Share Options shall be vested on the condition that the grantees remain employed by the Company and/ or its subsidiaries and/or its associated companies up to the relevant vesting date ("**Part A Options**"). The remaining 50% of the Share Options ("**Part B Options**") shall be vested upon the satisfaction of the performance targets applicable to the relevant vesting tranche. The Share Options granted shall be vested in five tranches:

OTHER INFORMATION

- (i) 20% of Part A Options and 20% of Part B Options shall be vested on the first anniversary of the date of acceptance of the Share Options (the "**Acceptance Date**");
- (ii) 20% of Part A Options and 20% of Part B Options shall be vested on the second anniversary of the Acceptance Date;
- (iii) 20% of Part A Options and 20% of Part B Options shall be vested on the third anniversary of the Acceptance Date;
- (iv) 20% of Part A Options and 20% of Part B Options shall be vested on the fourth anniversary of the Acceptance Date; and
- (v) 20% of Part A Options and 20% of Part B Options shall be vested on the fifth anniversary of the Acceptance Date.

3. Exercisable for a period of 10 years commencing on the date of grant.

The number of Share Options available for grant under scheme mandate under the Share Option Scheme as at the beginning and the end of the Reporting Period was 10,000,000 and nil, respectively (such number has been adjusted pursuant to the Capital Reorganisation). The number of Shares that may be issued in respect of the Share Options granted under the Share Option Scheme divided by the weighted average number of ordinary Shares of the Company in issue (excluding treasury shares (if any)) for the Reporting Period was approximately 5.3%.

Further details in relation to Share Options are set out in note 22 to the consolidated financial statements.

The Company has conducted a preliminary assessment of the fair value of these Share Options in accordance with the accounting standards and policies adopted by the Company as set out in note 22 to the consolidated financial statements. Based on this preliminary assessment, management estimates that the total fair value of the options is approximately US\$1 million. The related share-based payment expense, when recognised over the vesting period, would be approximately US\$0.2 million per annum.

OTHER INFORMATION

Management has assessed that, based on the small scale of the newly granted share options relative to the Group's overall operations and the vesting schedule spanning five years, the share-based payment expense for the six months ended 30 June 2026 would not be material to the Group's consolidated financial position and operating results. Accordingly, the Group has not engaged an independent valuer to measure the fair value of these options, and no share-based compensation expense has been recognised in the profit or loss for the current period. The Company will engage an independent valuer and reassess the materiality of these options with the external auditors during the 2026 year-end audit to determine whether full-year financial adjustments are required.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During 1H2026, 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

There are no significant events materially affecting the Group after the Reporting Period and up to the date of this report.

OTHER INFORMATION

PROACTIVE RESTRUCTURING OF SANGRAF ITALY S.R.L. TO ADDRESS EUROPEAN COST STRUCTURE

On 9 March 2026, the Group's wholly owned subsidiary, Sangraf Italy S.r.l., filed an application for protective measures, which was published on the local company registry. The filing represents a decisive, strategic initiative to address the long standing cost challenges of European operations in a comprehensive and structured manner for the Italy production facility. The protective measure provides a court sanctioned protective framework that enables the subsidiary to engage constructively with all internal and external stakeholders – including creditors, employees, and commercial partners – to develop a sustainable path forward. The procedure grants an automatic stay of creditor enforcement actions, preserving liquidity and stabilizing the financial position while a comprehensive restructuring plan is finalized. It also allows for the freezing of interest on pre-existing liabilities, creating the necessary breathing room to thoroughly reassess operations and align all parties around a shared vision for the future. The protective measures impose a stay preventing all creditors from initiating or continuing any enforcement or precautionary actions against the subsidiary's assets. The initial duration of the protective measures is four months from the date of publication in the Companies Register, with the Court retaining the authority to extend, amend, or revoke them; the overall maximum duration under the framework is twelve months.

