

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

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock code 股份代號 : 2237

2024

Interim Report 中期報告



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. 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

Mr. Lei Wai Hoi

AUTHORISED REPRESENTATIVES

Mr. Zhao Liang
Mr. Lei Wai Hoi

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1, Building 1, Graphite Development Zone
YanJun Farm, Luobei County, Hegang City
Heilongjiang Province, PRC

COMPANY WEBSITE

www.chinagraphite.com.hk

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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REGISTERED OFFICE

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INDEPENDENT AUDITOR

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Certified Public Accountants
Registered Public Interest Entity Auditor
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LEGAL ADVISER

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Services (Cayman) Limited
71 Fort Street, PO Box 500, George Town
Grand Cayman, KY1-1106
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
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Hong Kong

PRINCIPAL BANKS

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

STOCK CODE

2237

DEFINITIONS

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

"%"	per cent
"1H 2023"	for the six months ended 30 June 2023
"1H 2024"	for the six months ended 30 June 2024
"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 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 summarised 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 2024 INTERIM RESULTS

Dear Shareholders,

Since 2023, competition in new energy vehicles (NEVs) industry has intensified and the development has gone through a painful adjustment period, where the industrial chain of lithium batteries, including the graphite industry, has shifted to a conservative operating strategy. Entering 2024, the overall performance of the downstream market remained subdued which, along with the increase in capacity arising from the debut of several key projects in the anode material industry, has led to severe competition in the industrial chain. The export control measures on graphite items implemented in December 2023 restricted the export of graphite, hindering the orders placed by downstream customers of the Group, which further affected our graphite sales and prices.

Amid the austere business environment, the Group resumed active production after seasonal suspension of operation and continued to promote cost reduction and efficiency enhancement. Nevertheless, as a result of the integrated effect of the industry landscape and market environment, the Company's overall income and profit performance for the first half of the year both decreased as compared to the corresponding period last year.

Interim Performance

As of 30 June 2024, the Group recorded a total revenue of approximately RMB36.4 million, representing a decrease of 22.8% over the corresponding period last year. In particular, the revenue from the sales of spherical graphite and its by-products amounted to approximately RMB10.2 million as compared to RMB34.9 million of the corresponding period last year, and the revenue from the sale of flake graphite concentrate amounted to approximately RMB25.1 million as compared to RMB11.9 million of the corresponding period last year. During the period, the Group recorded a gross profit of approximately RMB2.9 million, as compared to RMB16.9 million of the corresponding period last year, and a gross profit margin of 8.0% as compared to 35.8% in 1H2023. As of 30 June 2024, the Group recorded a net loss of approximately RMB16.2 million as compared to a net loss of approximately RMB3.3 million of the corresponding period last year.

Production and Business Operation under Pressure

The first quarter of 1H2024 was a traditional shutdown period for graphite enterprises in Luobei County, coupled with the weak downstream demand and the fierce competition in the graphite industry, the Group's overall product sales and prices faced greater challenges.

As of 30 June 2024, the sales volume of spherical graphite and micro graphite powder amounted to 923 tonnes and 986 tonnes, as compared to 1,899 tonnes and 3,849 tonnes respectively of the corresponding period last year. The gross loss margin of the spherical graphite sales segment was 21.2% as compared to gross profit margin of 33.0% of the corresponding period last year. The sales volume of flake graphite concentrate was 10,109 tonnes as compared to 3,689 tonnes of the corresponding period last year. The gross profit margin of the flake graphite concentrate sales segment was 20.1% as compared to 44.6% of the corresponding period last year. With the competition in the new energy segment, the Group focused its sales on traditional industry and increased sales to our refractory materials customers. In addition, sales volume of the flake graphite concentrate increased in 1H 2024 as compared to that in 1H 2023.

Prudent Development for Future Growth

In 2019, the Group obtained the mining rights to our Beishan Mine, where graphite resources are abundant and of higher grades. Utilising ores from our own mines allows us to create upstream and downstream synergies while ensuring a continuous and stable supply of high quality graphite.

At the present stage, we are permitted in the Beishan Mine with mining elevations ranging from 274 to 150 metres above sea level. In order to tap into its rich resources in the future, the Group is currently in the process of applying for the right to mine resources below 150 metres above sea level. Upon completion of the relevant resource report, we would file an application to the government to increase our graphite mining capacity of the Beishan Mine to over 500,000 tonnes per annum, so as to ensure a stable supply of graphite and secure business growth in the future.

The construction of a new beneficiation and processing plant, as part of the Group's investment project for listing on the Hong Kong Stock Exchange, will play a decisive role in the future growth of the Group. On 21 February 2024, a wholly-owned subsidiary of the Group obtained formal approval from the National Forestry and Grassland Administration for the use of a piece of forest land near the Beishan Mine for the construction of a new beneficiation and processing plant and relevant production facilities.

In May 2024, the Group also successfully acquired an industrial land in Weihai City, Shandong Province to pave the way for the development of relevant downstream facilities in the future.

Currently, the graphite and downstream anode industry has entered a period of adjustment. However, the Group remains optimistic about the medium to long term development of the industry. In the second half of the year, we will adopt a prudent approach and adjust our development direction in response to changes in the market environment.

Focusing on Research

The Group has been engaged in the natural graphite industry for over 20 years, and has been adhering to the philosophy of “Enhancing strength for steady development and strengthening capability for innovation”. Over the years, we have continued to enhance innovation-oriented development through collaborating with a number of renowned institutions and research institutes in China in a number of key scientific research projects that have been completed, laying the foundation for our product research and development.

As of 30 June 2024, the Group has over 90 patents. In the natural graphite industry, the Group has taken the lead in technological innovation and is actively at the forefront of industry development, having developed short-flow beneficiation process for graphite with the application of flotation column technique, graphene processing graphene with micronized graphite, fluorine-free purification process, and other cutting-edge techniques.

Corporate Governance

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

We follow our Board Diversity Policy and Director Nomination Policy, fully leveraging on 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. Focusing on key areas such as mining, product research and development, production safety and product sales, 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, strengthening supervision in key areas from mines to factories, plugging management loopholes to ensure healthy business operation of the Group.

