



SANERGY

SANERGY GROUP LIMITED

昇能集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2459

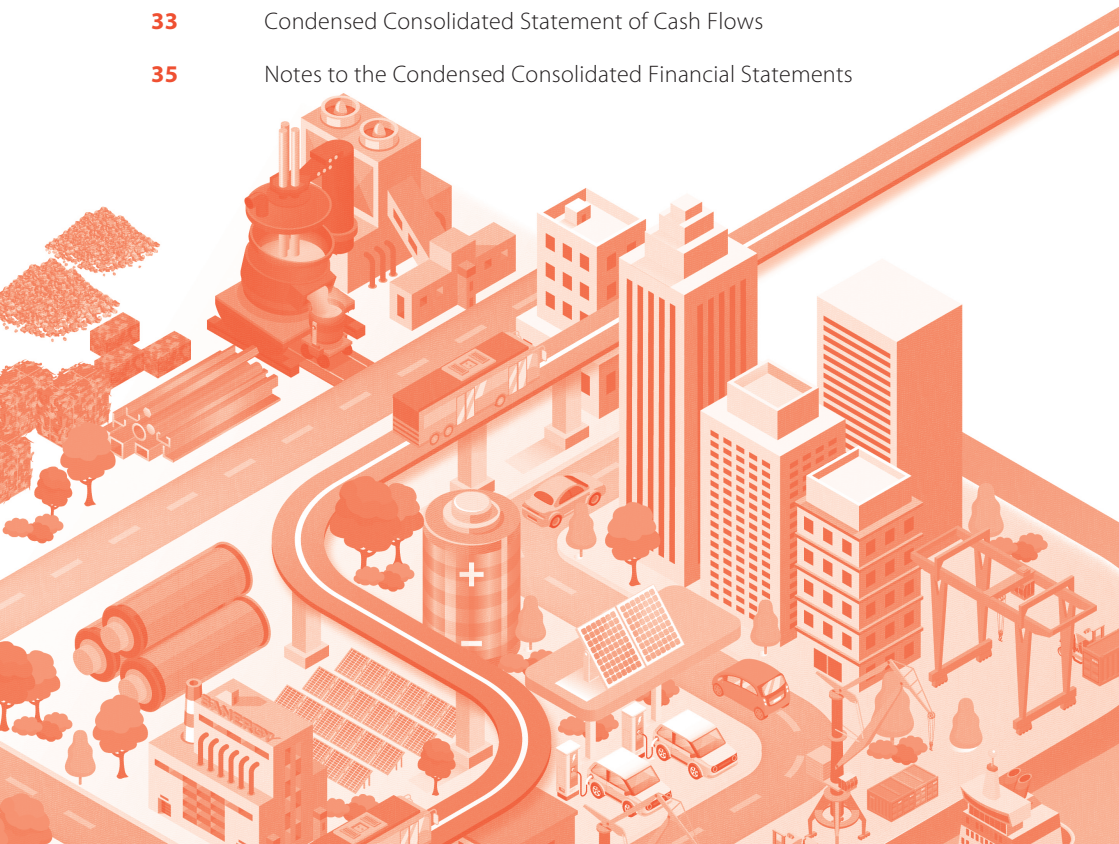
2024

INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Peter Brendon Wyllie (*Chairman*)

Mr. Hou Haolong

Mr. Yan Haiting

(resigned with effect from
31 May 2024)

Non-executive Directors

Mr. Wang Ping

Professor Zheng Honghe

(appointed with effect from
31 May 2024)

Independent Non-executive Directors

Ms. Chan Chore Man Germaine

Mr. Cheng Tai Kwan Sunny

Mr. Ngai Ming Tak Michael

COMPANY SECRETARY

Mr. Lau Che Yan Kenneth
(*HKICPA, ICAEW, ACCA*)

AUTHORIZED REPRESENTATIVES

Mr. Hou Haolong

Mr. Wang Ping

AUDIT COMMITTEE

Mr. Cheng Tai Kwan Sunny (*Chairman*)

Mr. Ngai Ming Tak Michael

Ms. Chan Chore Man Germaine

NOMINATION COMMITTEE

Mr. Peter Brendon Wyllie (*Chairman*)

Mr. Cheng Tai Kwan Sunny

Ms. Chan Chore Man Germaine

REMUNERATION COMMITTEE

Mr. Cheng Tai Kwan Sunny (*Chairman*)