ISSUE OF LISTED SECURITIES OF THE COMPANY AND USE OF PROCEEDS

Use of Net Proceeds from Listing

The Company's shares have been listed on the Main Board (the "**Listing**") 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 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, the changes in use of proceeds as set out in the interim report for the six months ended 30 June 2024 (the "**First Change in Use of Proceeds**") and the further change in use of proceeds as set out in the announcement of the Company dated 19 December 2025 (the "**Second 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 2026 are as follows:

OTHER INFORMATION

Purpose	Net proceeds as disclosed in the Prospectus	Revised net proceeds after the First Change in Use of Proceeds	Revised net proceeds after the Second Change in Use of Proceeds	Utilized amount as at 1 January 2026	Unutilized amount as at 1 January 2026	Amount utilized during 1H2026	Unutilized amount as at 30 June 2026	Expected timeline of full utilization of the balance as at 30 June 2026
	HK\$ million	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	(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	43.5	(41.7)	1.8	-	1.8	Before 31 December 2026
3 Develop and expand graphite anode materials business	-	15.0	15.0	(15.0)	-	-	-	-
4 Working capital and general corporate purposes	18.7	18.7	18.7	(18.7)	-	-	-	-
5 Pay for operational costs of our graphite electrode business	-	25.8	65.3	(31.8)	33.5	(33.5)	-	-
Total	186.7	186.7	186.7	(151.4)	35.3	(33.5)	1.8	

Use of Net Proceeds from the Rights Issue on 7 July 2025

On 20 August 2025, the Company completed a rights issue (the **"Rights Issue"**) on the basis of one rights share for every two then existing shares held by the qualifying shareholders on the record date at the subscription price of HK\$0.08 (such price has not been adjusted to reflect the Capital Reorganisation which became effective on 14 May 2026 per rights share and issued 570,000,000 (before the Capital Reorganisation) rights shares. The Rights Issue was fully subscribed following the acceptance of 348,601,603 (before the Capital Reorganisation) rights shares by qualifying shareholders and the successful placing of 221,398,397 (before the Capital Reorganisation) unsubscribed rights shares pursuant to the compensatory arrangements. Details of the Rights Issue were set out in the Company's announcements dated 7 July 2025, 14 July 2025, 25 July 2025, 12 August 2025 and 25 August 2025.

OTHER INFORMATION

The gross proceeds raised from the Rights Issue were approximately HK\$45.6 million and the net proceeds, after deducting all relevant expenses, were approximately HK\$43.9 million. The Company intended to apply the net proceeds as to approximately HK\$19.7 million (representing approximately 45% of the net proceeds) towards the operation of its graphite electrodes business, approximately HK\$11.0 million (representing approximately 25% of the net proceeds) towards the development and expansion of its graphite electrodes business and/or graphite anode materials ("**GAM**") business, and approximately HK\$13.2 million (representing approximately 30% of the net proceeds) towards replenishment of liquidity and general corporate purposes.

Use of net proceeds from Rights Issue	Intended allocation	Utilized amount	Unutilized amount	Utilized amount	Unutilized amount	Expected timeline of full utilization of the unutilised proceed
		as at 1 January 2026	as at 1 January 2026	during 1H2026	as at 30 June 2026	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Fund the operational costs of the Group's graphite electrode	19.7	(19.7)	-	-	-	-
Development and expansion of graphite electrodes business and/or GAM business	11.0	-	11.0	-	11.0	Before 30 June 2027
Working capital and general corporate purposes	13.2	(13.2)	-	-	-	-
	43.9	(32.9)	11.0	-	11.0	

OTHER INFORMATION

Placing on 20 February 2026

25 January 2026, the Company entered into a placing agreement ("**Placing Agreement**") with Yuet Sheung International Securities Limited and Sinomax Securities Limited (the "**Placing Agents**"), pursuant to which the Placing Agents agreed, as the Company's placing agents, to, on a best endeavour basis, procure not less than six (6) placees to subscribe for the up to 228,000,000 (before the Capital Reorganisation) new ordinary shares (the "**Placing Share(s)**") of the Company (the "**Placing**").