Annual and Future Prospects

In the first half of the year, the European Union and the United States respectively raised tariffs aimed at suppressing the development of the NEVs in the PRC. In response, Chinese automobile enterprises shifted their overseas targets to explore the markets in Africa, Southeast Asia and South America. Domestically, seven government departments, including the Ministry of Commerce and the Ministry of Finance, issued the “Detailed Implementation Rules for Subsidies for Automobile Trade-ins” (《汽車以舊換新補貼實施細則》), which states that consumers of new cars who meet the criteria will be granted subsidies, while the “2024-2025 Energy Conservation and Carbon Reduction Action Plan” (《2024—2025年節能降碳行動方案》) published by the State Council in late May expressly proposes to gradually lift local restrictions on NEVs purchase and implement supportive policies to make roads more accessible to NEVs. In view of the above, macro policy support remains the strongest driving force for the development of the NEVs industry in the PRC.

Looking back at the first half of the year, the competition in the graphite industry was very fierce. Entering the second half of the year, the market is set to undergo transformation. As it takes time to digest the production capacity on the supply side, the industry landscape will continue to face great challenges. Considering that the Group’s natural graphite supply can be ensured with its own mine, and the low energy consumption required for the production of natural graphite, which is more in line with the requirement of the national “dual carbon” policies, the Group is currently adapting to the competitive landscape of the industry by actively capturing market opportunities to enhance operating performance and create value for 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, 28 August 2024

MANAGEMENT DISCUSSION AND ANALYSIS

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

During 1H 2024 and up to the date of this report, the Group had not conducted any exploration drilling works in Beishan Mine and we had not entered into any contracts or commitments in respect of the development activities including mining structure or infrastructure. During 1H 2024, 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 2024 and 1H 2023:

	1H 2024 (RMB'000)	1H 2023 (RMB'000)
Depreciation	966	1,679
Blasting services	3,620	2,294
Fuel costs	861	758
Salaries and benefits	1,150	1,039
Machinery expenses	1,880	1,534
Amortisation of mining rights	356	458
Raw materials	977	961
Repairs and maintenance	61	45
Others	579	403
Total	10,450	9,171
Portion capitalised	6,973	4,275
Portion accounted for as cost of sales for the extraction of graphite ore	2,435	4,527
Portion accounted for as cost of sales for the extraction of marble	1,042	369
Total	10,450	9,171

The extraction of our Beishan Mine is split into two phases. Phase one covered an area of approximately 0.10 km² and phase two covered an area of approximately 0.25 km². During 1H 2024, extraction works for removing the waste rocks and unprocessed marble in phase one had been conducted and approximately 1,385,000 tonnes (1H 2023: approximately 982,000 tonnes) of materials including approximately 1,256,000 tonnes (1H 2023: approximately 823,000 tonnes) of unprocessed marble and wastes rocks and approximately 129,000 tonnes (1H 2023: approximately 159,000 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 RMB8.4 million in total (1H 2023: RMB8.0 million).

Extraction cost

The extraction cost consisted of primarily blasting services expenses, salaries and benefits and machinery expenses. Extraction costs increased from approximately RMB9.2 million for 1H 2023 to approximately RMB10.5 million for 1H 2024, which was mainly due to the increase of the total materials extracted during 1H 2024 (approximately 1,385,000 tonnes) as compared to that during 1H 2023 (approximately 982,000 tonnes), leading to the increase of blasting services expenses of approximately RMB1.3 million.

FINANCIAL REVIEW

REVENUE

During 1H 2024, 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 2024		1H 2023	
	(RMB'000)	(%)	(RMB'000)	(%)
Sale of spherical graphite and its by-products	10,233	28.1	34,867	73.9
Sale of flake graphite concentrate	25,107	68.9	11,939	25.3
Sale of unprocessed marble	1,097	3.0	405	0.8
Total	36,437	100.0	47,211	100.0

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

The sale of the spherical graphite generated represented approximately 28.1% and 73.9% of the total revenue for 1H 2024 and 1H 2023, 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 during 1H 2024. 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. 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 2024.

	1H 2024			1H 2023		
	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	4,867	423	11,506	10,163	638	15,929
SG-9	4,204	500	8,408	16,508	1,261	13,091
Subtotal	9,071	923	9,828	26,671	1,899	14,045
Micro graphite powder	1,162	986	1,178	8,196	3,849	2,129
Total	10,233	1,909		34,867	5,748	

Revenue generated from the sale of flake graphite concentrate

The sale of the flake graphite concentrate accounted for approximately 68.9% and 25.3% of the total revenue for 1H 2024 and 1H 2023, respectively. The Group have been selling flake graphite concentrate since the business was founded in 2006. For 1H 2024 and 1H 2023, sales from the flake graphite concentrate, mainly included types, "193" (indicating a carbon content of 93% or from 93% to less than 94%), "194" (indicating a carbon content of 94% or from 94% to less than 95%) and "195" (indicating a carbon content of 95% or from 95% to less than 96%). The following table summarises the revenue generated by, the sales volume and the average selling prices of our flake graphite concentrate during 1H 2024 and 1H 2023:

	1H 2024			1H 2023		
	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/tonne)	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/tonne)
193	4,284	1,704	2,514	3,177	939	3,383
194	12,379	4,570	2,709	2,703	682	3,963
195	4,297	1,524	2,820	832	201	4,139
Others ⁽¹⁾	4,147	2,311	1,794	5,227	1,867	2,800
Total	25,107	10,109	2,484	11,939	3,689	3,236

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 RMB10.2 million for 1H 2024 compared to approximately RMB34.9 million for 1H 2023.

The revenue generated from the sale of flake graphite concentrate increased to approximately RMB25.1 million for 1H 2024 compared to approximately RMB11.9 million for 1H 2023.

Total revenue from the sale of our graphite products decrease to approximately RMB35.3 million for 1H 2024 compared to approximately RMB46.8 million for 1H 2023, representing a decrease of approximately 24.6%. The Board believes that such decrease was primarily attributable to the slowdown in the downstream market growth of the anode industry in 1H 2024, the intense competition in the graphite market and the implementation of export control measures for graphite items in December 2023 that restricts the export of graphite, which has affected the orders from the downstream customers of the Group. Therefore, the sales price of the graphite and the sales volume of the spherical graphite of the Group in 1H 2024 decreased further as compared to 1H 2023, resulting in a decrease in the revenue of the Group.

Revenue generated from the sales of unprocessed marble

For 1H 2024, the revenue generated from the sales of unprocessed marble amounted to approximately RMB1.1 million as compared to approximately RMB0.4 million for 1H 2023. Increase of the unprocessed marble sale was due to the increase demand of certain customers for their constructing projects in the nearby area.