Mr. Ngai Ming Tak Michael

Mr. Peter Brendon Wyllie

(appointed with effect from
31 March 2024)

Dr. Wei-Ming Shen

(resigned with effect from
31 March 2024)

ESG COMMITTEE

Mr. Ngai Ming Tak Michael (*Chairman*)

Ms. Chan Chore Man Germaine

Professor Zheng Honghe

(appointed with effect from
31 May 2024)

Mr. Yan Haiting

(resigned with effect from
31 May 2024)

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Registered Public Interest

Entity Auditor

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

3 East Industrial Road,
Hongzhou Industrial Park,
Huixian Industries Concentration Zone,
Xinxiang, Henan
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2602, 26th Floor
China Resources Building
26 Harbour Road, Wanchai

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Wells Fargo Bank, N.A.
Credit Suisse (Switzerland) Ltd.
The Hongkong and Shanghai
Banking Corporation Limited

STOCK CODE

2459

WEBSITE

www.sanergygroup.com



CORPORATE PROFILE

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

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

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

CORPORATE PROFILE

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

In view of the potential growth of the GAM market for lithium-ion batteries and to leverage on the first-mover advantage in Europe, in mid April 2024, our ground-breaking ceremony took place in Italy for our anode production facility. Through our strategic investments, we are endeavoring to establish our technology for anode production of cutting edge in line with Chinese technology in this sphere. Our strategic investments are not limited to European GAM production, but also in research and development of silicon-based anode materials in China to enable us to be part of the next generation technology in GAM production. These investments will equip us with the resilience to come through the current challenges in the graphite electrode market.



DEFINITIONS

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

“1H2023”	six months ended 30 June 2023
“APAC”	Asia-Pacific
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, for the purpose of this annual report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
“Company”	Sanergy Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (stock code: 2459)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely Otautahi Capital Inc., Otautahi Holdings Limited, Otautahi Enterprises Trust Company Limited and Mr. Hou Haolong
“Director(s)”	the director(s) of the Company
“EAF”	electric arc furnace
“EMEA”	Europe, Middle East and Africa

DEFINITIONS

“EUR”	Euro, the lawful currency of the member states of the European Union
“GAM”	Graphite anode materials
“Group” or “we”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Date”	17 January 2023, being the date of listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“MT”	metric tonne
“Nomination Committee”	the nomination committee of the Company
“Prospectus”	the prospectus of the Company dated 30 December 2022
“Reporting Period” or “1H2024”	six months ended 30 June 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities Future Ordinance (Chapter 571 of the Laws of Hong Kong)



DEFINITIONS

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The demand for graphite electrodes in 1H2024 persisted at a subdued level, echoing the ongoing challenges within the commercial landscape as global economic uncertainties continued to impact steel industry production. Against the backdrop of cautious steel output, demand receded in the Group's primary markets of North America and Europe, influenced in part by customers' inventory realignments. Despite the context of continued weakness in steel production, the Group recorded a revenue of approximately US\$32.1 million during 1H2024, representing a decrease of approximately 26.5% as compared with 1H2023 due to softening customer demand, declining selling prices of graphite electrodes and de-stocking in the downstream supply chain.

Notably, the Group's continuous efforts to provide a compelling value proposition to customers and effectively implement the de-stocking strategy enabled the Group to maintain a slight increase in the sales quantities in 1H2024. However, in the midst of suppressed market price and pricing dynamics persisting in most regions, the Group recorded a decrease in average selling price of graphite electrodes in 1H2024 by approximately 27.1% as compared with 1H2023.

While the Group recorded an increase in the average cost of sales per MT, the declining selling price of graphite electrodes led to an inventory provision of approximately US\$2.0 million being recognized in the cost of sales of approximately US\$40.2 million. Meanwhile, the average cost of sales per MT, excluding the effect of inventory provision, remained at similar level in both periods. As a result of the aforementioned decrease in revenue and the inventory provision, the Group recorded a gross loss of approximately US\$8.1 million in 1H2024 as compared to a gross profit of approximately US\$5.3 million in 1H2023.



