

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

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2237

2023

Interim Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhao Liang

(Chairman and Chief Executive Officer)

Mr. Lei Wai Hoi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu G Kiu Bernard

Mr. Shen Shifu

Mr. Liu Zezheng

Ms. Zhao Jingran

AUDIT COMMITTEE

Mr. Chiu G Kiu Bernard *(Chairman)*

Mr. Shen Shifu

Mr. Liu Zezheng

Ms. Zhao Jingran

NOMINATION COMMITTEE

Mr. Zhao Liang *(Chairman)*

Mr. Chiu G Kiu Bernard

Mr. Shen Shifu

Mr. Liu Zezheng

Ms. Zhao Jingran

REMUNERATION COMMITTEE

Mr. Liu Zezheng *(Chairman)*

Mr. Zhao Liang

Mr. Chiu G Kiu Bernard

Mr. Shen Shifu

Ms. Zhao Jingran

COMPLIANCE COMMITTEE

Mr. Liu Zezheng *(Chairman)*

Mr. Chiu G Kiu Bernard

Mr. Lei Wai Hoi

COMPANY SECRETARY

Ms. Mak Po Man Cherie

AUTHORISED REPRESENTATIVES

Ms. Mak Po Man Cherie

Mr. Lei Wai Hoi

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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COMPANY WEBSITE

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COMPLIANCE ADVISER

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG SHARE REGISTRAR

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PRINCIPAL BANKS

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

STOCK CODE

2237

DEFINITIONS

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

"%"	per cent
"1H 2022"	for the six months ended 30 June 2022
"1H 2023"	for the six months ended 30 June 2023
"Beishan Mine"	a graphite mine located approximately 28 km northwest of Luobei County in Heilongjiang Province, the mining rights of which were obtained by us in 2019
"Board" or "Board of Directors"	our board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended and supplemented from time to time, where references to code provisions in this interim report refer to code provisions in the CG Code that came into effect on 1 January 2022
"China" or "PRC"	the People's Republic of China, but for the purpose of this interim report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Company"	China Graphite Group Limited (中国石墨集团有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2020, the Shares of which are listed on the Stock Exchange (stock code: 2237)
"Director(s)"	the director(s) of our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "we", or "us"	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares in Hong Kong at the offer price of HK\$0.325 per Share on and subject to the terms and conditions described in the Prospectus, as further described in “Structure and Conditions of the Global Offering” in the Prospectus
“International Offer Shares”	the 360,000,000 new Shares being initially offered by our Company pursuant to the International Offering together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in “Structure and Conditions of the Global Offering” in the Prospectus
“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters on behalf of our Company to professional, institutional and/or other investors outside the United States at the Offer Price, as further described in “Structure and Conditions of the Global Offering” in the Prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	18 July 2022, the date on which dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange

“Mr. Zhao”	Mr. Zhao Liang (趙亮), the chairman of the Board, executive Director, chief executive officer and the controlling shareholder of the Company
“NEV(s)”	new energy vehicles
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares
“Prospectus”	the prospectus of the Company dated 30 June 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the share capital of the Company, with a nominal value of HK\$0.001 each
“Shareholder(s)”	holder(s) of the Shares from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 21 June 2022, the principal terms of which are summarized in “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix VI to this Prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“tonne”	metric tonne

“Yixiang Graphite”

Heilongjiang Baoquanling Farmland Yixiang Graphite Company Limited* (黑龍江省寶泉嶺農墾溢祥石墨有限公司), a company established under the laws of the PRC with limited liability on 26 June 2006 and is the Company's indirect wholly-owned subsidiary

“Yixiang New Energy”

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

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

CHAIRMAN'S STATEMENT FOR THE 2023 INTERIM RESULTS

Dear Shareholders,

In the first half of 2023, China made a smooth transition in pandemic prevention and control that saw social life gradually reverted to normal. China's economic development is under a lengthy recovery period after combating the pandemic for three years. As for the new energy vehicles (NEVs) industry, it has entered a periodic adjustment stage after experiencing a surge in the last few years. In the first half of 2023, the price cut in NEVs was caused by the declining raw material price of lithium batteries, and coupled with the active price reduction and sales promotion by traditional fuel vehicle manufacturers, the NEVs industry embarked on an unprecedented price war amid the pressure. The price reduction pressure was directly diverted to the cost of anode materials. The growth of the anode material market was lower than expected owing to the general "destocking" of the battery industry chain during the first half of the year, which dragged down the overall performance of the domestic natural graphite market significantly.

The Group was caught in a complex and challenging business environment during the first half of the year. Given the sluggish operating rate of the industry in general, the Group made the best use of the situation and turned adversities into opportunities by prioritizing the reinforcement in research and development investment to refine products and improve technology, and actively consolidating our competitiveness to embrace the future industry development. Meanwhile, the Group devoted our collective efforts to overcome all challenges, and operated at full capacity upon resuming production to see our results rebound and improve.

Performance

In the first half of 2023, the Group recorded a total revenue of RMB47.2 million, representing a decrease of 49.6% over the corresponding period of last year, which was mainly attributable to the weak downstream demand for natural graphite in general. The revenue from the sales of spherical graphite and its by-products amounted to RMB34.9 million, representing a decrease of 43.1% over the corresponding period of last year, and the revenue from the sale of flake graphite concentrate amounted to RMB11.9 million, representing a decrease of 61.2% over the corresponding period of last year. Our results continued to improve as, after the second quarter, downstream demand rebounded in tandem with the development of the electric vehicle industry, and the graphite industry has entered its annual peak production season. In July 2023, the Group recorded a total revenue of over RMB20.0 million, which alone accounted for more than 42.0% of the total revenue in the first half of the year.

In the first half of the year, the weak demand and supply of the natural graphite industry significantly impeded the Group's profitability. During the period, the Group recorded a gross profit of RMB16.9 million, representing a decrease of 59.1% over the corresponding period of last year, and a gross profit margin of 35.8%, representing a decrease of 8.3%. As of 30 June 2023, the Group recorded a net loss of RMB3.3 million whereas a net profit of RMB13.2 million was recorded in the corresponding period of last year.

Production and business operation have stabilized and recovered

Both production and business operation endured significant challenges in 1H 2023 as the graphite enterprises in Luobei County customarily suspended their productions during the first quarter and the industry demand was feeble in the second quarter. As downstream orders kept increasing amid revitalized industry demand, the Group concentrated on production and kept strengthening efforts in mining graphite ore and enhancing the production efficiency of graphite products. The Group believes the overall production and business operation would keep improving in the second half of the year.

For 1H 2023, the sales volume of spherical graphite was 1,899 tonnes, representing a decrease of 42.9% over the corresponding period of last year. The gross profit margin of the spherical graphite sales segment was 33.0%, representing a decrease of 9.2 percentage points over the corresponding period of last year, which was mainly attributable to the continuous weak demand for anode material causing a drop in the price and demand of natural graphite.

For 1H 2023, the sales volume of flake graphite concentrate was 3,689 tonnes, representing a decrease of 56.8% over the corresponding period of last year. The gross profit margin of the flake graphite concentrate sales segment was 44.6%, representing a decrease of 5.4 percentage points over the corresponding period of last year. In addition to being affected by the poor performance of the anode material industry, it was also hit by the underwhelming economic benefits of refractory materials as dragged down by the downturn of steel industry.

Despite the slowdown of the graphite market in the first half of 2023, the Group believes such was temporary and we are optimistic about the future development of the graphite industry. During 1H 2023, the Group had altered the purification station into rounding station in our existing processing plant and such alternation enabled us to produce at least 10,000 tonnes unpurified spherical graphite per annum. Currently, we outsource the purification process to independent third-party subcontractors. In the future, we plan to move our graphite purification business to Weihai, Shandong Province after considering the cost, geographical conditions and governmental policies advantages in the area. With the reasons above and the current market conditions, the Group will not proceed with the

acquisition of the target company as announced on 5 June 2023. As at the date of this interim report, the Group had secured bank facility of approximately RMB140.0 million to support our future development and at the same time we are communicating with certain independent third parties with a view of cooperating to develop the purification business. Our Group will promptly inform our Shareholders when there is concrete development of our plan.