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 increased to approximately RMB33.5 million for 1H 2024 compared to approximately RMB30.3 million for 1H 2023, representing an increase of approximately 10.6%. Such increase was mainly due to the increase of depreciation by approximately RMB1.1 million arising from the addition of production machineries and enhancement work for the tailing storage in the previous year, the increase of maintenance expense for our production facilities by approximately RMB0.4 million for the improvement of their working efficiency and the increase of provision for impairment of inventories of approximately RMB1.1 million due to the decrease of their net realisable value.

GROSS PROFIT AND GROSS PROFIT MARGIN

For 1H 2024 and 1H 2023, the Group's gross profit amounted to approximately RMB2.9 million and RMB16.9 million, representing a gross profit margin of approximately 8.0% and 35.8%, respectively. The following table summarises the gross profit and gross profit margin breakdown by business segment for 1H 2024 and 1H 2023:

	1H 2024		1H 2023	
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)
Sale of spherical graphite and its by-products	(2,172)	(21.2)	11,519	33.0
Sale of flake graphite concentrate	5,040	20.1	5,328	44.6
Sale of unprocessed marble	55	5.0	36	8.9
Gross profit/gross profit margin	2,923	8.0	16,883	35.8

Gross loss and gross loss margin from the sales of spherical graphite and its by-products were approximately RMB2.2 million and 21.2% for 1H 2024 compared to gross profit and gross profit margin of approximately RMB1.5 million and 33.0% for 1H 2023. Reversal of gross profit and gross profit margin to gross loss and gross loss margin were mainly due to the competition of the graphite market in 1H 2024, leading to the decrease of price and selling volume of the spherical graphite and its by-products and the recognition of inventory provision of approximately RMB1.1 million during 1H 2024 due to the decrease of their net realisable value.

Gross profit and gross profit margin from the sales of flake graphite concentrate decreased to approximately RMB5.0 million and 20.1% for 1H 2024 from approximately RMB5.3 million and 44.6% for 1H 2023. Decrease of the gross profit and gross profit margin was mainly due to the decrease of the average selling price of the flake graphite concentrate from RMB3,236 per tonne in 1H 2023 to RMB2,484 per tonne in 1H 2024.

OTHER INCOME AND OTHER GAINS

Our other income and other gains consisted of primarily government grants and (loss)/gains on disposal of property, plant and equipment. They increase to approximately RMB1.3 million for 1H 2024 compared to approximately RMB0.1 million for 1H 2023. Such increase was mainly attributable to the recognition of the government grant of approximately RMB1.6 million in 1H 2024 in relation to our research and development activities.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses consisted of primarily the transportation fee to deliver our products to the customers, the marketing expenses and the labor cost of the selling department. They increased to approximately RMB2.5 million for 1H 2024 compared to approximately RMB1.7 million for 1H 2023, representing an increase of approximately 47.1%. Increase of the selling and distribution expenses was mainly attributable to the increase of the marketing expenses of approximately RMB0.6 million in 1H 2024 to promote our products.

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 increased to approximately RMB13.1 million for 1H 2024 compared to approximately RMB11.1 million for 1H 2023, representing an increase of approximately 18.0%, mainly due to the increase of the office and training expenses of approximately RMB1.2 million and the decrease of exchange gain of approximately RMB0.8 million with less HK\$ denominated assets in 1H 2024.

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 decreased to approximately RMB3.2 million for 1H 2024 compared to approximately RMB8.3 million for 1H 2023 as less research and development activities had been carried out during the period.

FINANCE (COSTS)/INCOME, NET

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

The Group recorded finance cost, net of approximately RMB2.6 million for 1H 2024 compared to finance income, net of approximately RMB0.6 million for 1H 2023 mainly due to the increase of interest expenses on borrowings by approximately RMB1.5 million in 1H 2024 as a result of the increase of borrowings and the interest expenses incurred in the acquisition of certain lands during 1H 2024 of approximately RMB1.1 million.

INCOME TAX (EXPENSE)/CREDIT

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, companies in the PRC are subject to income tax of 25% unless preferential rate is applicable. The Group's major operating subsidiary, Yixiang New Energy and Yixiang Graphite are subject to a tax rate of 15% for 1H 2024 and 1H 2023 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 2024 and 1H 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 companies operate.

Income tax expense amounted to approximately RMB0.4 million for 1H 2024 mainly due to the reversal of tax credits claimed during the year ended 31 December 2023 in which such tax credits were disallowed by the PRC tax authority upon reassessment during the period.

LOSS FOR 1H 2024

Loss after tax amounted to approximately RMB16.2 million and RMB3.3 million for 1H 2024 and 1H 2023 respectively.

The Board believes that the loss for 1H 2024 was primarily attributable to the slowdown in the downstream market growth of the anode industry in 1H 2024, the intense competition in the graphite market and the implementation of export control measures for graphite items in December 2023 that restricts the export of graphite, which has affected the orders from the downstream customers of the Group. Therefore, the sales price of the graphite and the sales volume of the spherical graphite of the Group in 1H 2024 decreased further as compared to 1H 2023, resulting in a decrease in the revenue and gross profit of the Group by approximately RMB10.8 million and RMB14.0 million respectively compared to 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").

Reference is made to the announcement of the Company dated 1 March 2024 in relation to the change in use of proceeds and capitalised terms used in this interim report shall have the same meanings as those defined in the announcement.

After due and careful consideration of the recent business environment, the prospective development and change of strategic focus and direction of the Group from “production capacity oriented” to “production cost optimisation”, the Board has reviewed and resolved to adjust the use of the unutilised Net Proceeds for the Forest Land Acquisition.

The Forest Land would be used for the purpose of increasing its graphite extraction volume to exceed 500,000 tonnes per year, the construction of its new beneficiation plant, new processing plant and tailings pond, as stipulated in the Prospectus.

Increasing the graphite extraction volume has been put as the business priority as it can fully supply the unprocessed graphite for production to the Company’s existing beneficiation plant and the new beneficiation plant stated in the Prospectus, and the Group would benefit from the production cost advantage in the long run.