MANAGEMENT DISCUSSION AND ANALYSIS

As part of the Group's de-stocking effort, the Group's inventory level reduced by over 20%, from approximately US\$57.0 million as at 31 December 2023 to approximately US\$44.1 million as at 30 June 2024. The Group pursued this to minimize the overall potential inventory risk exposure, including (i) improving the Group's cashflow position by reducing the amount of capital tied up in the inventory, and (ii) increasing the Group's operational flexibility by more quickly adapting to changes in customer demand or market conditions and improving in forecasting, procurement, and production planning.

While the Group continues to strive to implement operational cost measures to maintain its industry competitiveness in graphite electrode business, the groundbreaking ceremony held in April 2024 marks a pivotal step in the strategic business diversification with GAM investment. Accordingly, the Group also incurred more expenses for its GAM business expansion project such as project preparation and development, which were carried out in a cautious manner in order to seize the opportunity in the European new energy market.

Despite the absence of the listing-related expenses during 1H2024, the Group's loss attributable to owners of the Company increased from approximately US\$4.2 million in 1H2023 to approximately US\$14.4 million in 1H2024. This was primarily due to the factors mentioned earlier, such as the suppressed market price, inventory provisions and continued development in GAM business expansion project. To navigate the challenging market conditions, the Group will continue demonstrating resilience and adaptability. The Group will swiftly implement a comprehensive response strategy, focusing on preserving its operating resources and minimizing inventory risk exposure. This proactive approach will help the Group weather the current industry headwinds and position itself for a stronger recovery as the market environment improves.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECT

Looking ahead to the second half of 2024, the Group foresees a persisted challenging market environment with subdued demand in downstream steelmaking. Despite this backdrop, the World Steel Association expects that (i) this year global demand will see a 1.7% rebound; (ii) the developed world is expected to show a strengthening recovery with 1.3% in 2024; and (iii) emerging parts of the world are expected to show accelerating growth in their steel demand over 2024 after a significant slowdown over 2022-2023. Encouraged by these outlooks, the Group remains optimistic about its future business outlook and continues to pursue its business plan with a view to better position itself for business opportunities once the industry picks up its momentum. The global context of carbon neutrality continues to be the Group's growth driver in the mid-to-long term. Notably, Organisation for Economic Co-operation and Development's data and the Group's internal studies indicate a projected increase in global steelmaking capacity in 2024-2025, fueled by proliferation of electric arc furnace projects that will elevate demand for graphite electrodes.

The Group will strive to implement cost control measures to navigate the prevailing challenges in the commercial landscape, safeguarding the shareholders' interest and committing to delivering sustainable growth. While there have been challenges and it is currently expected that these challenges may continue to exist in the remaining period of 2024 and the near term, the Group has taken this opportunity to invest in diversification with GAM investment as a natural expansion of its business and the ground-breaking ceremony has taken place in Italy for the construction of GAM production facility in 1H2024. The Group remain committed to seize the opportunity in the European new energy market by contributing to the European lithium battery supply chain, with the support of various favorable European policies, such as Critical Raw Materials Act, EU Battery Regulation and EU Carbon Tax etc.

The Group will continuously uphold the mission of low-carbon transformation. Through two core strategies supporting the decarbonization of the steel and energy industries, it is committed to creating an efficient and sustainable path to a green and low-carbon future and delivering long term sustainable value for its shareholders.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately US\$43.7 million in 1H2023 to approximately US\$32.1 million in 1H2024 mainly due to the decrease in the average selling price of graphite electrodes from approximately US\$4,549/MT in 1H2023 to approximately US\$3,316/MT in 1H2024. Despite the current global economic uncertainties during 1H2024, the Group managed to maintain a slight increase in the sales quantities of graphite electrodes of 9,682MT in 1H2024 as compared to 9,603MT in 1H2023.

Cost of Sales

The cost of sales increased from approximately US\$38.4 million in 1H2023 to approximately US\$40.2 million in 1H2024 mainly due to (i) the increase in average cost of sales from approximately US\$3,997/MT in 1H2023 to approximately US\$4,154/MT in 1H2024 driven by the decrease in production volume in 1H2024 as compared to that of 1H2023 as a de-stocking effort; and (ii) the additional inventory provision of approximately US\$2.0 million being recognised (1H2023: US\$Nil) due to the decrease in net realizable value of the inventory as assessed based on the market prices of graphite electrodes.