Implement reserve expansion plan to unleash mine potential

In 2019, the Group obtained the mining rights to our Beishan Mine. With the abundance of graphite resources in our Beishan Mine, the use of graphite ores from our own mines would, as compared to purchasing graphite ore from third parties, allow us to create upstream and downstream synergies that reduces costs while securing a continuous and stable supply of quality graphite, thereby putting us in an advantageous position in our production and operation. For 2023, the Group plans to increase the mining capacity to 500,000 tonnes per annum, reaching the prevailing cap permitted by the Chinese government. The Group is planning to apply for extracting resources below 150 meters above sea level and lifting the cap as stipulated in the mining permit. At present, the required drilling works have been completed and relevant resource report is under preparation. The Group will keep the investors informed of the relevant progress.

As the only private enterprise with mine resources in Luobei County, the Group is actively seeking more resources at our Beishan Mine while strengthening our mining capacity. Currently, the mining elevation as permitted by the Chinese government is between 150–274 meters above sea level. As of 31 December 2022, the graphite ore reserve within such elevation amounted to 9,174 kilotonnes. In the first half of 2023, the Group extracted approximately 159,000 tonnes of unprocessed graphite ore, as compared to approximately 6,000 tonnes of that of the same period last year, representing a significant growth in our mine’s extraction volume. The Group is formulating a reserve expansion plan to put in more mining efforts on a continuous basis. We believe such plan would lay a solid foundation for our future development.

Strengthening our capability in scientific research and development

In the 20th National Congress report, President Xi insisted to refine the technological innovation system and maintain the core position of innovation in the overall modernization drive. The Group adheres to the philosophy of “Enhancing strength for steady development and strengthening capability for innovation” for many years and delves further into innovation leadership. Over the years, we continue to enhance innovation-oriented development through collaborating with a number of renowned institutions and research institutes in China to underpin the strength for our product research and development in various completed key scientific research projects.

As for the natural graphite industry, the Group, as an industry pioneer, has played an active role in leading technological innovation, and developed short-flow beneficiation process for graphite with the application of flotation column technique, process for processing graphene with micronized graphite and fluorine-free purification process. The Group's subsidiaries Yixiang Graphite and Yixiang New Energy were awarded with the titles of "Hightech Enterprise" and provincial level "Technologically Advanced Enterprise". Yixiang New Energy was further awarded with the title of state-level technologically advanced "Little Giant" enterprises. The Group successively launched several research and development projects in the first half of 2023, including, among others, efficiency optimization of flake and spherical graphite production and development of new products, aiming at achieving leapfrog development led by scientific research capability.

Looking forward, the Group will dig deeper into the implementation of "innovation-oriented development" strategy consistently, keep exploring the natural graphite anode material segment to enhance product technology, and continue to consolidate its core competitiveness.

Corporate Governance

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

We followed our Board Diversity Policy and Director Nomination Policy and fully leveraged the experience and expertise of our independent non-executive Directors, so as to further improve our corporate governance structure and decision-making mechanism. We adhered to compliant operation, enhanced our compliance management capabilities, and strengthened the construction of a compliance culture for all staff. We continued to conduct compliance checks and provide guidelines. We are committed to refining our risk control systems to enhance our ability in detecting risks, and have strengthened our supervision over key areas from mine extraction to factory to plug the management loopholes and ensure healthy business operation.

Annual and Future Prospects

Since the third quarter, graphite industry has shown signs of demand recovery. With the wait-and-see sentiment in the market fading gradually and companies begin restocking, the anode material industry is expected to rebound, which in turn will facilitate the growth in sales volume of natural graphite products. Meanwhile, 16 automobile enterprises jointly executed the “Undertaking to Maintain Fair Competition and Market Order of the Automobile Industry” during the China Auto Forum held in July. The stabilized downstream automobile price will directly facilitate the price of raw materials to recover and stimulate the rise in the price of natural graphite products.

Moreover, various parts of China have promulgated subsidy policies for buying NEVs that greatly facilitated the recovery of automobile market. The NEVs policy in rural area has also boosted consumer confidence and is expected to trigger the growth of automobile sales, which in turn will drive the market demand for anode material. The International Energy Agency (IEA) envisaged that the electric vehicle sales volume in China would increase to approximately 8 million vehicles in 2023, representing an increase of more than 30% over that of 2022, and the penetration rate would be over 35%.

In 2023, the development of China NEVs has undoubtedly gone through an adjustment period. However, it is undeniable that China NEVs market still embrace enormous development potential against the backdrop of the “dual carbon” policy. With such promising industry prospects in sight, the Group will seize the opportunity to extend its business reach constantly, and strive to become an unrivalled natural graphite anode material enterprise covering the integrated value chain, creating greater values for our shareholders.

Acknowledgement

Finally, on behalf of the Board, I would like to take this opportunity to thank all shareholders, customers and business partners for their continuous support and assistance. Meanwhile, I would like to express my sincere gratitude to all staff members of the Group for their dedication.

Zhao Liang

Chairman, executive Director and chief executive officer

Hong Kong, 31 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

During 1H 2023 and up to the date of this report, the Group had conducted exploration drilling works in Beishan Mine below 150 meters above sea level. The exploration covered an area of 0.2651 km² in our Beishan Mine and a total of 25 holes with a total length of approximately 6,700 meters were drilled to explore the additional resources and reserves. The aggregate expenditure on the above exploration was approximately RMB4.0 million. The Group had not entered into any contracts or commitments in respect of the development activities including mining structure or infrastructure. During 1H 2023, we focused on the extracting activities and removing the waste rocks from our Beishan Mine for our access to the unprocessed graphite ore. The following table illustrates the extraction costs (including the capitalised amount) incurred for 1H 2023 and 1H 2022:

	1H 2023 (RMB'000)	1H 2022 (RMB'000)
Depreciation	1,679	1,416
Blasting services	2,294	2,591
Fuel costs	758	1,697
Salaries and benefits	1,039	1,128
Machinery expenses	1,534	1,474
Amortisation of mining rights	458	1,129
Raw materials	961	745
Repairs and maintenance	45	21
Others	403	147
Total	9,171	10,348
Portion capitalised	4,275	8,715
Portion accounted for as cost of sales for the extraction of graphite ore	4,527	137
Portion accounted for as cost of sales for the extraction of marble	369	1,496
Total	9,171	10,348

The extraction of our Beishan Mine is split into two phases. Phase one covered an area of approximately 0.09 km² and phase two covered an area of approximately 0.24 km². During 1H 2023, extraction works for removing the waste rocks and unprocessed marble between the 180–195 meters above sea level in phase one had been conducted and approximately 982,000 tonnes (1H 2022: approximately 1,118,000 tonnes) of materials including approximately 823,000 tonnes (1H 2022: approximately 1,112,000 tonnes) of unprocessed marble and wastes rocks and approximately 159,000 tonnes (1H 2022: approximately 6,000 tonnes) of unprocessed graphite ore were extracted. The Group subcontracted certain mining production activities to independent third parties including blasting activities, graphite product processing services, logistic and transportation of the unprocessed graphite ore to our production site and finished graphite products to our customers and the leasing of equipment and machinery to assist with our mining operations amounting to approximately RMB8.0 million in total (1H 2022: RMB7.8 million).

Extraction cost

The extraction cost consisted of primarily depreciation of the mining equipment, blasting services expenses, fuel cost of the mining equipment, employees salaries and benefits and machinery expenses of renting the mining equipment. Decrease in the extracting costs to approximately RMB9.2 million for 1H 2023 from approximately RMB10.3 million for 1H 2022 was due to the decrease of the total materials extracted during 1H 2023 (approximately 982,000 tonnes) compared to that during 1H 2022 (approximately 1,118,000 tonnes), leading to the decrease of blasting services expenses and fuel costs. The Group operated the Beishan Mine according to our design and targeted to extract 500,000 tonnes graphite ore in the year of 2023.

FINANCIAL REVIEW

REVENUE

During 1H 2023, the Group generated the revenue primarily from (i) the sale of spherical graphite and its by-products; (ii) the sale of flake graphite concentrate; and (iii) the sale of unprocessed marble. The following table sets forth the revenue generated from each business segment for the periods indicated:

	1H 2023		1H 2022	
	(RMB'000)	(%)	(RMB'000)	(%)
Sale of spherical graphite and its by-products	34,867	73.9	61,346	65.6
Sale of flake graphite concentrate	11,939	25.3	30,683	32.8
Sale of unprocessed marble	405	0.8	1,523	1.6
Total	47,211	100.0	93,552	100.0

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

The sale of the spherical graphite generated represented approximately 73.9% and 65.6% of the total revenue for 1H 2023 and 1H 2022, respectively. The Group have been selling spherical graphite since September 2012, all of which with a carbon content between 95% and 99.5%. We mainly sell models SG-10 and SG-9. Model numbers of the spherical graphite (i.e. SG-10 and SG-9 being the spherical graphite with a diameter of 10 μm and 9 μm respectively) are designated according to the size of the spherical graphite processed, and additional specifications to spherical graphite may include designated density, purity or shapes of such spherical graphite. As by-products of processing the spherical graphite, we also produce and sell micro graphite powder and high-purity graphite powder. The following table summarises the revenue generated, the sales volume and the average selling prices of the spherical graphite and its by-products during 1H 2023.