Therefore, the Net Proceeds has been changed for the land acquisition to fulfil the Group’s business priority. The revised use of the Net Proceeds is shown as follows:

Business purposes as stated in the Prospectus	Net Proceeds RMB million	Revised allocation of the Net Proceeds RMB million	Utilised Net Proceeds up to the date of this report RMB million	Unutilised Net Proceeds up to the date of this report RMB million
Land acquisition costs	23.2	71.7	71.7	Nil
Construction costs	22.7	Nil	Nil	Nil
Purchasing and installing machinery and equipment	25.8	Nil	Nil	Nil
Total	71.7	71.7	71.7	Nil

As at the date of this interim report, the Net Proceeds amounting to approximately RMB71.7 million had been utilised for the acquisition of the Forest Land amounting to approximately RMB86.9 million and the remaining Forest Land cost amounting to approximately RMB15.2 million was financed by our operating cash inflow and bank borrowings.

After increasing the graphite extraction volume, the conversion of the purpose of the Forest Land from forest land to industrial use and the application for the land use construction approval, the Company could construct the new beneficiation plant and new processing plant as stated in the Prospectus with its internal resources and/or bank financing.

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 loans from the banks. The Group's financial position remained healthy and stable. It is anticipated that the Group has sufficient working capital to fund its future working capital. For 1H 2024, we had not used any financial instruments for hedging purpose.

As at 30 June 2024, the capital structure of the Group comprised of share capital and reserves amounting to approximately RMB432.6 million (31 December 2023: RMB448.8 million).

As at 30 June 2024, the Group's net current assets were approximately RM84.8 million (31 December 2023: approximately RM225.1 million).

The Group's cash and cash equivalents as at 30 June 2024 were approximately RM94.9 million (31 December 2023: approximately RM111.9 million).

As at 30 June 2024, there were interest-bearing borrowings of approximately RM126.7 million (31 December 2023: approximately RMB66.4 million) and unutilised bank facilities of approximately RM73.2 million (31 December 2023: RMB93.6 million).

Details of the capital structure, cash and cash equivalents and borrowings are set out in note 24, note 20 and note 23 respectively to the interim condensed consolidated financial information.

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

	1H 2024	1H 2023
Net loss margin	44.5%	7.1%
	As at 30 June 2024	As at 31 December 2023
Current ratio (times)	1.5	2.9
Gearing ratio	6.8%	N/A

Net loss margin equals to loss for the period divided by revenue for the period, multiplied by 100%. Net loss during 1H 2024 was illustrated in the subsection headed "loss for 1H 2024" in this interim report.

Current ratio equals to total current assets divided by total current liabilities as at the period/year end date. Decrease of the current ratio was mainly due to the decrease of the trade and bills receivables of approximately RMB86.6 million and increase of the borrowings of approximately RMB60.2 million as a result of the decline and intense competition of the graphite market in 1H 2024.

Gearing ratio equals to net debt divided by total capital as at the period/year ended date. Net debt is calculated as total borrowings less cash and cash equivalents. Gearing ratio was approximately 6.8% as at 30 June 2024. To cope with the competitive environment and support our development, the Group had increased the amount of borrowings during 1H 2024. As at 31 December 2023, our cash and cash equivalent exceeded the total borrowings and the Group was in net cash position accordingly. Detail calculation of the gearing ratio 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 2023 and 1H 2024, the bank facilities of the Group were secured by the guarantee provided by the controlling shareholder, property, plant and equipment, land use rights, mining rights, certain trade receivables and the guarantee provided by the subsidiary of the Group. More details are set out in note 23 to the interim condensed consolidated financial information in this report.

CONTINGENT LIABILITIES

As at 31 December 2023 and 30 June 2024, 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 2023 and 30 June 2024, 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 2023 and 30 June 2024 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 2023 and 30 June 2024, the Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the interim condensed consolidated statement of financial position. In order to minimise the credit risk, we generally provide a credit period of not more than three months to the customers. The sales team is responsible for management of the customer database, which contains information such as credit period determination and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we 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 utilisation of bank borrowings and ensures compliance with loan covenants. As at 30 June 2024, 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 2024 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 2024.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had a total of 199 workers (31 December 2023: 288) of which 150 were full-time employees (31 December 2023: 198) and the remaining 49 workers were sourced from the crowdsourcing service provider (31 December 2023: 90). As at 30 June 2024, two full-time employees were based in Hong Kong and the remaining were all based in PRC. Decrease of the total workers as at 30 June 2024 compared to that as at 31 December 2023 was mainly due to the competition of graphite industry and our cost control policy to reduce the redundancy in 1H 2024.

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 2024, there was no material or significant dispute between us and our suppliers, customers and/or stakeholders.

COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2024 and 31 December 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for 1H 2024 (1H 2023: nil).

SIGNIFICANT EVENTS AFTER 1H 2024

Save as disclosed in this report, there are no material subsequent events undertaken by the Company or by the Group after 30 June 2024 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

Reference is made to the announcement of the Company dated 15 February 2024 in relation to the acquisition of the equity interest of Shandong Ruisheng Carbon Material Technology Co., Ltd.* (山東芮昇碳材料科技有限公司) (the "Target Company") and the Land Right in Nanhai New District, Weihai, Shandong, the PRC. Capitalised terms used in this report shall have the same meanings as those defined in the announcement. The Group acquired the equity interest of the Target Company and the Land Right for the expansion of its business which the Land Right can be utilised for the construction of purification facilities and the production of the anode materials used in the lithium-ion batteries. The consideration for the acquisition of the Land Right is RMB55,888,422 and a total of RMB27,944,211 had been paid as at the date of the announcement, the remaining sum for the consideration had been paid in May 2024.

Reference is made to the announcement of the Company dated 1 March 2024 in relation to the acquisition of the Forest Land Use Rights in Luobei County, Hegang City, Heilongjiang, the PRC. Capitalised terms used in this report shall have the same meanings as those defined in the announcement. The Group had obtained an official consent from the National Forestry and Grassland Administration* (國家林業和草原局) in respect of the acquisition of the Forest Land Use Rights of the Forest Land situated at Heilongjiang, the PRC, for a consideration of RMB86,922,090 on 21 February 2024. The Forest Land would be used for the purpose of increasing its graphite extraction volume to exceed 500,000 tonnes per year, the construction of its new beneficiation plant, new processing plant and tailings pond, as stipulated in the Prospectus.

Save for those disclosed above, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures, during 1H 2024 and there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this report.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to a resolution passed by the Company's then sole Shareholder on 21 June 2022. No share option was granted, lapsed, exercised or cancelled by the Company under the Share Option Scheme during 1H 2024 and there was no outstanding share option as at the date of this interim report.