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

The gross profit decreased from approximately US\$5.3 million in 1H2023 to gross loss of approximately US\$8.1 million in 1H2024 and the gross profit margin decreased from approximately 12.1% in 1H2023 to a gross loss margin of approximately 25.3% in 1H2024. Such decrease in gross profit margin was mainly driven by the foregoing reasons, including (i) the decrease in average selling price of graphite electrodes; and (ii) the increase in average cost of sales of graphite electrodes per MT.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

The total administrative expenses of the Group were approximately US\$5.8 million in 1H2024, representing an increase of approximately 8.9% as compared to 1H2023. Such increase was mainly due to increase in expenditure incurred for continued development in GAM business expansion project.

Finance Costs

The total finance costs of the Group were approximately US\$1.7 million in 1H2024, representing a decrease of approximately US\$0.4 million as compared to approximately US\$2.1 million in 1H2023. The main reason for such decrease was the repayment of certain bank and other borrowings.

Listing-related Expenses

No listing-related expenses were incurred in 1H2024 as the Company's shares were successfully listed in January 2023 (1H2023: listing expenses of US\$1.7 million and discretionary listing bonus expenses of US\$3.0 million).

Loss for the Reporting Period

Overall, the loss attributable to owners of the Company increased from approximately US\$4.2 million in 1H2023 to US\$14.4 million in 1H2024, mainly driven by (i) the gross loss due to the foregoing reasons, and (ii) a moderate increase in administrative expenses due to continued development in GAM business expansion project and partially offset by the decrease in listing-related expenses.



MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flows, liquidity, Capital Resources and Capital Structure

During 1H2024, the Group satisfied its capital requirements principally with (i) the cash generated from operations; (ii) proceeds from bank and other borrowings; and (iii) proceeds from the listing of shares of the Company on the Stock Exchange on 17 January 2023.

The net cash from operating activities, the net cash used in investing activities and the net cash used in financing activities in 1H2024 amounted to approximately US\$5.4 million (1H2023: net cash used in operating activities: US\$4.7 million), approximately US\$1.8 million (1H2023: net cash used in investing activities: US\$10.0 million) and approximately US\$10.9 million (1H2023: net cash from financing activities: US\$30.8 million), respectively.

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

As at 30 June 2024, the Group's cash and cash equivalents were approximately US\$22.3 million (31 December 2023: US\$29.6 million) and mainly denominated in US\$, EUR, RMB and HK\$.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's total interest-bearing bank and other borrowings as at 30 June 2024 amounted to approximately US\$28.4 million (31 December 2023: US\$38.7 million), which were mainly denominated in US\$, RMB, EUR and HK\$. The interest-bearing bank borrowings were mainly used for working capital and all of which are at commercial lending interest rates.

The Group manages its capital structure by maintaining a balance between equity and debts. As at 30 June 2024, the Group's total equity and liabilities amounted to approximately US\$131.5 million and US\$76.4 million, respectively (31 December 2023: US\$148.5 million and US\$77.6 million, respectively).

Gearing Ratio

The Group's gearing ratio, as calculated based on total debts divided by total equity, decreased from approximately 26.1% as at 31 December 2023 to approximately 21.6% as at 30 June 2024. This was mainly attributable to the overall decrease in the total debts of approximately US\$10.3 million resulting from the net repayment of interest bearing bank and other borrowings during 1H2024.

Foreign Exchange Exposure

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. At present, the Group does not intend to seek to hedge our exposure to foreign exchange fluctuations. However, the Group's management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future where appropriate.

Capital Expenditures

The Group's capital expenditures principally consisted of expenditures on additions to property, plant and equipment for the expansion of its operations. For 1H2024, the Group incurred capital expenditures of approximately US\$0.9 million.



MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 30 June 2024, certain of property, plant and equipment, trade receivables, industrial leasehold land and cash and cash equivalents with carrying amounts of approximately US\$22.1 million, US\$5.6 million, US\$3.1 million, US\$5.2 million respectively (31 December 2023: US\$22.7 million, US\$10.1 million, US\$3.2 million and US\$1 million respectively) were pledged to independent third parties.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Venture

The Group did not have any material acquisitions nor disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Significant Investments

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 30 June 2024.