	1H 2023			1H 2022		
	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/tonne)	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/tonne)
Spherical graphite						
SG-10	10,163	638	15,929	33,007	2,081	15,861
SG-9	16,508	1,261	13,091	20,036	1,244	16,106
Other models	-	-	-	15	1	15,000
Subtotal	26,671	1,899	14,045	53,058	3,326	15,952
Micro graphite and High-purity graphite powder	8,196	3,849	2,129	8,288	3,745	2,213
Total	34,867	5,748		61,346	7,071	

Revenue generated from the sale of flake graphite concentrate

The sale of the flake graphite concentrate accounted for approximately 25.3% and 32.8% of the total revenue for 1H 2023 and 1H 2022, respectively. The Group have been selling flake graphite concentrate since the business was founded in 2006. For 1H 2023 and 1H 2022, sales from the flake graphite concentrate, mainly included types, "193" (indicating a carbon content of 93% or from 93% to less than 94%), "194" (indicating a carbon content of 94% or from 94% to less than 95%) and "195" (indicating a carbon content of 95% or from 95% to less than 96%). The following table summarizes the revenue generated by, the sales volume and the average selling prices of our flake graphite concentrate during 1H 2023 and 1H 2022:

	1H 2023			1H 2022		
	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/tonne)	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/tonne)
193	3,177	939	3,383	7,451	2,216	3,362
194	2,703	682	3,963	11,760	3,023	3,890
195	832	201	4,139	5,769	1,382	4,174
Others ⁽¹⁾	5,227	1,867	2,800	5,703	1,914	2,980
Total	11,939	3,689	3,236	30,683	8,535	3,595

Note:

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

The revenue generated from the sales of spherical graphite and by-products decreased to approximately RMB34.9 million for 1H 2023 compared to approximately RMB61.3 million for 1H 2022, representing a decrease of approximately 43.1%.

The revenue generated from the sale of flake graphite concentrate decreased to approximately RMB11.9 million for 1H 2023 compared to approximately RMB30.7 million for 1H 2022, representing a decrease of approximately 61.2%.

Total revenue from the sale of our graphite products decrease to approximately RMB46.8 million for 1H 2023 compared to approximately RMB92.0 million for 1H 2022, representing a decrease of approximately 49.1%.

The Board believes that such decrease was primarily attributable to the competition in the automobile markets, the slowdown of growth of the lithium-ion battery industry in 1H 2023 as compared to the rapid growth of the same in 1H 2022; and the strategy of our downstream customers to digest their inventory backlogs in the PRC, leading to the relative decrease in market demand and price for graphite products in 1H 2023.

Revenue generated from the sales of unprocessed marble

For 1H 2023, the revenue generated from the sales of unprocessed marble amounted to approximately RMB0.4 million as compared to approximately RMB1.5 million for 1H 2022. Decrease of the unprocessed marble sale were due to the decrease of the marble extracted in 1H 2023 compared to that in 1H 2022 and the decrease of the demand from our customers as a result of the decreasing constructing projects in the nearby area during 1H 2023.

COST OF SALES

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

The cost of sales decreased to approximately RMB30.3 million for 1H 2023 compared to approximately RMB52.3 million for 1H 2022, representing a decrease of approximately 42.1%. Such decrease was mainly due to the decrease of raw materials and consumables by approximately RMB33.6 million as a result of decrease in sales of our products, offset by the increase of extraction costs by approximately RMB3.8 million with more graphite ore extracted from Beishan Mine and used in production during 1H 2023, increase of depreciation by approximately RMB2.4 million arising from the addition of production machineries and enhancement work for the tailing storage in the year of 2022 and during 1H 2023, increase of subcontractor fees by approximately RMB2.2 million with the increase of subcontracting services engaged for the purification process of our spherical graphite and increase of labour cost by approximately RMB1.4 million due to inflation and increase of production labour to support our future expansion.

GROSS PROFIT AND GROSS PROFIT MARGIN

For 1H 2023 and 1H 2022, the Group's gross profit amounted to approximately RMB16.9 million and RMB41.3 million, representing a gross profit margin of approximately 35.8% and 44.1%, respectively. The following table summarises the gross profit and gross profit margin breakdown by business segment for 1H 2023 and 1H 2022:

	1H 2023		1H 2022	
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)
Sale of spherical graphite and its by-products	11,519	33.0	25,882	42.2
Sale of flake graphite concentrate	5,328	44.6	15,354	50.0
Sale of unprocessed marble	36	8.9	26	1.7
Gross profit/gross profit margin	16,883	35.8	41,262	44.1

Gross profit and gross profit margin from the sales of spherical graphite and its by-products decreased to approximately RMB11.5 million and 33.0% for 1H 2023 from approximately RMB25.9 million and 42.2% for 1H 2022. Decrease of the gross profit was mainly due to the slowdown of the graphite market in 1H 2023, leading to the decrease of price of the spherical graphite, the increase of certain fixed costs such as depreciation of the additional production machineries installed in the year of 2022 and during 1H 2023 and the increase of subcontractor fee for the purification of our spherical graphite in order to increase its market competitiveness during 1H 2023.

Gross profit and gross profit margin from the sales of flake graphite concentrate decreased to approximately RMB5.3 million and 44.6% for 1H 2023 from approximately RMB15.4 million and 50.0% for 1H 2022. Decrease of the gross profit was mainly due to the slowdown of the graphite market in 1H 2023, leading to the decrease of the price of the flake graphite concentrate and the increase of certain fixed costs such as depreciation of the additional production machineries installed in the year of 2022 and during 1H 2023.

OTHER INCOME

Our other income consisted of primarily government grants and gains on disposal of property, plant and equipment. They maintained at approximately RMB0.1 million for 1H 2023 compared to approximately RMB0.1 million for 1H 2022.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses consisted of primarily the transportation fee to deliver our products to the customers and the labor cost of the selling department. They decreased to approximately RMB1.7 million for 1H 2023 compared to approximately RMB3.3 million for 1H 2022, representing a decrease of approximately 48.5%. Decrease in the selling and distribution expenses was mainly attributable to the decrease of transportation fee incurred to deliver our graphite products to the customers in 1H 2023 as a result of decrease in sales.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses consisted of primarily the labor cost of the administrative department, professional fee and office expenses. They decreased to approximately RMB11.1 million for 1H 2023 compared to approximately RMB15.1 million for 1H 2022, representing a decrease of approximately 26.5%, mainly due to the decrease of listing expenses of approximately RMB8.5 million, offset by the increase of professional fee of approximately RMB1.4 million as a result of the increase of compliance fee, the increase of the labor cost of the administrative department of approximately RMB2.2 million and the increase of office expense of approximately RMB1.0 million as a result of the inflation of the salaries and increase of the number of administrative staff to support our expansion plan.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses consisted of primarily the raw materials and labor cost used in the research and development activities. They increased to approximately RMB8.3 million for 1H 2023 compared to approximately RMB4.5 million for 1H 2022, representing an increase of approximately 84.4%. During 1H 2023, due to the decrease and the competition of the graphite market, we increased our investment in the research and development activities to further enhance our production efficiency and product development to face the future challenge. Four research and development projects including two for the production efficiency of the flake graphite concentrate and two for the production efficiency and development of new models of the spherical graphite were commenced in the first half of 2023.

FINANCE INCOME/(COSTS), NET

Our finance income/(costs), net, consisted of primarily interest income and interest expenses from bank borrowings. We recorded finance income, net of approximately RMB0.6 million for 1H 2023 compared to the finance costs, net of approximately RMB0.2 million for 1H 2022 mainly due to the increase of interest income as the Group had a higher cash deposit in the bank with a relative higher deposit rate during 1H 2023 than those in 1H 2022.

INCOME TAX CREDIT/(EXPENSE)

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, companies in the PRC are subject to income tax of 25% unless preferential rate is applicable. The Group's major operating subsidiary, Yixiang New Energy and Yixiang Graphite are subject to a tax rate of 15% for 1H 2023 and 1H 2022 as they are eligible for the tax concession granted by the PRC government as a high-tech enterprise.