DIRECTORS' INTEREST IN CONTRACT

As at 30 June 2024, 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 2024.

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

As at 30 June 2024, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Notes:

- (1) All interest stated are long positions.
- (2) The calculation is based on the total number of 1,600,000,000 Shares in issue as at 30 June 2024.
- (3) As at 30 June 2024, 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 2024, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this Interim Report, at no time during 1H 2024 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

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

To the best knowledge and information of the Directors after having made all reasonable enquiries, as at 30 June 2024, 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 shareholding in the total issued Shares of the Company⁽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 2024.

Save as disclosed above, as at 30 June 2024, 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 2024, 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 2024, the Company has complied with all applicable code provisions of the CG Code, save for code provision C.2.1 of Part 2 of the CG Code.

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

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

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules. All Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by Directors as set out in the Model Code throughout 1H 2024.

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 the management the accounting policies adopted by the Group and discussed auditing, risk management and internal control system, and financial reporting matters.

The interim results of the Group for 1H 2024 and this interim report have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited interim condensed consolidated financial statements of the Group for 1H 2024 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

By Order of the Board

China Graphite Group Limited

Zhao Liang

Chairman, executive Director and chief executive officer

Hong Kong, 28 August 2024

FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the interim condensed consolidated results of the Group for the six months ended 30 June 2024, together with the comparative unaudited figures for the corresponding periods in 2023 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	6	36,437	47,211
Cost of sales	8	(33,514)	(30,328)
Gross profit		2,923	16,883
Other income and other gains	7	1,318	80
Selling and distribution expenses	8	(2,531)	(1,686)
General and administrative expenses	8	(13,093)	(11,129)
Research and development expenses	8	(3,239)	(8,297)
Provision for impairment of financial assets		1,443	(653)
Operating loss		(13,179)	(4,802)
Finance income	9	338	873
Finance costs	9	(2,924)	(311)
Finance (costs)/income, net		(2,586)	562
Share of loss of an associate		(49)	–
Loss before income tax		(15,814)	(4,240)
Income tax (expense)/credit	10	(404)	898
Loss and total comprehensive loss for the period		(16,218)	(3,342)
Loss and total comprehensive loss attributable to owners of the Company		(16,218)	(3,342)
Loss per share for loss attributable to owners of the Company			
— Basic and diluted	11	(1.01) cents	(0.21) 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 2024

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	13	162,320	157,358
Right-of-use assets	14	65,547	8,882
Mining rights	15	22,403	22,759
Other intangible assets		276	306
Deferred income tax assets		3,067	2,277
Prepayments	19	101,449	10,919
Interest in an associate	16	–	7,536
Loans to an associate	25(a)	–	22,598
		355,062	232,635
Current assets			
Inventories	17	45,446	36,712
Trade and bills receivables	18	107,233	193,828
Deposits, prepayments and other receivables	19	3,761	442
Financial assets at fair value through profit or loss		–	90
Cash and cash equivalents	20	94,933	111,918
		251,373	342,990
Total assets		606,435	575,625
Equity			
Equity attributable to owners of the Company			
Share capital	24(a)	1,375	1,375
Share premium	24(b)	303,829	303,829
Other reserves	24(b)	(127,756)	(127,303)
Retained earnings	24(b)	255,143	270,908
Total equity		432,591	448,809

	<i>Notes</i>	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Other payables	22	–	2,150
Provision for reclamation and mine closure		2,739	2,673
Deferred income		1,807	1,936
Deferred income tax liabilities		2,722	2,167
		7,268	8,926
Current liabilities			
Trade payables	21	22,953	29,990
Accruals and other payables	22	13,098	17,160
Borrowings	23	126,668	66,428
Contract liabilities	6(f)	3,497	1,016
Lease liabilities	14	360	509
Current tax liabilities		–	2,787
		166,576	117,890
Total liabilities		173,844	126,816
Total equity and liabilities		606,435	575,625

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 2024

	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 2024 (Unaudited)						
Balance at 1 January 2024	1,375	303,829	15,193	(142,496)	270,908	448,809
Comprehensive loss						
Loss for the period	-	-	-	-	(16,218)	(16,218)
Total comprehensive loss	-	-	-	-	(16,218)	(16,218)
Transaction with owners						
Appropriation to other reserve	-	-	-	(453)	453	-
	-	-	-	(453)	453	-
Balance at 30 June 2024	1,375	303,829	15,193	(142,949)	255,143	432,591
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

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 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Cash generated from operations	66,066	64,754
Income tax paid	(3,426)	(8,694)
Net cash generated from operating activities	62,640	56,060
Cash flows from investing activities		
Decrease in short-term bank deposit	–	26,499
Purchase of property, plant and equipment	(110,530)	(37,668)
Purchase of land use rights	(27,944)	(3,671)
Purchase of intangible assets	–	(186)
Proceeds from disposal of property, plant and equipment	–	267
Loans to a related party	–	(14,820)
Interest received	338	746
Net cash used in investing activities	(138,136)	(28,833)
Cash flows from financing activities		
Proceeds from borrowings	105,530	–
Repayment of borrowings	(45,290)	–
Interest paid	(1,761)	(248)
Dividends paid	–	(23,024)
Repayments of principal elements of lease liabilities	(152)	(786)
Net cash generated from/(used in) financing activities	58,327	(24,058)
Net (decrease)/increase in cash and cash equivalents	(17,169)	3,169
Cash and cash equivalents at the beginning of the period	111,918	110,182
Effects of exchange rate changes on cash and cash equivalents	184	83
Cash and cash equivalents at end of the period	94,933	113,434

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000), unless otherwise stated, and was approved for issue by the Board of Directors on 28 August 2024.

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 2024 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 2023 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	Classification of Liabilities as Current or Non-Current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

(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 2024 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability; Disclosures	1 January 2027
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 2023.

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 2023.

There have been no changes in the risk management policies since 31 December 2023.

5.2 **Fair value estimation**

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

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 2023.

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

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

The debt-to-capital ratios as at 30 June 2024 and 31 December 2023 were as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Total borrowings	126,668	66,428
Less: Cash and cash equivalents	(94,933)	(111,918)
Net debt	31,735	(45,490)
Total equity	432,591	448,809
Total capital	464,326	403,319
Debt-to-capital ratio	6.8%	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 (expense)/credit 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 and other general administrative expenses) of the head office.