As disclosed in the Company's announcement dated 20 February 2026, completion of the Placing took place on 20 February 2026 and an aggregate of 228,000,000 (before the Capital Reorganisation) Placing Shares with aggregate nominal value of US\$2,280,000 (such value has not been adjusted to reflect the Capital Reorganisation) have been successfully placed by the Placing Agents at the placing price of HK\$0.083 (such price has not been adjusted to reflect the Capital Reorganisation) per Placing Share to not less than six (6) placees who are professional, institutional or other investors whose ultimate beneficial owners are independent third parties.

The closing price per Share as quoted on the Stock Exchange on 25 January 2026, being the trading day immediately prior to the date of the Placing Agreement, was HK\$0.101 (before the Capital Reorganisation).

The gross placing price and net placing price per Placing Share were HK\$0.083 (before the Capital Reorganisation) and approximately HK\$0.081 (before the Capital Reorganisation) respectively. The gross proceeds raised from the Placing were approximately HK\$18.9 million and the net proceeds (after deducting all relevant expenses) from the Placing were approximately HK\$18.4 million.

OTHER INFORMATION

The Company intended to apply the net proceeds from the Placing in the following manner:

- (a) approximately 50% will be used for development of graphite electrodes business, including but not limited to (i) procurement of raw materials and/or graphite electrodes, (ii) payment for subcontracting and conversion cost and (iii) other operating and overhead costs; and
- (b) approximately 50% will be used for replenishment of liquidity and general corporate purposes.

As at 30 June 2026, the net proceeds from the Placing were fully utilised as intended and no balance was carried forward after 30 June 2026.

Upon the completion of the Placing, the proceeds raised would enhance the Group's financial strength, market competitiveness and comprehensive strength, and promote the long-term healthy and sustainable development of the Group. The Placing would also further broaden and diversify the Company's shareholder base by attracting a number of institutional and/or non-institutional investors, and to further enhance the liquidity of the shares of the Company through the Placing.

For Further details of the Placing are set out in the announcements of the Company dated 25 January 2026, 3 February 2025 and 20 February 2026.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2026, the Group employed 132 (as at 30 June 2025: 154) staff. The staff costs (including directors' remuneration) for the Reporting Period amounted to approximately US\$4.0 million (1H2025: US\$3.3 million). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff 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 1H2026 and 1H2025. All dividend decisions made by the Board have been and are made in accordance with the Company's dividend policy. Details of the Company's dividend policy is set out in the Company's 2025 annual report.

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules 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

There has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of the 2025 annual report of the Company.

OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Cheng Tai Kwan Sunny (Chairman), Ms. Chan Chore Man Germaine and Professor the Honourable Ngai Ming Tak Michael.

The Group's interim results for the six months ended 30 June 2026, including the accounting principles and practices adopted by the Group, have been reviewed by the Audit Committee.

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026

	NOTES	Six months ended 30 June	
		2026 US\$'000 (unaudited)	2025 US\$'000 (unaudited)
Revenue	4	20,135	23,776
Cost of sales		(17,553)	(21,293)
Gross profit		2,582	2,483
Other income	4	443	333
Other gains and losses	5	(1,305)	(4,979)
Selling expenses		(684)	(1,137)
Administrative expenses		(5,140)	(3,643)
Other expenses		(1,825)	(4)
Share of results of an associate		28	(130)
Finance costs		(1,300)	(1,322)
Loss before tax	6	(7,201)	(8,399)
Income tax expense	7	(327)	(1,265)
Loss for the period attributable to owners of the Company		(7,528)	(9,664)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026