No Hong Kong profits tax has been provided for 1H 2023 and 1H 2022 since there was no tax assessable profit generated from Hong Kong. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the Group operates.

Income tax expense consisted of primarily PRC corporate income tax and amounted to approximately RMB4.6 million for 1H 2022. Income tax credit amounted to approximately RMB0.9 million for 1H 2023 as a total of net loss for Yixiang New Energy and Yixiang Graphite were recorded.

LOSS FOR 1H 2023

Profit after tax amounting to approximately RMB13.2 million was recorded in 1H 2022 while loss after tax amounting to approximately RMB3.3 million was recorded in 1H 2023. The Board believed that the above was primarily attributable to the competition in the automobile markets, the slowdown of growth of the lithium-ion battery industry in 1H 2023 as compared to the rapid growth of the same in 1H 2022; and the strategy of our downstream customers to digest their inventory backlogs in the PRC, leading to the relative decrease in market demand and price for graphite products in 1H 2023, and hence, the revenue and gross profit of the Group decreased to approximately RMB47.2 million and RMB16.9 million in 1H 2023 from approximately RMB93.6 million and RMB41.3 million in 1H 2022, respectively.

During the first half of 2023, with the downward and increasing competition of the graphite market, the management of the Group increased investment in the research and development activities to further enhance our production efficiency and product development to face the future challenge. Therefore, research and development expenses increased to approximately RMB8.3 million in 1H 2023 compared to approximately RMB4.5 million in 1H 2022, which is a factor in our loss position in 1H 2023.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Stock Exchange since 18 July 2022. Based on 400,000,000 Offer Share and the offer price of HK\$0.325 per Share, the net proceeds from the Global Offering, after deducting listing related expenses, amounted to approximately HK\$83.1 million (equivalent to approximately RMB71.7 million) (the “**Net Proceeds**”). The Net Proceeds would be applied in manners described under the section headed “Future Plans and Use of Proceeds” to the Prospectus.

The details of the utilisation of the Net Proceeds are set out below:

Items	Net Proceeds RMB'000
Approximately 32.4% of Net Proceeds for land acquisition costs	23,200
Approximately 31.6% of the Net Proceeds for construction costs	22,700
Approximately 36.0% of the Net Proceeds for purchasing and installing machinery and equipment	25,800

The Net Proceeds have not yet been utilised and were placed as deposits with licensed banks in Hong Kong and PRC as at the date of this interim report.

The Group is applying for land acquisition from the government and as at the date of this interim report, the majority of governmental procedures had been completed and the land use pre-approval from the government had been obtained. The Group will obtain the approval of land conversion from agricultural to industrial use from the government and go through the land tender/bidding process in the coming months in order to acquire the land and commence the construction of our new beneficiation plant.

Following is the expected utilisation of Net Proceeds:

	Utilisation of Net Proceeds during each period indicated					Sub-total (RMB'000)
	2023Q4 (RMB'000)	2024Q1 (RMB'000)	2024Q2 (RMB'000)	2024Q3 (RMB'000)	2024Q4 (RMB'000)	
Utilisation of Net Proceeds						
— Land acquisition costs	23,200	—	—	—	—	23,200
— Construction costs	5,500	5,500	5,500	5,500	700	22,700
— Purchasing of equipment and installation	—	—	12,300	11,300	2,200	25,800
Total utilisation of Net Proceeds	28,700	5,500	17,800	16,800	2,900	71,700

Liquidity, Financial Resources and Capital Structure

The Group requires a substantial amount of capital to fund the working capital requirements and business expansion. Our operation and growth have been primarily financed by cash generated from our operating activities and we adopt a prudent funding and treasury policy to our overall business operation. For 1H 2023, we had not used any financial instruments for hedging purpose.

The Group had also made certain loans from the banks to finance our operation and details of them are set out in note 23 to the interim condensed consolidated financial information.

The following table sets forth selected data from the interim condensed consolidated statement of cash flows for the periods indicated:

	1H 2023 (RMB'000)	1H 2022 (RMB'000)
Net cash generated from operating activities	56,060	67,440
Net cash used in investing activities	(28,833)	(34,032)
Net cash used in financing activities	(24,058)	(1,420)
Net increase in cash and cash equivalents	3,169	31,988
Cash and cash equivalents at the beginning of the period	110,182	33,934
Effects of exchange rate changes on cash and cash equivalents	83	–
Cash and cash equivalents at end of the period	113,434	65,922

Net cash generated from operating activities

We had net cash generated from operating activities of approximately RMB56.1 million, mainly as a result of (i) loss before taxation of approximately RMB4.2 million; (ii) adjusted by depreciation of property, plant and equipment of approximately RMB10.1 million, decrease in trade and bills receivables of approximately RMB89.2 million as a result of receiving payment from the customers; and (iii) offset by decrease in trade payables and accruals and other payables of approximately RMB14.3 million as a result of settling the amount of the suppliers and other services providers, increase in inventory of approximately RMB17.0 million and payment of the income tax of approximately RMB8.7 million that negatively affected our operating cash flow.

Net cash used in investing activities

We had net cash used in investing activities of approximately RMB28.8 million, which primarily consists of (i) the enhancement work for our tailing storage, purchases of property, plant and equipment for our beneficiation and processing plant amounting to approximately RMB37.7 million and loans to an associate in Shandong for the development of the purification business amounting to approximately RMB14.8 million; and (ii) offset by the decrease in short-term bank deposit amounting to approximately RMB26.5 million with its maturity.

Net cash used in financing activities

We had net cash used in financing activities of approximately RMB24.1 million, which primarily consists of payment of the final dividend in respect of the year ended 31 December 2022, repayments of lease liabilities and the finance costs.

Details of the cash and cash equivalents are set out in note 20 to the interim condensed consolidated financial information.

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

	1H 2023	1H 2022
Net (loss)/profit margin	(7.1%)	14.2%
	As at 30 June 2023	As at 31 December 2022
Current ratio (times)	5.7	4.7
Gearing ratio	N/A	N/A

Net (loss)/profit margin equals to (loss)/profit for the period divided by revenue for the period, multiplied by 100%. Net loss during 1H 2023 was illustrated in the subsection headed "loss for the 1H 2023" in this interim report.

Current ratio equals to total current assets divided by total current liabilities as at the period/year end date. It remains stable as at the two period/year end dates.

Gearing ratio equals to net debt divided by total capital as at the period/year ended date. Net debt is calculated as total borrowings (including borrowings and amount due to a related party as shown in the interim condensed consolidated statement of financial position) less cash and cash equivalents. As at 30 June 2023 and 31 December 2022, our cash and cash equivalent exceeded the total borrowings. Accordingly, the Group was in net cash position as at the above period/year ended date. Detail calculation is set out in note 5.3 to the interim condensed consolidated financial information in this interim report.

TREASURY POLICY

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

CHARGE OVER THE GROUP'S ASSETS

As at 31 December 2022, there were no charges or pledges of assets in the Group. As at 30 June 2023, the Group has obtained two bank facilities, pursuant to which the facilities of RMB140.0 million in total were granted to the Group for 3 years from the date of the facility letters on 30 June 2023, secured by mining rights, certain land use rights, existing and future trade receivables of certain customers, and personal guarantee by the controlling shareholder of the Company. Subsequent to 30 June 2023 and up to the date of this report, the Group has drawn down a total of approximately RMB17.0 million.

CONTINGENT LIABILITIES

As at 31 December 2022 and 30 June 2023, the Directors confirm that the Group had no contingent liabilities. The Group are currently not a party to any litigation that is likely to have a material adverse effect on the business, results of operations or financial condition.

FINANCIAL RISKS

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

Interest Rate Risk

The interest rate risk arises from bank and other borrowings. Most of the Group's assets and liabilities are either interest-free or subject to interest at fixed rates which expose us to fair value interest rate risk. As at 31 December 2022 and 30 June 2023, the Group's borrowings at several rates were denominated in RMB. We believe that our exposure to fair value interest rate risk as at 31 December 2022 and 30 June 2023 is not material.

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

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

Credit Risk

As at 31 December 2022 and 30 June 2023, the Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognized financial assets as stated in the interim condensed consolidated statement of financial position. In order to minimize the credit risk, we generally provide a credit period of not more than three months to the customers. The sales team is responsible for management of the customer database, which contains information such as credit period determination and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we maintained a defined credit policy with tightened risk profile and applied prudent policies to manage our credit risk with our trade receivables that includes an ageing analysis and assessment of the expected credit loss of our trade receivables prepared on a regular basis and closely monitored to minimise any credit risk associated with receivables.