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

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

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

- (a) The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2024 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	28,484	16,480	44,964
Inter-segment revenue	(3,377)	(5,150)	(8,527)
Revenue from external customers	25,107	11,330	36,437
Segment results	(1,212)	(7,796)	(9,008)
Elimination of inter-segment loss			(110)
Unallocated amounts:			
Other income and other gains			1,318
Depreciation of right-of-use assets			(324)
Corporate expenses			(5,646)
Provision for impairment of financial assets			542
Finance costs, net			(2,586)
Loss before income tax			(15,814)
Income tax expenses			(404)
Loss for the period			(16,218)
Depreciation of property, plant and equipment	(9,088)	(2,103)	(11,191)
Depreciation of right-of-use assets	(697)	(150)	(847)
Amortisation of mining rights	-	(356)	(356)
Provision for impairment of financial assets	1,037	(136)	901
Share of loss of an associate	-	(49)	(49)
Capital expenditures	5,484	67,312	72,796

- (b) Reportable segment assets and liabilities are reconciled to total assets and total liabilities of the Group as at 30 June 2024 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	226,922	370,863	597,785
Intersegment elimination			(3,342)
Unallocated assets			11,992
Total assets per interim condensed consolidated statement of financial position			606,435
Liabilities			
Reportable segment liabilities	20,957	29,929	50,886
Unallocated liabilities			115,690
Total liabilities per interim condensed consolidated statement of financial position			166,576

- (c) 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 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

- (d) Reportable segment assets and liabilities are reconciled to total assets and total liabilities of the Group as at 31 December 2023 as follows:

	Sale of flake graphite concentrate RMB'000	Sale of spherical graphite and its by products, and unprocessed marble RMB'000	Total RMB'000
Assets			
Reportable segment assets	229,280	334,763	564,043
Intersegment elimination			(3,452)
Unallocated assets			15,034
<hr/>			
Total assets per consolidated statement of financial position			575,625
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Liabilities			
Reportable segment liabilities	59,779	22,809	82,588
Unallocated liabilities			44,228
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Total liabilities per consolidated statement of financial position			126,816
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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 3 customers individually contributed over 10% of the Group's revenue during the six months ended 30 June 2024 (30 June 2023: 2 customers). The revenue from these customers during the periods are as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	*	6,961
Customer B	4,204	12,930
Customer C	4,803	*
Customer D	4,573	*

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

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

(f) Assets and liabilities related to contracts with customers

The Group has recognised RMB3,497,000 and RMB1,016,000 receipts in advance from customers for the sale of graphite products as contract liabilities as at 30 June 2024 and 31 December 2023. For the six months ended 30 June 2024 and 2023, RMB855,000 and RMB1,958,000 of revenue recognised, respectively, relates to carried-forward contract liabilities.

7 OTHER INCOME AND OTHER GAINS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income/(loss)		
Government grants (<i>Note</i>)	1,598	–
Others	(257)	35
Other gains/(loss)		
(Loss)/gains on disposal of property, plant and equipment	(23)	45
	1,318	80

Note: The amount mainly represents the government grants in relation to our research and development activities and the Group's entitlement to corporate income tax refund (30 June 2023: Nil).

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Raw materials used		
— in production	8,322	8,647
— for research and development	438	4,934
Changes in inventories of finished goods and work in progress	(8,171)	(15,177)
Blasting expense	3,620	2,294
Subcontracting and processing charges	1,720	3,401
Provision for impairment of inventories	1,147	19
Transportation fees	1,249	1,325
Auditor's remuneration	765	540
Depreciation of property, plant and equipment	11,191	10,056
Depreciation of right-of-use assets (Note 14)	1,171	603
Amortisation of mining rights	356	458
Amortisation of other intangible assets	30	39
Employee benefit expenses (including directors' emoluments)	8,204	11,674
Outsourcing charges	2,866	2,746
Marketing expenses	—	132
Short-term operating lease rentals in respect of machineries	580	674
Utilities expenses	9,591	12,148
Professional fees	1,647	2,404
Repair and maintenance expense	1,829	1,423
Exchange gains	(182)	(1,030)
Resource tax and other miscellaneous tax	2,487	853
Impairment of property, plant and equipment	—	708
Others	3,517	2,569
Total cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses	52,377	51,440

9 FINANCE (COSTS)/INCOME, NET

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Finance income		
Interest income from bank deposits	338	746
Interest income from loans to an associate (Note 25(b))	–	127
	338	873
Finance costs		
Interest expenses on borrowings	(1,255)	(237)
Interest expenses on discounted bill financing	(503)	–
Interest elements of lease liabilities	(3)	(11)
Interest elements of provision for reclamation and mine closure	(66)	(63)
Other interest expenses	(1,097)	–
	(2,924)	(311)
Finance (costs)/income, net	(2,586)	562

10 INCOME TAX EXPENSE/(CREDIT)

PRC Corporate Income Tax has been provided for at the rate of 25% for the six months ended 30 June 2023 and 2024 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 2024 and 2023 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 2023 and 2024 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax		
— PRC corporate income tax	—	(2,277)
— Under/(over)-provision in prior years <i>(Note)</i>	639	(303)
Deferred income tax	(235)	1,682
Income tax expense/(credit)	404	(898)

Note:

The under-provision for the six months ended 30 June 2024 mainly represented the reversal of tax credits claimed during the year ended 31 December 2023, in which such tax credits were disallowed by the PRC tax authority upon reassessment during the period.

11 LOSS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Weighted average number of ordinary shares in issue (in thousand)	1,600,000	1,600,000
Group's loss attributable to the owners of the Company (RMB'000)	(16,218)	(3,342)
Basic loss per share (RMB cents)	(1.01)	(0.21)

(b) Diluted

The Company did not have any potential dilutive shares outstanding during the six months ended 30 June 2024 and 2023. Accordingly, the diluted loss per share is the same as the basic loss per share.

12 DIVIDENDS

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2024 (30 June 2023: Nil).

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.