NOTES	Six months ended 30 June	
	2026 US\$'000 (unaudited)	2025 US\$'000 (unaudited)
Other comprehensive (expense) income		
<i>Other comprehensive (expense) income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(1,274)	8,322
Other comprehensive (expense) income for the period, net of tax	(1,274)	8,322
Total comprehensive expense for the period attributable to owners of the Company	(8,802)	(1,342)
Loss per share for profit attributable to the owners of the Company		(Restated)
– Basic	9	US\$(4.0) cents US\$(7.4) cents
– Diluted	9	US\$(4.0) cents US\$(7.4) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2026

		At 30 June 2026 US\$'000 (unaudited)	At 31 December 2025 US\$'000 (audited)
	NOTES		
NON-CURRENT ASSETS			
Property, plant and equipment	10	91,553	86,855
Right-of-use assets	10	6,530	6,738
Intangible assets		208	335
Prepayments and deposits		248	558
Interest in an associate	11	4,188	4,149
Deferred tax assets	16	4,047	4,385
		106,774	103,020
CURRENT ASSETS			
Inventories		31,842	36,830
Trade receivables	12	10,517	11,120
Prepayments, deposits and other receivables		7,052	10,094
Financial asset at fair value through profit or loss	11	667	667
Pledged bank deposits		6,947	5,989
Cash and cash equivalents		6,142	5,021
		63,167	69,721
CURRENT LIABILITIES			
Trade and notes payables	13	17,483	15,424
Other payables and accruals		24,090	26,979
Lease liabilities	14	419	454
Interest-bearing bank and other borrowings	15	25,820	25,010
Income tax payable		4,691	4,945
		72,503	72,812
NET CURRENT LIABILITIES		(9,336)	(3,091)
TOTAL ASSETS LESS CURRENT LIABILITIES		97,438	99,929

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2026

		At 30 June 2026 US\$'000 (unaudited)	At 31 December 2025 US\$'000 (audited)
	NOTES		
NON-CURRENT LIABILITIES			
Other payables and accruals		1,159	1,196
Lease liabilities	14	531	758
Interest-bearing bank and other borrowings	15	455	1,394
Deferred tax liabilities	16	5,704	5,510
		7,849	8,858
NET ASSETS		89,589	91,071
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	17	1,938	17,100
Reserves		87,651	73,971
TOTAL EQUITY		89,589	91,071

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026

	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 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
At 1 January 2026 (audited)	17,100	33,365	(100)	(4,684)	1,257	19,806	(1,994)	26,321	91,071
Loss for the period	-	-	-	-	-	-	-	(7,528)	(7,528)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,274)	-	(1,274)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	(1,274)	(7,528)	(8,802)
Placing of 228,000,000 ordinary shares	2,280	142	-	-	-	-	-	-	2,422
Transaction costs attributable to issue of shares	-	(48)	-	-	-	-	-	-	(48)
Share capital reorganisation	(17,442)	-	-	-	-	-	-	17,442	-
Acquisition of land in Italy **	-	4,846	100	-	-	-	-	-	4,946
At 30 June 2026 (unaudited)	1,938	38,035	-	(4,684)	1,257	19,806	(3,268)	36,235	89,589

* These reserve accounts comprise the consolidated reserves of US\$87,651,000 (2025: US\$73,791,000) in the condensed consolidated statement of financial position.

** On 30 June 2026, the Group completed the acquisition of the land asset located in Italy. The consideration was satisfied by the allotment and issuance of 10,000,000 ordinary shares of the Company, with a fair value of US\$5,600,000 on the completion date.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2026