Liquidity Risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. As at 30 June 2023, the Directors are of the opinion that we do not have significant liquidity risk.

FOREIGN EXCHANGE EXPOSURE

Assets and liabilities of the Group are mainly denominated in RMB. Most of these assets and liabilities are in the functional currency of the operations to which the transactions relate. We have certain HK\$ denominated deposit in bank during 1H 2023 which is exposed to foreign exchange risk. However, the exposure to foreign exchange risk is not material to the Group. As such, we currently do not have a foreign currency hedging policy.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during 1H 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total of 297 workers (31 December 2022: 196) of which 206 were full-time employees (31 December 2022: 141) and the remaining 91 workers were sourced from the crowdsourcing service provider (31 December 2022: 55). As at 30 June 2023, two full-time employees were based in Hong Kong and the remaining were all based in PRC. Increase of the total workers as at 30 June 2023 compared to that as at 31 December 2022 was in line with our expected increasing production and to support our business growth.

We believe that the employees are valuable assets that contribute to our success. We recruit the employees based on a number of factors such as their industry experience in the graphite mining industry, their educational background, and the vacancy needs. We generally pay the employees a fixed salary and other allowances based on their respective positions and responsibilities. We also enter into individual employment contracts with the employees covering matters such as wages, employee benefits, employment scope and grounds for termination. The employees do not negotiate their terms of employment through any labour union or by way of collective bargaining agreements.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

We understand the importance of maintaining a good relationship with our suppliers, customers, social communities and governments to meet our objectives and long-term goals. During 1H 2023, there was no material or significant dispute between us and our suppliers, customers and/or stakeholders.

COMMITMENTS

The following table sets forth our commitments as at the dates indicated:

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Commitments for the		
— Purchase of machinery and equipment and exploration services	3,160	523
Commitments in relation to an associate		
— Commitment on capital injection	8,000	—
— Loan to an associate	16,000	—

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for 1H 2023 (1H 2022: nil).

SIGNIFICANT EVENTS AFTER 1H 2023

Save as disclosed in this report, there are no material subsequent events undertaken by the Company or by the Group after 30 June 2023 and up to the date of this report.

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

Save for those disclosed in this interim report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures, during 1H 2023. Apart from those disclosed in this report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this interim report.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to a resolution passed by the Company's then sole Shareholder on 21 June 2022. No share option was granted, lapsed, exercised or cancelled by the Company under the Share Option Scheme during 1H 2023 and there was no outstanding share option as at the date of this interim report.

DIRECTORS' INTEREST IN CONTRACT

As at 30 June 2023, none of the directors of the Company had any material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, its subsidiaries or any of its fellow subsidiaries was a party during 1H 2023.

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

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Notes:

- (1) All interest stated are long positions.
- (2) The calculation is based on the total number of 1,600,000,000 Shares in issue as at 30 June 2023.
- (3) As at 30 June 2023, Sandy Mining Limited ("**Sandy Mining**"), which beneficially owned 75.0% of the issued Shares, was wholly-owned by Mr. Zhao. Under the SFO, Mr. Zhao is deemed to be interested in the 1,200,000,000 Shares held by Sandy Mining.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

To the best knowledge and information of the Directors after having made all reasonable enquiries, as at 30 June 2023, the following persons (other than the Directors and chief executives of the Company) had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Notes:

- (1) All interest stated are long positions.
- (2) The calculation is based on the total number of 1,600,000,000 Shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, the Directors and chief executives of the Company were not aware of any other persons (other than the Directors and chief executives of the Company) who had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on our business and operation. During 1H 2023, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

During 1H 2023, the Company has complied with all applicable code provisions of the CG Code, save for code provision C.2.1 of Part 2 of the CG Code.

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

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

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules. All Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by Directors as set out in the Model Code throughout 1H 2023.

BOARD COMMITTEE

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Compliance Committee

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

REVIEW OF THE INTERIM RESULTS

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

The interim results of the Group for 1H 2023 and this interim report have been reviewed by the Audit Committee. The interim condensed consolidated financial information as of and for 1H 2023 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

By Order of the Board

China Graphite Group Limited

Zhao Liang

Chairman, executive Director and chief executive officer

Hong Kong, 31 August 2023

This interim report is prepared in English language and translated into Chinese. In the event of any inconsistencies between the Chinese and the English version, the latter shall prevail.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of China Graphite Group Limited

(incorporated in the Cayman Islands with limited liability)



羅兵咸永道

INTRODUCTION

We have reviewed the interim financial information set out on pages 36 to 70, which comprises the interim condensed consolidated statement of financial position of China Graphite Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2023 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



羅兵咸永道

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 31 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	6	47,211	93,552
Cost of sales	8	(30,328)	(52,290)
Gross profit		16,883	41,262
Other income and other gains	7	80	123
Selling and distribution expenses	8	(1,686)	(3,271)
General and administrative expenses	8	(11,129)	(15,062)
Research and development expenses	8	(8,297)	(4,509)
Provision for impairment of financial assets	17	(653)	(481)
Operating (loss)/profit		(4,802)	18,062
Finance income	9	873	76
Finance costs	9	(311)	(304)
Finance income/(costs), net		562	(228)
(Loss)/profit before income tax		(4,240)	17,834
Income tax credit/(expense)	10	898	(4,585)
(Loss)/profit and total comprehensive (loss)/income for the period		(3,342)	13,249
(Loss)/profit and total comprehensive (loss)/income attributable to owners of the Company		(3,342)	13,249
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
— Basic and diluted	11	(0.21) cents	1.10 cents

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	13	149,712	123,017
Right-of-use assets	14	10,130	7,048
Mining rights	15	23,605	24,063
Other intangible assets		303	156
Deferred income tax assets		1,111	1,156
Prepayments	18	12,249	16,345
Loans to an associate	25(a)	14,504	–
		211,614	171,785
Current assets			
Inventories	16	36,051	19,042
Trade and bills receivables	17	112,604	202,105
Deposits, prepayments and other receivables	18	1,480	1,098
Current tax recoverable		555	–
Short-term bank deposit	19	–	26,537
Cash and cash equivalents	20	113,434	110,182
		264,124	358,964
Total assets		475,738	530,749
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	24(a)	1,375	1,375
Share premium	24(b)	303,829	326,853
Other reserves	24(b)	(128,127)	(130,226)
Retained earnings	24(b)	247,072	252,513
Total equity		424,149	450,515

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities	14	26	170
Provision for reclamation and mine closure		2,608	2,546
Deferred income tax liabilities		2,884	1,245
		5,518	3,961
Current liabilities			
Trade payables	21	20,167	27,239
Accruals and other payables	22	13,382	24,852
Amount due to a related party	25(a)	833	–
Borrowings	23	10,000	10,000
Contract liabilities	6(f)	1,055	2,199
Lease liabilities	14	634	1,262
Current tax liabilities		–	10,721
		46,071	76,273
Total liabilities		51,589	80,234
Total equity and liabilities		475,738	530,749

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Six months ended 30 June 2023 (Unaudited)						
Balance at 1 January 2023	1,375	326,853	15,193	(145,419)	252,513	450,515
Comprehensive loss						
Loss for the period	-	-	-	-	(3,342)	(3,342)
Total comprehensive loss	-	-	-	-	(3,342)	(3,342)
Transactions with owners						
Dividends for the year ended 31 December 2022 (Note 12)	-	(23,024)	-	-	-	(23,024)
Appropriation to other reserve	-	-	-	2,099	(2,099)	-
	-	(23,024)	-	2,099	(2,099)	(23,024)
Balance at 30 June 2023	1,375	303,829	15,193	(143,320)	247,072	424,149
Six months ended 30 June 2022 (Unaudited)						
Balance at 1 January 2022	-	158,693	5,263	(147,732)	185,774	201,998
Comprehensive income						
Profit for the period	-	-	-	-	13,249	13,249
Total comprehensive income	-	-	-	-	13,249	13,249
Transaction with owners						
Appropriation to other reserve	-	-	-	174	(174)	-
	-	-	-	174	(174)	-
Balance at 30 June 2022	-	158,693	5,263	(147,558)	198,849	215,247

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flow from operating activities		
Cash generated from operations	64,754	68,598
Income tax paid	(8,694)	(1,158)
Net cash generated from operating activities	56,060	67,440
Cash flows from investing activities		
Decrease in short-term bank deposit	26,499	–
Purchase of property, plant and equipment	(37,668)	(33,999)
Purchase of land use rights	(3,671)	(82)
Purchase of intangible assets	(186)	(27)
Proceeds from disposal of property, plant and equipment	267	–
Loans to a related party	(14,820)	–
Interest received	746	76
Net cash used in investing activities	(28,833)	(34,032)
Cash flows from financing activities		
Interest paid	(248)	(245)
Dividends paid	(23,024)	–
Repayments of principal elements of lease liabilities	(786)	(407)
Payment of listing expenses	–	(768)
Net cash used in financing activities	(24,058)	(1,420)
Net increase in cash and cash equivalents	3,169	31,988
Cash and cash equivalents at the beginning of the period	110,182	33,934
Effects of exchange rate changes on cash and cash equivalents	83	–
Cash and cash equivalents at end of the period	113,434	65,922

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000), unless otherwise stated, and was approved for issue by the Board of Directors on 31 August 2023.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PRESENTATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This interim condensed consolidated financial information does not include all the notes of the type normally included in the annual financial report, accordingly, it should be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

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

(i) New and amended standards adopted by the Group

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts

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

The following are new and amended standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2023 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those described in the annual consolidated financial statements for the year ended 31 December 2022.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

There have been no changes in the risk management policies since 31 December 2022.

