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SANERGY

SANERGY GROUP LIMITED

昇能集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2459)

PROFIT WARNING

This announcement is made by Sanergy Group Limited (“**Company**”, and together with its subsidiaries, “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance, Chapter 571, the Laws of Hong Kong (“**SFO**”).

The board of directors of the Company (the “**Board**”) wishes to inform shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary assessment of information currently available to the Board, the Group expects to record (i) net loss attributable to owners of the Company of not more than USD4.4 million for the six months ended 30 June 2023 (the “**Review period**”) as compared to the net profit attributable to owners of the Company of approximately USD6.5 million for the six months ended 30 June 2022 (the “**Previous Period**”); and (ii) adjusted net profit under non-HKFRS financial measures of not more than USD0.3 million for the Review Period, as compared to the adjusted net profit under non-HKFRS financial measures of USD7.1 million for the Previous Period (i.e. excluding the non-recurring listing expenses of approximately USD1.7 million and discretionary bonus for employees declared and incurred after the listing of the Company which amounted to approximately USD3.0 million for the Review Period and listing expenses of approximately USD0.6 million for the Previous Period), which is primarily due to the following reasons:

- (i) **Suppressed customer demand:** the global markets and the steel industry continues to be suffered from various macro-economic uncertainties, among others, geopolitical tensions, the prolonged Russia-Ukraine conflict. Notwithstanding the Group’s continuous efforts to maintain a relatively stable average selling price, these macro-economic uncertainties lead to a decrease in sales quantity of graphite electrodes during the Review Period;

- (ii) **Increase in average unit production cost:** as a result of the global markets and the steel industry continues to be suffered from various macro-economic uncertainties during the Review Period, the decreased production volume as well as the fixed overhead costs resulted in an increase in average unit production cost for the Review Period as compared to the Previous Period.

With (1) the cooperation with the local government in Huixian, Henan, the PRC with an objective to further expand the Group's annual production capacity (as announced by the Company on 16 May 2023); (2) the acquisition of production facilities in Taigu County, Shanxi, the PRC (as announced by the Company on 6 July 2023); and (3) the vision of tapping into graphite anode materials market in light of the rapid development of electrical vehicles and energy storage industry, the Company believes that such business expansion is beneficial to the Group in the long run, among others, realising the benefits of economies of scale, improving the market competitiveness and enhancing the financial performance.

The Board wishes to highlight that "adjusted net profit(loss)" is not defined under the Hong Kong Financial Reporting Standards ("HKFRS"). It is defined by the Group as profit(loss) for the period adjusted by eliminating the impact of listing expenses and discretionary employee bonus, which are non-recurring in nature. The Board believes that the presentation of such non-HKFRS financial measure when shown in conjunction with the corresponding HKFRS measures provides useful information to the Shareholders and potential investors in facilitating a comparison of the Group's operating performance from period to period by eliminating the impact of incidental expenses. Such non-HKFRS financial measures allow investors to evaluate the Group's operating results and understand the Company's consolidated results of operations in the same manner as the management of the Company.

The use of the non-HKFRS financial measures have limitations as analytical tools and such non-HKFRS financial measures may differ from the non-HKFRS financial measures used by other companies, and therefore the comparability of such information may be limited. Shareholders and potential investors should not consider such non-HKFRS financial measures in an isolated form, or as a substitute for the financial information prepared and presented in accordance with HKFRS.

As the Group's unaudited interim results for the Review Period have not yet been finalised, the information contained in this announcement is based on information that is currently available and the preliminary unaudited consolidated management accounts of the Group which have not yet been reviewed or confirmed by the external auditors nor approved by the audit committee and may be subject to adjustments or amendments. The unaudited interim results of the Group for the Review Period are expected to be published in late August 2023.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
SANERGY GROUP LIMITED
Mr. Peter Brendon Wyllie
Executive Director and chairman of the Board

Hong Kong, 9 August 2023

As at the date of this announcement, the Board comprises (i) Mr. Peter Brendon Wyllie (chairman of the Board), Dr. Wei-Ming Shen, Mr. Yan Haiting and Mr. Hou Haolong as executive Directors; (ii) Mr. Wang Ping as non-executive Director; and (iii) Mr. Cheng Tai Kwan Sunny, Mr. Ngai Ming Tak Michael and Ms. Chan Chore Man Germaine as independent non-executive Directors.