	Six months ended 30 June	
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Loss before tax	(7,201)	(8,399)
Adjustments for:		
Bank interest income	(47)	(120)
Share of results of an associate	(28)	130
Finance costs	1,300	1,322
Depreciation of property, plant and equipment	1,871	1,903
Depreciation of right-of-use assets	358	390
Amortisation of intangible assets	124	150
Write-down of inventories	(756)	168
Unrealized exchange differences	(127)	4,726
Reversal of provision for legal costs	-	(1,149)
Operating cash flows before movements in working capital	(4,506)	(879)
(Increase) decrease in inventories	4,875	(886)
Decrease (increase) in trade receivables	(1,093)	990
Increase in prepayments, deposits and other receivables	(293)	(736)
Increase in trade and notes payables	1,887	3,920
Increase in other payables and accruals	1,471	3,073
Cash generated from operations	2,341	5,482
Interest received	47	120
Interest paid	(741)	(1,071)
Interest element in lease payments	(18)	(60)
Income taxes paid	-	(3)
NET CASH FROM OPERATING ACTIVITIES	1,629	4,468

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2026

	Six months ended 30 June	
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(unaudited)
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(6,946)	(5,307)
Withdrawal of pledged bank deposits	5,989	6,418
Purchase of property, plant and equipment	(761)	(2,349)
Additions to intangible assets	(29)	(27)
NET CASH USED IN INVESTING ACTIVITIES	(1,747)	(1,265)
FINANCING ACTIVITIES		
Issuance of Shares	2,373	–
New borrowings	765	1,621
Repayment of borrowings	(1,441)	(6,216)
Principal portion of lease payments	(522)	(268)
NET CASH USED IN FINANCING ACTIVITIES	1,175	(4,863)
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,057	(1,660)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET	63	221
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,021	9,937
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	6,141	8,498

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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 in Hong Kong 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 and non-ferrous metals. There has been no significant change in the Group’s principal activities during the six months ended 30 June 2026.

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\$7,528,000 during the period ended 30 June 2026 and as of that date, the Group’s interest-bearing bank and other borrowings amounted to US\$26,275,000, of which a balance of US\$4,712,000 is subject to an ongoing restructuring process with the relevant bank.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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, 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 2026 are the same as those presented in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2025.

Application of amendments to HKFRS Accounting Standard

In the current interim period, the Group has applied the following amendments to HKFRS Accounting Standard as issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2026 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sale of graphite electrodes and non-ferrous metal. 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	
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Americas	4,387	8,820
Europe, Middle East and Africa ("EMEA")	5,894	8,035
People's Republic of China (the "PRC")	9,711	6,921
Asia Pacific excluding the PRC	143	–
	20,135	23,776

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

(b) Non-current assets

	At	At
	30 June	31 December
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(audited)
Americas	22	52
EMEA	43,611	45,487
PRC	58,208	52,506
Asia Pacific excluding the PRC	300	410
	102,141	98,455

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 2026

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 June	
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>		
Sale of graphite electrodes	18,501	23,776
Sale of non-ferrous metals	1,634	–
	20,135	23,776

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

	Six months ended 30 June	
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Type of goods or service		
Sale of graphite electrodes	18,501	23,776
Sale of non-ferrous metals	1,634	–
	20,135	23,776
Timing of revenue recognition		
Goods transferred at a point in time	20,135	23,776

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

For the six months ended 30 June 2026 and 2025, revenue of Nil and US\$60,000, 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 2026

4. REVENUE AND OTHER INCOME (CONTINUED)

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

Revenue from the sale of graphite electrodes and non-ferrous metals is recognised at the point in time when control of the asset is transferred to the customers, 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	
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Bank interest income	47	120
Government subsidies*	–	39
Others	396	174
	443	333

* The subsidies for the six months ended 30 June 2025 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 2026

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Net loss from sale of other carbon products	(1,432)	(1,343)
Reversal of provision for legal costs	–	1,149
Foreign exchange differences, net	127	(4,785)
	(1,305)	(4,979)

6. LOSS BEFORE TAX

	Six months ended 30 June	
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(unaudited)

The Group's loss before tax is arrived at after charging (crediting):