5.2 Fair value estimation

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

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owners to procure adequate financial resumes from the owners. There have been no changes in the capital risk management policies since 31 December 2022.

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

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

The debt-to-capital ratios as at 30 June 2023 and 31 December 2022 were as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Total borrowings		
— Borrowings	10,000	10,000
— Amount due to a related party	833	–
Less: Cash and cash equivalents	(113,434)	(110,182)
Net debt	(102,601)	(100,182)
Total equity	424,149	450,515
Total capital	321,548	350,333
Debt-to-capital ratio	N/A	N/A

6 REVENUE AND SEGMENT INFORMATION

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

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

- Sale of flake graphite concentrate
- Sale of spherical graphite and its by products, and unprocessed marble

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

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

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

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

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

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

- (a) The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2023 is as follows:

	Sale of flake graphite concentrate RMB'000 (Unaudited)	Sale of spherical graphite and its by products, and unprocessed marble RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	35,061	40,197	75,258
Inter-segment revenue	(23,122)	(4,925)	(28,047)
Revenue from external customers	11,939	35,272	47,211
Segment results	2,820	(3,749)	(929)
Elimination of inter-segment loss			1,434
Unallocated amounts:			
Other income and other gains			80
Depreciation of right-of-use assets			(171)
Corporate expenses			(4,900)
Provision for impairment of financial assets			(316)
Finance income, net			562
Loss before income tax			(4,240)
Income tax credit			898
Loss for the period			(3,342)
Depreciation of property, plant and equipment	(7,270)	(2,786)	(10,056)
Depreciation of right-of-use assets	(280)	(152)	(432)
Amortisation of mining rights	-	(458)	(458)
Provision for impairment of financial assets	(262)	(75)	(337)
Capital expenditures	30,528	11,834	42,362

- (b) Reportable segment assets and liabilities are reconciled to total assets and total liabilities of the Group as at 30 June 2023 as follows:

	Sale of flake graphite concentrate RMB'000 (Unaudited)	Sale of spherical graphite and its by products, and unprocessed marble RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Assets			
Reportable segment assets	158,898	292,766	451,664
Inter-segment elimination			(1,175)
Unallocated assets			25,249
Total assets per interim condensed consolidated statement of financial position			475,738
Liabilities			
Reportable segment liabilities	15,698	21,149	36,847
Unallocated liabilities			14,742
Total liabilities per interim condensed consolidated statement of financial position			51,589

- (c) The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2022 is as follows:

	Sale of flake graphite concentrate RMB'000 (Unaudited)	Sale of spherical graphite and its by products, and unprocessed marble RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	53,539	62,869	116,408
Inter-segment revenue	(22,856)	–	(22,856)
Revenue from external customers	30,683	62,869	93,552
Segment results	18,624	11,575	30,199
Elimination of inter-segment profit			(1,317)
Unallocated amounts:			
Other income			123
Depreciation of right-of-use assets			(32)
Corporate expenses			(2,405)
Listing expenses			(8,506)
Finance costs, net			(228)
Profit before income tax			17,834
Income tax expense			(4,585)
Profit for the period			13,249
Depreciation of property, plant and equipment	(3,625)	(2,246)	(5,871)
Depreciation of right-of-use assets	(136)	(441)	(577)
Amortisation of mining rights	–	(1,129)	(1,129)
Provision for impairment of financial assets	(410)	(71)	(481)
Capital expenditures	16,605	7,140	23,745

- (d) Reportable segment assets and liabilities are reconciled to total assets and total liabilities of the Group as at 31 December 2022 as follows:

	Sale of flake graphite concentrate RMB'000 (Audited)	Sale of spherical graphite and its by products, and unprocessed marble RMB'000 (Audited)	Total RMB'000 (Audited)
Assets			
Reportable segment assets	209,785	234,750	444,535
Inter-segment elimination			(2,468)
Unallocated assets			88,682
<hr/>			
Total assets per interim condensed consolidated statement of financial position			530,749
<hr/>			
Liabilities			
Reportable segment liabilities	26,900	26,619	53,519
Unallocated liabilities			26,715
<hr/>			
Total liabilities per interim condensed consolidated statement of financial position			80,234
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(e) Other segment information

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

Revenue from 2 customers individually contributed over 10% of the Group's revenue during the six months ended 30 June 2023 and 2022. The revenue from the customer during the periods are as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Customer A	6,961	33,007
Customer B	12,930	20,052

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

(f) Assets and liabilities related to contracts with customers

The Group has recognised RMB1,055,000 and RMB2,199,000 receipts in advance from customers for the sale of graphite products as contract liabilities as at 30 June 2023 and 31 December 2022. For the six months ended 30 June 2023 and 2022, RMB1,958,000 and RMB3,616,000 of revenue recognised, respectively, relates to carried-forward contract liabilities.

7 OTHER INCOME AND OTHER GAINS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other income		
Government grants (<i>Note</i>)	–	102
Others	35	21
Other gains		
Gains on disposal of property, plant and equipment	45	–
	80	123

Note: The amount mainly represents the Group's entitlement to corporate income tax refund and other government grants. For the six months ended 30 June 2022, there was no unfulfilled conditions attached to the government grants. The Group does not have government grants for the six months ended 30 June 2023.

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Raw materials used		
— in production	8,647	31,668
— for research and development	4,934	332
Changes in inventories of finished goods and work in progress	(15,177)	(4,819)
Blasting expense	2,294	324
Subcontracting and processing charges	3,401	1,237
Provision for impairment of inventories	19	–
Transportation fees	1,325	1,894
Auditor's remuneration	540	540
Depreciation of property, plant and equipment	10,056	5,871
Depreciation of right-of-use assets (Note 14)	603	609
Amortisation of mining rights	458	1,129
Amortisation of other intangible assets	39	4
Employee benefit expenses (including directors' emoluments)	11,674	8,319
Outsourcing charges	2,746	2,420
Marketing expenses	132	–
Short-term operating lease rentals in respect of machineries	674	184
Utilities expenses	12,148	11,692
Professional fees	2,404	1,011
Repair and maintenance expense	1,423	946
Listing expenses	–	8,506
Exchange (gains)/losses	(1,030)	64
Resource tax and other miscellaneous tax	853	1,328
Impairment of property, plant and equipment	708	–
Others	2,569	1,873
Total cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses	51,440	75,132

9 FINANCE INCOME/(COSTS), NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance income		
Interest income from bank deposits	746	76
Interest income from loans to an associate <i>(Note 25(b))</i>	127	–
	873	76
Finance costs		
Interest expenses on borrowings	(237)	(245)
Interest elements of lease liabilities	(11)	–
Interest elements of provision for reclamation and mine closure	(63)	(59)
	(311)	(304)
Finance income/(costs), net	562	(228)

10 INCOME TAX (CREDIT)/EXPENSE

PRC Corporate Income Tax has been provided for at the rate of 25% for the six months ended 30 June 2022 and 2023 on the estimated assessable profit for the year. In accordance with the Income Tax Law of the PRC, the Group's major operating subsidiaries, Heilongjiang Baoquanling Agricultural Reclamation Yixiang New Energy Materials Co., Ltd. ("**Yixiang New Energy**") and Heilongjiang Baoquanling Agricultural Reclamation Yixiang Graphite Co., Ltd. ("**Yixiang Graphite**") are subject to a tax rate of 15% for the six months ended 30 June 2023 and 2022 as they are eligible for the tax concession granted by the PRC government as a high-tech enterprise in the periods specified.