OTHER INFORMATION

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

As at the 30 June 2024, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity and nature of interest	Number of Shares	Percentage of interest ^(Note 1)
Mr. Hou Haolong	Founder of a discretionary trust ^(Note 2)	582,402,000	57.66%

Notes:

1. Based on 1,010,000,000 Shares of the Company in issue as at 30 June 2024.
2. The shares were held by Otautahi Capital Inc. which is owned as to 100% by Otautahi Holdings Limited. Otautahi Holdings Limited is in turn wholly-owned by Otautahi Enterprises Trust Company Limited. Otautahi Enterprises Trust Company Limited is the trustee of the Otautahi Enterprises Trust, which is a discretionary trust established by Otautahi Enterprises Trust Company Limited as the trustee and Mr. Hou Haolong is one of the beneficiaries. Accordingly, Mr. Hou Haolong is deemed to be interested in the Shares held by Otautahi Capital Inc. under the SFO.

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions deemed or taken under the relevant provisions of the SFO), or which were required to be entered in the register referred to therein under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



OTHER INFORMATION

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

To the best of Directors' knowledge, as of the 30 June 2024, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO which were kept by the Company pursuant to section 336 of the SFO:

Name of shareholders	Capacity and nature of interest	Number of Shares	Percentage of interest ^(Note 1)
Otautahi Capital Inc. ^(Note 2)	Beneficial owner	582,402,000	57.66%
Otautahi Holdings Limited ^(Note 2)	Interest in controlled corporations	582,402,000	57.66%
Otautahi Enterprises Trust Company Limited ^(Note 2)	Trustee	582,402,000	57.66%

Notes:

1. Based on 1,010,000,000 Shares of the Company in issue as at 30 June 2024.
2. The Shares were held by Otautahi Capital Inc. which is wholly-owned by Otautahi Holdings Limited. Otautahi Holdings Limited is wholly-owned by Otautahi Enterprises Trust Company Limited. Otautahi Enterprises Trust Company Limited is the trustee of Otautahi Enterprises Trust, which is a discretionary trust established by Otautahi Enterprises Trust Company Limited as the trustee and Mr. Hou Haolong is one of the beneficiaries of Otautahi Enterprises Trust. Accordingly, they are deemed to be interested in the Shares held by Otautahi Capital under the SFO.

Save as disclosed above, the Directors are not aware that there is any party (who were not Directors or chief executive of the Company) who, as at 30 June 2024, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During 1H2024, none of the Directors and directors of the Company's subsidiaries or their respective associates had any interests in any businesses, apart from the Group's business, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

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

CHANGE OF USE OF PROCEEDS FROM THE LISTING

The Shares have been listed on the Main Board of the Stock Exchange since the Listing Date. The net proceeds from the global offering after deducting the underwriting fees and commissions and related expenses (the "**Net Proceeds**") were approximately HK\$186.7 million. As at 30 June 2024, approximately 47.2% of the Net Proceeds has not been deployed for the proposed allocation as designated and disclosed in the Prospectus in an efficient manner. In this regard, the Board, after considering (i) the overall business operating environment, (ii) the present and future development of the Group, and (iii) factors as set out below in the paragraph headed "Reasons for and benefits of the Change in Use of Proceeds", has resolved to change the use of the unutilized portion of the Net Proceeds allocated under (i) "Pay for the purchase price of the Taigu Assets" and (ii) "Upgrade of the Group's graphite electrode production systems on the Italian Factory, the PRC Factory and the Sanli Assets" (the "**Change in Use of Proceeds**") as illustrated in the table below.



OTHER INFORMATION

The table below illustrates, among others, (i) the utilized and unutilized amount of Net Proceeds as of 30 June 2024; and (ii) the Change in Use of Proceeds, in each case, in accordance with paragraph 11(8) of Appendix D2 to the Listing Rules:

Purpose	Planned	Utilized	Unutilized	Proposed	Revised	Expected
	allocation of	Net Proceeds	Net Proceeds			
	Net Proceeds	as at 30 June	as at 30 June	allocation of	the unutilized	of the
	as disclosed in	2024 and the	2024 and the	Net Proceeds	Net Proceeds	unutilized
	the Prospectus	date of this	date of this	HK\$'million	HK\$'million	Net Proceeds
	HK\$'million	report	report			
1 Pay for the purchase price of the Taigu Assets (as defined in the Prospectus)	65.0	(44.2)	20.8	(20.8)	-	-
2 Upgrade of the Group's graphite electrode production systems on the Italian Factory, the PRC Factory and the Sanli Assets (as defined in the Prospectus)	103.0	(35.6)	67.4	(20.0)	47.4	first half of 2026
3 Working capital and general corporate purposes	18.7	(18.7)	-	-	-	-
4 Develop and expand GAM business	-	-	-	15.0	15.0	second half of 2025
5 Pay for operational costs of our graphite electrode business	-	-	-	25.8	25.8	first half of 2025
	186.7	(98.5)	88.2	-	88.2	