Cost of inventories sold*	18,309	21,125
(Reversal)/Write-down of inventories*	(756)	168
Depreciation of property, plant and equipment**	1,871	1,903
Depreciation of right-of-use assets**	358	390
Amortisation of intangible assets^	124	150
Lease payments not included in the measurement of lease liabilities	6	5
Directors' remuneration	763	569
Other employee benefit expenses:		
– Wages and salaries and pension scheme contributions	3,224	2,692
– Less: Amount capitalised	(1,064)	(1,098)
Total employee benefit expenses	2,923	2,163

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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\$941,000 and US\$1,639,000 for the six months ended 30 June 2026 and 2025, 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 2026

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	
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Current – Hong Kong		
Charge for the period	5	10
Current – elsewhere		
Charge for the period	152	422
	157	432
Overprovision in prior years	(129)	(866)
Deferred tax charge	299	1,699
Income tax expense for the period	327	1,265

8. DIVIDENDS

No dividend was declared by the Company to its shareholders during the six months ended 30 June 2026 and 2025.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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	
	2026	2025
	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	(7,528)	(9,664)

	Six months ended 30 June	
	2026	2025
	(unaudited)	(restated) (unaudited)

Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	186,661,878	129,850,877
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The weighted average number of ordinary shares used to calculate the basic loss per share for both periods have been adjusted to reflect the capital reorganisation which became effective on 14 May 2026 as detailed in the announcements of the Company dated 24 March 2026 and 14 May 2026 and the circular of the Company dated 10 April 2026 (the “**Capital Reorganisation**”). Accordingly, the comparative basic and diluted loss per share for the six months ended 30 June 2025 have been 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 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 2026

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 does not assume the issuance of 10,000,000 shares since their assumed exercise would result in a decrease in loss per share.

For the six months ended 30 June 2026, the weighted average number of ordinary shares used in the calculation of both basic and diluted loss per share has already taken into account the 10,000,000 shares issued as consideration for the acquisition of land in Italy, as these shares were outstanding during the period.

As the Group incurred losses for the six months ended 30 June 2026 and 2025, the effect of all outstanding share options granted were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

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

During the six months ended 30 June 2026, the Group incurred total expenditure of approximately US\$761,000 (six months ended 30 June 2025: US\$2,255,000) 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 2025: did not enter into new lease agreement). The Group recognised new right-of-use assets of approximately US\$Nil, and lease liabilities of approximately US\$Nil during the six months ended 30 June 2026.

At 30 June 2026, certain of the Group's land and buildings with a net carrying amount of approximately US\$ Nil (31 December 2025: US\$9,000,000), plant and machinery with a net carrying amount of approximately US\$2,100,000 (31 December 2025: US\$9,000,000) and industrial leasehold land with a net carrying amount of approximately US\$Nil (31 December 2025: US\$220,000) 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 2026

11. INTEREST IN AN ASSOCIATE

	At 30 June 2026 US\$'000 (unaudited)	At 31 December 2025 US\$'000 (audited)
Cost of investment in an associate	6,913	6,913
Share of post-acquisition losses and other comprehensive expense	(2,707)	(2,734)
Exchange difference arising on translation	(18)	(30)
	4,188	4,149

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 2026.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

12. TRADE RECEIVABLES

	At 30 June 2026 US\$'000 (unaudited)	At 31 December 2025 US\$'000 (audited)
Trade receivables measured at amortised cost	10,695	11,300
Impairment losses	(178)	(180)
	10,517	11,120

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 2026 and 31 December 2025, no trade receivables were pledged to third parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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 30 June 2026 US\$'000 (unaudited)	At 31 December 2025 US\$'000 (audited)
Not past due	7,453	9,463
Within 1 month	1,945	348
1 to 3 months	189	861
Over 3 months	930	448
	10,517	11,120

13. TRADE AND NOTES PAYABLES

	At 30 June 2026 US\$'000 (unaudited)	At 31 December 2025 US\$'000 (audited)
Trade payables	11,536	10,435
Notes payable (Note)	5,947	4,989
	17,483	15,424