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

No Hong Kong profits tax has been provided for the six months ended 30 June 2022 and 2023 since there was no tax assessable profit generated from Hong Kong. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the Group operates.

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax		
— PRC corporate income tax	(2,277)	4,428
— (Over)/under-provision in prior years (<i>Note</i>)	(303)	812
Deferred income tax	1,682	(655)
Income tax (credit)/expense	(898)	4,585

Note:

The under-provision for the six months ended 30 June 2022 mainly represented the reversal of tax credits claimed during the years ended 31 December 2021, 2020 and 2019, in which such tax credits was disallowed by the PRC tax authority upon reassessment during the period.

11 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Weighted average number of ordinary shares in issue (in thousand)	1,600,000	1,200,000
Group's (loss)/profit attributable to the owners of the Company (RMB'000)	(3,342)	13,249
Basic (loss)/earnings per share (RMB cents)	(0.21)	1.10

(b) Diluted

The Company did not have any potential dilutive shares outstanding during the six months ended 30 June 2023 and 2022. Accordingly, the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

12 DIVIDENDS

Pursuant to the resolution approved in the Company's annual general meeting held on 5 May 2023, the Company has declared final dividend in respect of the year ended 31 December 2022 of HK1.60 cents (equivalent to RMB1.40 cents) per ordinary shares totalling approximately HK\$25,600,000 (equivalent to RMB23,024,000). The dividend has been fully paid in June 2023.

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2023.

13 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Plant and buildings RMB'000	Mining structures RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Total RMB'000
As at 31 December 2022							
(Audited)							
Cost	7,113	67,714	24,892	93,530	7,736	3,450	204,435
Accumulated depreciation	-	(28,408)	(1,323)	(43,385)	(5,805)	(2,497)	(81,418)
Net book amount	7,113	39,306	23,569	50,145	1,931	953	123,017
Six months ended							
30 June 2023 (Unaudited)							
Opening net book amount	7,113	39,306	23,569	50,145	1,931	953	123,017
Additions	10,291	23,719	-	1,991	2,334	170	38,505
Transfers	(12,190)	767	4,275	7,148	-	-	-
Disposals	-	-	-	(1)	(221)	-	(222)
Depreciation	-	(6,341)	(383)	(3,717)	(208)	(231)	(10,880)
Impairment	-	-	-	(708)	-	-	(708)
Closing net book amount	5,214	57,451	27,461	54,858	3,836	892	149,712
As at 30 June 2023							
(Unaudited)							
Cost	5,214	92,200	29,167	102,649	8,175	3,620	241,025
Accumulated depreciation and impairment	-	(34,749)	(1,706)	(47,791)	(4,339)	(2,728)	(91,313)
Net book amount	5,214	57,451	27,461	54,858	3,836	892	149,712

Depreciation expense has been recorded as below.

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of sales	9,157	4,892
General and administrative expenses	701	718
Research and development expenses	198	261
	10,056	5,871
Capitalised as mining structures	824	176
	10,880	6,047

No assets were pledged for security as at 30 June 2023 and 31 December 2022.

14 LEASES

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

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Right-of-use assets		
Land use rights	8,468	5,200
Properties	1,662	1,848
	10,130	7,048
Lease liabilities		
Current	634	1,262
Non-current	26	170
	660	1,432

Additions to the right-of-use assets for the six months ended 30 June 2023 and 2022 were RMB3,671,000 and RMB82,000, respectively.

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation charge of right-of-use assets		
Land-use rights	403	251
Properties	200	60
Equipment	–	298
	603	609
Interest expense (included in finance costs)	11	–
Expense relating to short-term leases (included in cost of sales and selling and distribution expenses)	674	184

The total cash outflow for leases during the six months ended 30 June 2023 and 2022 were RMB5,142,000 and RMB673,000, respectively.

(iii) The Group's leasing activities

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

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

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

15 MINING RIGHTS

	Total RMB'000
As at 31 December 2022 (Audited)	
Gross carrying amount	29,663
Accumulated amortisation	(5,600)
Net carrying amount	24,063
Six months ended 30 June 2023 (Unaudited)	
Opening net carrying amount	24,063
Amortisation	(458)
Closing net carrying amount	23,605
As at 30 June 2023 (Unaudited)	
Gross carrying amount	29,663
Accumulated amortisation	(6,058)
Net carrying amount	23,605

16 INVENTORIES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Raw materials	10,235	8,384
Work in progress	5,529	1,512
Finished goods	20,489	9,329
Provision for inventories	36,253 (202)	19,225 (183)
Total	36,051	19,042

The cost of inventories recognised as expenses and credited/charged to cost of sales in the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2023 and 2022 were RMB6,511,000 and RMB26,849,000, respectively.

Provision for impairment of inventories amounted to RMB202,000 and RMB183,000 arising from the decrease in net realisable value for the six months ended 30 June 2023 and 2022. The additional provision for impairment of inventories amounting to RMB19,000 (2022: Nil) was included in cost of sales in the interim condensed consolidated statement of comprehensive income.

17 TRADE AND BILLS RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	75,189	95,252
Bills receivables	44,456	113,557
Trade and bills receivables	119,645	208,809
Less: loss allowance	(7,041)	(6,704)
Total	112,604	202,105

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

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Up to 90 days	34,375	83,978
91–180 days	1,362	4,052
181–270 days	32,550	1,293
271–365 days	1,639	397
Over 1 year	5,263	5,532
	75,189	95,252

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
At the beginning of the period/year	6,704	5,119
Provision for impairment of trade receivables	293	1,585
	6,997	6,704

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

The Group's bills receivables generally have maturity period of 6 to 12 months. As at 30 June 2023 and 31 December 2022, the ageing analysis of the bills receivables, based on the bills receiving date, are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Up to 90 days	21,221	49,622
91–180 days	22,935	62,585
181–270 days	300	1,250
271–365 days	–	100
	44,456	113,557

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
At the beginning of the period/year	–	–
Provision for impairment of bills receivables	44	–
	44	–

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

The endorsement transactions do not meet the requirements for derecognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the endorsed bills receivables. As at 30 June 2023 and 31 December 2022, bills receivables and the corresponding trade and other payables of RMB6,251,000 and RMB15,256,000 continue to be recognised in the Group's interim condensed consolidated financial information although they have been legally transferred to the creditors. The proceeds of the endorsement transactions are included in trade and other payables until the related bills receivables are collected or the Group settles any losses suffered by the creditors. As these bills receivables have been legally transferred to the creditors, the Group does not have the authority to determine the disposition of the bills receivables.

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

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Deposits	115	111
Prepayments for property, plant and equipment	1,678	8,518
Prepayments for raw materials	973	972
Prepayments for leased land	10,349	7,736
Interest receivable from loans to an associate (Note 25(a))	127	–
Other receivables	487	106
	13,729	17,443
Less: non-current portion	(12,249)	(16,345)
Current portion	1,480	1,098

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
RMB	13,634	17,352
Hong Kong dollars ("HK\$")	95	91
	13,729	17,443

19 SHORT-TERM BANK DEPOSIT

As at 31 December 2022, short-term bank deposit of HK\$30,000,000 (equivalent to approximately RMB26,537,000) is denominated in HK\$ with original maturity of 180 days. The effective interest rate of such bank deposit is 2.80% per annum. The Group has no short-term bank deposit as at 30 June 2023.

20 CASH AND CASH EQUIVALENTS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cash at banks	113,431	110,179
Cash on hand	3	3
	113,434	110,182
Maximum exposure to credit risk	113,431	110,179

As at 30 June 2023 and 31 December 2022, the Group's cash and cash equivalents are denominated in the following currencies:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
RMB	109,743	51,684
HK\$	3,691	58,498
	113,434	110,182

As at 30 June 2023 and 31 December 2022, cash and cash equivalents of approximately RMB109,740,000 and RMB51,681,000 of the Group were denominated in RMB and deposited with banks in the PRC. The conversion of the RMB denominated balance into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 30 June 2023 and 31 December 2022, cash and cash equivalents of approximately RMB2,210,000 and RMB596,000 were deposited with a bank in the PRC for mine and land reclamation purpose. The withdrawal of funds from the account is subject to the approval of the local authority. The approval procedures are administrative and the Group expected it would take a short period of time to make the fund readily available to meet its cash commitments.

21 TRADE PAYABLES

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Up to 90 days	18,226	23,303
91–180 days	1,390	3,674
181–365 days	392	200
Over 1 year	159	62
	20,167	27,239

The carrying amounts of trade payables are denominated in RMB and approximate their fair values.