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Considering (1) the demanding business environment and the simultaneous development of the Group's dual-core business strategy in graphite electrodes and graphite anode materials; and (2) the imminent need to optimize funding use and maximizing the benefits of the Net Proceeds given that approximately 47.2% of the Net Proceeds remained unutilized after the Listing Date for 18 months, the Group anticipates that a strategic reallocation of the Net Proceeds is essential, advocating for a shift in the deployment of resources for the Company's long-term prosperity and optimization of funding resource.

OTHER INFORMATION

(1) Pay for the purchase price of the Taigu Assets

The remaining unutilized proceeds for the purchase consideration of the Taigu Assets are reduced by HK\$20.8 million to nil as (i) certain payment conditions of the acquisition are yet to be fulfilled and the Group expects such payment conditions will need to take a prolonged period of time to be fulfilled while the Group will continue to undergo negotiations with the vendor in an effort to obtain the required certificates following the required procedures; and (ii) the Group intends to use other funding resources e.g. debt financing or equity financing as the Group deems fit when needed in light of its own development status. Hence, such unutilized proceeds of approximately HK\$20.8 million will be reallocated to payment for operational costs to support the ordinary course of graphite electrode business.

(2) Upgrade of the Group's graphite electrode production systems on the Italian Factory, the PRC Factory and the Sanli Assets

The remaining unutilized proceeds for upgrades on the Group's graphite electrode production facilities are reduced by HK\$20 million as the Group considers slowing down the pace of the upgrades to the production facilities and reallocating HK\$15 million to support the development of the GAM project in Narni, Italy (the "**Narni GAM Project**"), which would enable the Group to (i) cope with the market condition of the graphite electrodes industry; and (ii) seize the opportunity in the European new energy market. The remaining portion of HK\$5 million will be allocated to support the operational costs of the Group's graphite electrode business as detailed below. When the Group deems fit in light of the market condition and its own development status, the Group intends to use its own financial resources to fund the upgrades on the Group's graphite electrode production facilities.



OTHER INFORMATION

(3) Pay for operational costs of the graphite electrode business

A reallocation of approximately HK\$25.8 million is made for the purpose of payment for operational costs to support the ordinary course of graphite electrode business, including but not limited to (i) procurement of raw materials and/or graphite electrodes, (ii) payment for subcontracting and conversion cost, and (iii) other operating and overhead costs, which will help improve the Group's liquidity, provide more buffer to adapt flexibly to changes in the market environment and demonstrate the resilience of the Group's existing core business. These funds are expected to support the Group's graphite electrode production for the upcoming one to two quarters and ensure the fulfillment of secured customer orders expected for delivery in 2024 and 2025.

(4) Develop and expand GAM business

With references to the announcements of the Company dated 13 November 2023 and 22 December 2023 and the annual report for the year ended 31 December 2023 ("**FY2023**"), the Group has taken the opportunity to invest in diversification with GAM investment as a natural expansion of its business. While the Group would continue to strive to maintain operational cost efficiency in graphite electrode business, it is concurrently progressing in the Narni GAM Project, incurring expenses for project preparation and development to seize the opportunity in the European new energy market. The ground-breaking ceremony for the construction of Italy GAM production facility in 1H2024 marks a pivotal step in this strategic diversification. In this regard, the Board has decided to allocate approximately HK\$15 million to continue to develop and expand the GAM business, including but not limited to capital expenditure, operational cost, research and development expenditure.

OTHER INFORMATION

Based on a number of factors, including:

- the Group's full utilization of the proceeds originally allocated to working capital and general corporate purposes;
- the need for further funding required to enhance corporate cash flow and the flexibility of financial management of the Company so as to cope with the prevailing market dynamic and long production cycle;
- the significant market opportunity in GAM, the decision of natural expansion of the Group's business and the need to continue developing the Narni GAM Project to seize the market opportunity in the European new energy market, it is imperative to reallocate the aforementioned portion of the unutilized proceeds to (1) support the Narni GAM Project to diversify the Company's business while leveraging the common process technologies and common raw materials between graphite electrode production and graphite anode materials production; and (2) provide liquidity and resources for funding need for payment of operational costs for the graphite electrode business of the Group.