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 2023 (Audited)							
Cost	12,079	92,710	32,341	103,279	12,447	3,783	256,639
Accumulated depreciation and impairment	-	(37,930)	(2,249)	(50,751)	(5,344)	(3,007)	(99,281)
Net book amount	12,079	54,780	30,092	52,528	7,103	776	157,358
Six months ended 30 June 2024 (Unaudited)							
Opening net book amount	12,079	54,780	30,092	52,528	7,103	776	157,358
Additions	13,313	3,358	-	180	14	44	16,909
Transfers	(9,200)	-	7,120	311	1,769	-	-
Disposals	-	-	-	(23)	-	-	(23)
Depreciation	-	(7,597)	(138)	(2,889)	(1,147)	(153)	(11,924)
Closing net book amount	16,192	50,541	37,074	50,107	7,739	667	162,320
As at 30 June 2024 (Unaudited)							
Cost	16,192	96,068	39,461	103,556	14,230	3,827	273,334
Accumulated depreciation and impairment	-	(45,527)	(2,387)	(53,449)	(6,491)	(3,160)	(111,014)
Net book amount	16,192	50,541	37,074	50,107	7,739	667	162,320

Depreciation expense has been recorded as below:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	10,235	9,157
General and administrative expenses	894	701
Research and development expenses	62	198
	11,191	10,056
Capitalised as mining structures	733	824
	11,924	10,880

As at 30 June 2024, property, plant and equipment with the carrying amount of RMB22,647,000 were pledged as the security for banking facilities granted to the Group (31 December 2023: RMB23,349,000) (Note 23).

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	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Right-of-use assets		
Land use rights	64,297	7,429
Properties	1,250	1,453
	65,547	8,882
Lease liabilities		
Current	360	509

Additions to the right-of-use assets for the six months ended 30 June 2024 and 2023 were RMB57,832,000 and RMB3,671,000, respectively.

As at 30 June 2024, land use rights with the carrying amount of RMB3,252,000 were pledged as the security for banking facilities granted to the Group (31 December 2023: RMB3,394,000) (Note 23).

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
Land-use rights	965	403
Properties	206	200
	1,171	603
Interest expense (included in finance costs)	3	11
Expense relating to short-term leases (included in cost of sales and selling and distribution expenses)	580	674

The total cash outflow for leases during the six months ended 30 June 2024 and 2023 were RMB28,137,000 and RMB5,142,000, 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.

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 2023 (Audited)	
Gross carrying amount	29,663
Accumulated amortisation	(6,904)
Net carrying amount	22,759
Six months ended 30 June 2024 (Unaudited)	
Opening net carrying amount	22,759
Amortisation	(356)
Closing net carrying amount	22,403
As at 30 June 2024 (Unaudited)	
Gross carrying amount	29,663
Accumulated amortisation	(7,260)
Net carrying amount	22,403

As at 30 June 2024, mining rights with the carrying amount of RMB22,403,000 were pledged as the security for bank facilities granted to the Group (31 December 2023: RMB22,759,000) (Note 23).

16 INTEREST IN AN ASSOCIATE

Set out below is the associate of the Group as at 31 December 2023.

Name of entity	Place of business/ country of incorporation	Percentage of ownership interest 2023	Nature of the relationship and principal activities	Measurement method
Shandong Ruisheng Carbon Material Technology Co., Limited ("Shandong Ruisheng")	PRC	40.0%	The associate will be engaged in the manufacturing and trading of electronic materials, graphite and carbon products	Equity

On 15 February 2024, Yixiang New Energy entered into a tri-party agreement (the **“Tri-Party Agreement”**) with an independent third party investor and Shandong Ruisheng. Pursuant to the terms and conditions of the Tri-Party Agreement, an independent third party investor is no longer responsible to bear and contribute in the registered capital of Shandong Ruisheng by reducing the registered capital of it from RMB20,000,000 to RMB8,000,000, whereas the Group has injected and contributed in the amount of RMB8,000,000 as a total registered capital of Shandong Ruisheng. Accordingly, the Company, through its wholly-owned subsidiary, shall become the 100% equity owner of Shandong Ruisheng as a result of the capital reduction and Shandong Ruisheng became the subsidiary of the Group with effect from 15 February 2024.

The assets and liabilities of Shandong Ruisheng as of 15 February 2024 were as follows:

	RMB'000
Prepayments	30,970
Other assets	375
Payables	(988)
Borrowings from the related party	(23,640)
Net identifiable assets	6,717

From 1 January 2024 to the date of the Tri-Party Agreement, the share of loss of the associate recognised by the Group was RMB49,000 while the Group has unrecognised share of loss of the associate of RMB46,000 for the six months ended 30 June 2023.

17 INVENTORIES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Raw materials	7,372	5,662
Work in progress	14,495	19,400
Finished goods	26,605	13,529
	48,472	38,591
Provision for inventories	(3,026)	(1,879)
Total	45,446	36,712

Provision for impairment of inventories amounted to RMB3,026,000 arising from the decrease in net realisable value as at 30 June 2024 (31 December 2023: RMB1,879,000). The additional provision for impairment of inventories amounting to RMB1,147,000 (30 June 2023: RMB19,000) was included in cost of sales in the interim condensed consolidated statement of comprehensive income.

18 TRADE AND BILLS RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables	82,154	119,725
Bills receivables	33,729	83,654
	115,883	203,379
Less: loss allowance	(8,650)	(9,551)
Total	107,233	193,828

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

As at 30 June 2024, trade receivables of three customers with the aggregate carrying amount of RMB7,429,000 were pledged as the security for banking facilities granted to the Group (31 December 2023: RMB27,656,000) (Note 23).

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Up to 90 days	11,952	83,593
91–180 days	15,986	22,277
181–270 days	37,765	4,807
271–365 days	9,616	297
Over 1 year	6,835	8,751
	82,154	119,725

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
At the beginning of the period/year	9,511	6,704
Provision for impairment of trade receivables	(892)	2,807
	8,619	9,511

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 2024 and 31 December 2023, the ageing analysis of the bills receivables, based on the bills receiving date, are as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Up to 90 days	16,530	64,286
91–180 days	17,199	19,184
181–270 days	–	184
	33,729	83,654

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
At the beginning of the period/year	40	–
Provision for impairment of bills receivables	(9)	40
	31	40

(a) Discounted bill financing

As at 30 June 2024, discounted bill financing of RMB13,531,000 (31 December 2023: RMB29,464,000) was secured by bills receivables of RMB13,685,000 (31 December 2023: RMB30,000,000) (Note 23).