22 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Accrued staff expense	2,329	3,857
Accrued construction cost	5,489	9,703
Other tax payable	2,734	7,824
Accrued listing expenses	915	915
Others	1,915	2,553
	13,382	24,852

The carrying amounts of accruals and other payables approximate their fair values and are denominated in the following currencies:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
RMB	11,901	23,084
HK\$	1,481	1,768
	13,382	24,852

23 BORROWINGS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Bank borrowings		
— Bank loans	10,000	10,000

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	10,000	10,000

The weighted effective interest rates were follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Bank borrowings		
— Bank loans	4.65%	4.70%

As at 30 June 2023 and 31 December 2022, bank loans of RMB10,000,000 were secured by the guarantee provided by an independent third party.

There were no financial covenants attached to the Group's borrowings facilities as at 30 June 2023 and 31 December 2022.

The carrying amounts of bank borrowings are denominated in RMB.

On 30 June 2023, the Group has obtained two bank facilities, pursuant to which the facilities of RMB140,000,000 in total were granted to the Group for 3 years from the date of the facility letters, secured by mining rights, certain land use rights, existing and future trade receivables of certain customers, and personal guarantee by the controlling shareholder of the Company. The Group had unused facilities of RMB140,000,000 as at 30 June 2023 (2022: Nil). Subsequent to 30 June 2023 and up to the date of this report, the Group has drawn down bank facilities of approximately RMB16,964,000 in aggregate.

24 SHARE CAPITAL AND RESERVES**(a) Share capital**

	Number of shares	HK\$'000
Authorised share capital		
At 1 January 2023 (Audited) and 30 June 2023 (Unaudited)	2,000,000,000	2,000

	Number of shares	HK\$'000
Issued and fully paid share capital		
At 1 January 2023 (Audited) and 30 June 2023 (Unaudited)	1,600,000,000	1,375

The Company was incorporated on 3 August 2020 with an authorised share capital of HK\$380,000, divided into 380,000,000 shares of HK\$0.001 each.

Pursuant to the written resolutions of the shareholder dated 21 June 2022, the authorised share capital of the Company was increased from HK\$380,000 divided into 380,000,000 shares of par value of HK\$0.001 each to HK\$2,000,000 divided into 2,000,000,000 shares of par value HK\$0.001 each by the creation of 1,620,000,000 additional shares of par value of HK\$0.001 each.

(i) Capitalisation issue

On 18 July 2022, the capitalisation issue pursuant to the shareholder's written resolution dated 21 June 2022 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the shares was effective. The Company issued additional 1,199,999,998 shares, by way of capitalisation of approximately HK\$1,200,000 (equivalent to approximately RMB1,031,000) standing to the credit of the Company's share premium account.

(b) Reserves

	Share premium <i>(Note (i))</i> RMB'000	Statutory reserve <i>(Note (ii))</i> RMB'000	Capital reserve <i>(Note (iii))</i> RMB'000	Other reserve <i>(Note (iv))</i> RMB'000	Retained earnings RMB'000	Total RMB'000
Six months ended						
30 June 2023 (Unaudited)						
Balance at 1 January 2023	326,853	15,193	(148,670)	3,251	252,513	449,140
Comprehensive loss						
Loss for the period	-	-	-	-	(3,342)	(3,342)
Total comprehensive loss	-	-	-	-	(3,342)	(3,342)
Transaction with owners						
Dividends for the year ended						
31 December 2022 <i>(Note 12)</i>	(23,024)	-	-	-	-	(23,024)
Appropriation to other reserve	-	-	-	2,099	(2,099)	-
	(23,024)	-	-	2,099	(2,099)	(23,024)
Balance at 30 June 2023	303,829	15,193	(148,670)	5,350	247,072	422,774
Six months ended						
30 June 2022 (Unaudited)						
Balance at 1 January 2022	158,693	5,263	(148,670)	938	185,774	201,998
Comprehensive income						
Profit for the period	-	-	-	-	13,249	13,249
Total comprehensive income	-	-	-	-	13,249	13,249
Transaction with owners						
Appropriation to other reserve						
	-	-	-	174	(174)	-
	-	-	-	174	(174)	-
Balance at 30 June 2022	158,693	5,263	(148,670)	1,112	198,849	215,247

Notes:

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

- (ii) In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.
- (iii) Capital reserve represents the combined share capital of the subsidiaries comprising the Group before the completion of the reorganisation on 30 December 2020, and contributed surplus after the completion of such reorganisation.
- (iv) Pursuant to the relevant PRC regulations, the Group is required to transfer safety fund at fixed rates based on the production volume, to a specific reserve account. The fund could be utilised when expenses or capital expenditures on safety measures are incurred. The amount of safety fund utilised would be transferred from the specific reserve account to retained earnings.

25 RELATED PARTY TRANSACTIONS

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

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

Name	Relationship with the Group
Mr. Zhao Liang	Shareholder and executive director
Mr. Zhao Changshan	Close family member of Mr. Zhao Liang
Mr. Zhao Changhai	Close family member of Mr. Zhao Liang
Ms. Zhang Yuqin	Close family member of Mr. Zhao Liang
Ms. Sun Yao	Close family member of Mr. Zhao Liang
Shandong Ruisheng Carbon Material Technology Co., Limited ("Shandong Ruisheng")	Associate (<i>Note</i>)

Note:

As at 30 June 2023, the Group has subscribed to invest 40% equity holdings in Shandong Ruisheng, an entity incorporated in the PRC which will be engaged in the manufacturing and trading of electronic materials, graphite and carbon products, with an amount of RMB8,000,000 in total in accordance with the investment agreement entered into with another investor of Shandong Ruisheng. According to the agreement, such capital injection shall be made on or before 31 December 2042. The Group has not paid up the investment cost as at 30 June 2023 and up to the date of this report. While its obligation to Shandong Ruisheng's net liabilities has been established pursuant to the Company Law of the PRC, the Group has unrecognised share of loss of an associate of RMB46,000 as at 30 June 2023 (2022: Nil).

(a) Balances with related parties

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-trade balances		
Amount due to a related party <i>(Note (i))</i>		
— Mr. Zhao Changhai	(833)	—
Loans to an associate <i>(Note (ii))</i>		
— Shandong Ruisheng Carbon Material Technology Co., Limited	14,504	—
Interest receivable from loans to an associate <i>(Note (ii))</i>	127	—

Note (i): The balance is interest-free, unsecured and repayable on demand.

Note (ii): Loans to an associate, amounting to RMB1,500,000, RMB780,000, RMB12,000,000 and RMB540,000, are interest-bearing at 5.0% per annum, secured by all land certificates that will be owned by the associate subject to the completion of land acquisition by May 2024, and repayable in March, April, May and June 2026, respectively. Provision for impairment of RMB316,000 (2022: Nil) and interest receivable of RMB127,000 (2022: Nil) were recognised in the interim condensed consolidated financial information.

(b) Transactions with related parties

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Employee benefit expenses received as employees of the Group <i>(Note)</i>		
— Mr. Zhao Changshan	360	360
— Mr. Zhao Changhai	80	68
— Ms. Zhang Yuqin	360	360
— Ms. Sun Yao	378	378
Interest income from loans to an associate		
— Shandong Ruisheng Carbon Material Technology Co., Limited	127	—

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

(c) Key management personnel compensation

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages, salaries, bonuses and allowances	2,360	1,611
Pension costs — defined contribution plans	8	7
	2,368	1,618

26 COMMITMENTS

	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Commitments for the		
— Purchase of machinery and equipment and exploration services	3,160	523
Commitments in relation to an associate		
— Commitment on capital injection (<i>Note 25</i>)	8,000	—
— Loan to an associate (<i>Note</i>)	16,000	—

Note: On 26 May 2023, the Group entered into a loan agreement with the associate, pursuant to which the Group agrees to provide a loan of RMB16,000,000 to the associate, which is interest-bearing at 5.0% per annum, secured by all land certificates that will be owned by the associate subject to the completion of land acquisition by May 2024, and repayable in May 2026. In July 2023, the Group further provided two loans, amounting to RMB320,000 in aggregate, to the associate. Subsequent to 30 June 2023 and up to the date of this report, RMB16,320,000 has been drawn down by the associate.

27 CONTINGENCIES

The Group did not have any material contingent liabilities as at 30 June 2023 and 31 December 2022.

28 SUBSEQUENT EVENTS

Save as disclosed elsewhere in the interim condensed consolidated financial information, there are no material subsequent events undertaken by the Company or by the Group after 30 June 2023 and up to the date of this report.