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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. 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
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(audited)
Not past due	13,150	10,543
Within 1 month	1,012	435
1 to 3 months	429	448
Over 3 months	2,892	3,998
	17,483	15,424

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 2026

14. LEASE LIABILITIES

During the current interim period, interest expense of approximately US\$18,000 (six months ended 30 June 2025: US\$60,000) has been charged to profit or loss and repayment of approximately US\$122,000 (six months ended 30 June 2025: US\$268,000) has been made in relation to the lease liabilities.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

During the six months ended 30 June 2026, the Group obtained new borrowings of approximately US\$3,485,000 (six months ended 30 June 2025: US\$1,621,000) and repaid borrowings of approximately US\$1,441,000 (six months ended 30 June 2025: US\$6,216,000). The borrowings of the Group obtained during the period carry interest at market rates of 3.3% to 8.63% (six months ended 30 June 2025: approximately 3% to 3.4%) per annum.

During the six months ended 30 June 2026, a bank borrowing with a carrying amount of US\$ 6,512,000 (six months ended 30 June 2025: 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 2026, the restructuring process was still in progress. The directors of the Company are confident that the process will ultimately reach a successful conclusion. The Board has confidence that the banks will not request the Group for immediate repayment or considered as breach of borrowing. Thus, the directors of the Company continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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 2025 (audited)	180	90	10,133	2,847	13,250
Deferred tax charged (credited) to the statement of profit or loss during the year	(33)	(42)	-	(2,847)	(2,922)
Deferred tax credited to asset revaluation reserve during the year	-	-	(1,712)	-	(1,712)
Exchange realignment	-	-	1,204	-	1,204
At 31 December 2025 (audited)	147	48	9,625	-	9,820
Deferred tax credited to the statement of profit or loss during the period	(18)	(21)	-	-	(39)
Exchange realignment	-	-	233	-	233
At 30 June 2026 (unaudited)	129	27	9,858	-	10,014

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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 2025 (audited)	1,778	3,864	376	5,484	11,502
Deferred tax charged to the statement of profit or loss during the year	(177)	(247)	(36)	(2,347)	(2,807)
At 31 December 2025 (audited)	1,601	3,617	340	3,137	8,695
Deferred tax (charged) credited to the statement of profit or loss during the period	(91)	678	(21)	(904)	(338)
At 30 June 2026 (unaudited)	1,510	4,295	319	2,233	8,357

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 2026 US\$'000 (unaudited)	At 31 December 2025 US\$'000 (audited)
Net deferred tax assets	4,047	4,385
Net deferred tax liabilities	(5,704)	(5,510)
	(1,657)	(1,125)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

16. DEFERRED TAX (CONTINUED)

The Group had aggregated tax losses of US\$36,400,000 as at 30 June 2026 (31 December 2025: US\$30,030,000) 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\$50,988,000 (31 December 2025: US\$48,045,000) due to unpredictability of future profit streams.

Included in unrecognised tax losses are losses of approximately US\$47,075,000 (31 December 2025: US\$47,075,000) with expiry dates as disclosed in the following table, other losses may be carried forward indefinitely.

	At 30 June 2026 US\$'000 (unaudited)	At 31 December 2025 US\$'000 (audited)
2027	28,443	28,443
2028	15,707	15,707
2029	1,594	1,594
2030	1,331	1,331
	47,075	47,075

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 2026, 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 2025: 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 2025: US\$1,220,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

17. SHARE CAPITAL

Authorised:

	Number of shares	Share capital US\$'000
At 1 January 2025 (audited) and 31 December 2025 (audited)		
– Ordinary shares of US\$0.1 each	500,000,000	50,000
At 30 June 2026 (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 2025 (audited)	1,140,000,000	11,400
Rights issue allotted and issued	570,000,000	5,700
At 31 December 2025 (audited)	1,710,000,000	17,100
Placing of 228,000,000 ordinary shares	228,000,000	2,280
Share capital reorganisation	(1,744,200,000)	(17,442)
At 30 June 2026 (unaudited)	193,800,000	1,938