(b) Bills receivables in relation to endorsement transactions

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

The endorsement transactions do not meet the requirements for derecognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the endorsed bills receivables. As at 30 June 2024 and 31 December 2023, bills receivables and the corresponding trade and other payables of RMB4,279,000 and RMB7,992,000 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.

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Deposits	116	114
Prepayments for property, plant and equipment	1,802	2,447
Prepayments for raw materials	2,509	302
Prepayments for leased land	99,647	7,724
Interest receivable from loans to an associate (Note 25(a))	–	748
Other receivables	1,136	26
	105,210	11,361
Less: non-current portion	(101,449)	(10,919)
Current portion	3,761	442

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
RMB	105,114	11,267
HK\$	96	94
	105,210	11,361

20 CASH AND CASH EQUIVALENTS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Cash at banks	94,931	111,917
Cash on hand	2	1
	94,933	111,918
Maximum exposure to credit risk	94,931	111,917

As at 30 June 2024 and 31 December 2023, the Group's cash and cash equivalents are denominated in the following currencies:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
RMB	89,604	102,816
HK\$	5,329	9,102
	94,933	111,918

As at 30 June 2024 and 31 December 2023, cash and cash equivalents of approximately RMB89,604,000 and RMB102,816,000 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 2024 and 31 December 2023, cash and cash equivalents of approximately RMB2,210,000 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 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Up to 90 days	16,003	19,580
91–180 days	2,755	8,267
181–365 days	3,867	1,845
Over 1 year	328	298
	22,953	29,990

As at 30 June 2024 and 31 December 2023, the carrying amounts of trade payables are denominated in RMB and approximate their fair values.

22 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Accrued staff expense	1,307	1,904
Accrued construction cost	1,336	4,412
Other tax payable	1,423	4,457
Rent payable	4,270	3,762
Interest payable	155	362
Others	4,607	4,413
	13,098	19,310
Less: Non-current payable	–	(2,150)
	13,098	17,160

As at 30 June 2024 and 31 December 2023, the carrying amounts of accruals and other payables approximate their fair values and are denominated in the following currencies:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
RMB	12,941	18,140
HK\$	157	1,170
	13,098	19,310

23 BORROWINGS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Bank borrowings		
— Bank loans (Note (a))	113,137	36,964
— Discounted bill financing (Note (b))	13,531	29,464
	126,668	66,428

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 1 year	126,668	66,428

The weighted effective interest rates were follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Bank borrowings		
— Bank loans	3.64%	3.85%
— Discounted bill financing	1.60%	3.50%

Notes:

- (a) As at 30 June 2024 and 31 December 2023, bank loan of RMB10,000,000 was unsecured, interest-bearing at 3.05% per annum and repayable within one year.

As at 30 June 2024 and 31 December 2023, two bank facilities with a total facility of RMB140,000,000 were granted to the Group for 3 years from the date of the respective facility letters. These facilities were secured by:

- (i) the guarantee provided by the controlling shareholder of the Group;
- (ii) property, plant and equipment with carrying amount of RMB22,647,000 (Note 13);
- (iii) land use rights of the Group with the carrying amount of RMB3,252,000 (Note 14);
- (iv) mining rights of the Group with carrying amount of RMB22,403,000 (Note 15); and
- (v) trade receivables of three customers with the aggregate carrying amount of RMB7,429,000 (Note 18).

As at 30 June 2024, bank loans and discounted bill financing of RMB61,637,000 (31 December 2023: RMB16,964,000) and RMB5,134,000 (31 December 2023: RMB29,464,000), respectively, have been drawn down, these loans bear interest at 3.6% and 2.2% per annum, respectively, and are repayable within one year.

During the six months ended 30 June 2024, a bank loan of RMB40,000,000 was granted to the Group from the date of the borrowing contract and was secured by the guarantee of a subsidiary of the Group, with interest-bearing at 3.90% per annum and repayable within one year.

During the six months ended 30 June 2024, a bank loan of RMB1,500,000 and discounted bill financing of RMB8,397,000 had been granted and drawn down by the Group, secured by the guarantee of a subsidiary and the controlling shareholder of the Group, interest-bearing at 3.9% and 1.3% per annum respectively.

There were no financial covenants attached to the Group's borrowings facilities as at 30 June 2024 and 31 December 2023.

The Group had unutilised facilities of RMB73,229,000 as at 30 June 2024 (31 December 2023: RMB93,572,000).

- (b) Bank advances for discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bank's acceptance bills and the related proceeds of the same amount are included in the Group's trade and bills receivables and borrowings respectively as at 30 June 2024 and 31 December 2023.

The carrying amounts of borrowings are denominated in RMB.

24 SHARE CAPITAL AND RESERVES

(a) Share capital

Ordinary shares of HK\$0.001 each.

	Number of shares	HK\$'000
Authorised share capital		
At 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	2,000,000,000	2,000
	Number of shares	HK\$'000
Issued and fully paid share capital		
At 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	1,600,000,000	1,375

(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 2024 (Unaudited)						
Balance at 1 January 2024	303,829	15,193	(148,670)	6,174	270,908	447,434
Comprehensive loss						
Loss for the period	-	-	-	-	(16,218)	(16,218)
Total comprehensive loss	-	-	-	-	(16,218)	(16,218)
Transaction with owners						
Appropriation to other reserve	-	-	-	(453)	453	-
	-	-	-	(453)	453	-
Balance at 30 June 2024	303,829	15,193	(148,670)	5,721	255,143	431,216
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

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. Shandong Ruisheng had been the subsidiary of the Group with effect from 15 February 2024 as stated in Note 16.

(a) Balances with related parties

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-trade balances		
Loans to an associate (<i>Note</i>)	–	22,598
Interest receivable from loans to an associate (<i>Note 19</i>)	–	748

Note: The associate became the subsidiary of the Group with effect from 15 February 2024 as stated in Note 16 and its financial statement was consolidated in the Group as at 30 June 2024.

(b) Transactions with related parties

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Employee benefit expenses received as employees of the Group (<i>Note</i>)		
— Mr. Zhao Changshan	360	360
— Mr. Zhao Changhai	102	80
— 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Wages, salaries, bonuses and allowances	2,411	2,360
Pension costs — defined contribution plans	17	8
	2,428	2,368

26 COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2024 and 31 December 2023.

27 CONTINGENCIES

The Group did not have any material contingent liabilities as at 30 June 2024 and 31 December 2023.

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 2024 and up to the date of this report.

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