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

17. SHARE CAPITAL (CONTINUED)

On 20 February 2026, the Company completed the placing of 228,000,000 new shares at HK\$0.083 per share under the general mandate. Net proceeds from the placing after deduction of transaction costs amounted to approximately US\$2,373,000. Transaction costs attributable to the issue of shares amounted to approximately US\$48,000 which was debited to share premium during the period. The placing resulted in an increase in share capital and share premium of US\$2,280,000 and US\$93,000, respectively, before the Capital Reorganisation.

On 14 May 2026, the Company implemented the Capital Reorganisation comprising (i) a share consolidation of every ten shares of US\$0.01 each into one share of US\$0.10 each, reducing the number of issued shares from 1,938,000,000 to 193,800,000; (ii) a share capital reduction of US\$0.09 per share, reducing the par value from US\$0.10 to US\$0.01 per share, with the resulting credit of approximately US\$17,442,000 transferred to the distributable reserve; and (iii) a subdivision of each authorised but unissued share of US\$0.10 into ten shares of US\$0.01 each. The Capital Reorganisation reduced the issued share capital to US\$1,938,000 and did not result in any change in the total equity of the Company.

18. PLEDGE OF ASSETS

As at 30 June 2026, other than pledged bank deposits, certain of property, plant and equipment, trade receivables and industrial leasehold land with carrying amounts of approximately US\$6.9 million, approximately US\$2.2 million, US\$Nil and US\$Nil, respectively (31 December 2025: approximately US\$6.0 million, approximately US\$18.7 million, approximately US\$Nil and approximately US\$3.6 million, respectively) were pledged to third parties for 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 2026 US\$'000 (unaudited)	At 31 December 2025 US\$'000 (audited)
Contracted, but not provided for:		
Investment in an associate	2,213	2,129

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

20. RELATED PARTY TRANSACTIONS/BALANCES

Related party transactions

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

		Six months ended 30 June	
		2026	2025
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 2025: 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 2026

20. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

Related party balances

		At 30 June 2026 US\$'000 (unaudited)	At 31 December 2025 US\$'000 (audited)
	Notes		
Due from a related party:			
Rental deposit	(iii)	10	10
Included in other payables and accruals:			
Due to a shareholder	(iv)	616	616
Lease liabilities	(v)	—	19

Notes:

- (iii) The balance as at 30 June 2026 and 31 December 2025 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 year ended 31 December 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

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	
	2026	2025
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Short-term employee benefits	759	585
Post-employment benefits	4	11
	763	596

21. EVENTS AFTER THE REPORTING PERIOD

There are no significant events materially affecting the Group after the Reporting Period and up to the date of this report.

22. SHARE-BASED PAYMENTS

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 19 December 2022 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 18 December 2032. Options granted under the Scheme remain outstanding until exercised, forfeited or expired in accordance with the rules of the Scheme.

	Number of share options
Outstanding as at 1 January 2026	Nil
Granted during the Reporting Period	10,000,000
Lapsed/Cancelled during the Reporting Period	—
Exercised during the Reporting Period	—
Outstanding as at 30 June 2026	10,000,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

22. SHARE-BASED PAYMENTS (CONTINUED)

In the current interim period, share options were granted on 28 January 2026. The fair value of the options based on management's best estimation determined at the date of grant was HK\$0.0791 per option, representing an aggregate fair value of approximately US\$1,014,100. The closing price of the Company's shares immediately before the date of grant was HK\$0.106.

The following assumptions were used to calculate the fair values of share options:

**28 January
2026**

Share price on date of grant	HK\$0.106
Exercise price	HK\$0.106
Expected life	5 years
Expected volatility	98.4%
Expected dividend yield	0%
Risk-free interest rate	2.61%
Expected attrition rate	5%

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.