The Board considers that the strategic direction of the Company is consistent with the disclosures that were made in the annual report of the Company for FY2023. The Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus. The graphite electrode business will remain the core business of the Group. The proposed reallocation of the unutilized Net Proceeds would allow the Group to deploy its financial resources more effectively to support the original core business operation while naturally expanding and diversifying its business. The Board will continuously assess the plan for the use of the unutilized Net Proceeds and may revise or amend such plan where necessary to cope with the changing market conditions and strive for better business performance of the Group.



OTHER INFORMATION

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2024, the Group employed 207 (as at 30 June 2023: 206) staff. The staff costs (including directors remuneration) for the Reporting Period amounted to approximately US\$5.1 million (1H2023: US\$8.3 million). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and share option scheme.

INTERIM DIVIDEND

The Board did not declare any interim dividend for 1H2024 and 1H2023.

CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDIT COMMITTEE

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

The Audit Committee has discussed with the management and the external auditors and reviewed this interim report and the unaudited condensed consolidated interim financial statements of the Group for 1H2024. The Audit Committee has also reviewed this interim report and confirms that it is complete and accurate and complies with the requirements of the Listing Rules.

OTHER INFORMATION

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for 1H2024 has been reviewed and agreed by the Company's auditors, Deloitte, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The review report of the auditors will be included in this interim report of the Company for the Reporting Period to be dispatched to the Shareholders.

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

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



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF SANERGY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sanergy Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 28 to 60, which comprise the condensed consolidated statement of financial position at 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2024



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	NOTES	US\$'000	US\$'000
		(unaudited)	(unaudited)
Revenue	4	32,101	43,685
Cost of sales		(40,215)	(38,384)
Gross (loss) profit		(8,114)	5,301
Other income	4	303	463
Other gains and losses	5	721	(1,206)
Impairment losses under expected credit loss model, net of reversal		(61)	–
Selling expenses		(1,635)	(1,325)
Administrative expenses		(5,818)	(5,342)
Other expenses		(110)	(109)
Share of results of an associate		(192)	–
Finance costs		(1,733)	(2,145)
Listing expenses		–	(1,655)
Discretionary listing bonus expenses		–	(3,045)
Loss before tax	6	(16,639)	(9,063)
Income tax credit	7	2,271	4,839
Loss for the period attributable to owners of the Company		(14,368)	(4,224)
Loss per share for profit attributable to the owners of the Company			
— Basic	9	US\$(1.4) cents	US\$(0.4) cents
— Diluted	9	US\$(1.4) cents	US\$(0.4) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Other comprehensive expense		
<i>Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(2,595)	(791)
Other comprehensive expense for the period, net of tax	(2,595)	(791)
Total comprehensive expense for the period attributable to owners of the Company	(16,963)	(5,015)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	NOTES	At 30 June 2024 US\$'000 (unaudited)	At 31 December 2023 US\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	97,079	100,053
Right-of-use assets	10	7,021	7,156
Intangible assets		735	713
Prepayments and deposits		618	652
Interest in an associate	11	6,337	6,651
Deferred tax assets	16	5,204	3,413
		116,994	118,638
CURRENT ASSETS			
Inventories		44,064	57,024
Trade receivables	12	14,375	12,950
Prepayments, deposits and other receivables		8,653	6,282
Financial asset at fair value through profit or loss		1,540	1,540
Cash and cash equivalents		22,279	29,620
		90,911	107,416
CURRENT LIABILITIES			
Trade payables	13	8,950	7,200
Other payables and accruals		24,077	15,745
Lease liabilities	14	325	240
Interest-bearing bank and other borrowings	15	25,724	34,699
Income tax payable		4,646	4,687
		63,722	62,571
Net current assets		27,189	44,845
Total assets less current liabilities		144,183	163,483

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		At	At
		30 June	31 December
		2024	2023
	NOTES	US\$'000	US\$'000
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Other payables and accruals		1,200	1,288
Lease liabilities	14	858	911
Interest-bearing bank and other borrowings	15	2,653	3,964
Deferred tax liabilities	16	7,942	8,827
		12,653	14,990
Net assets		131,530	148,493
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	17	10,100	10,100
Reserves		121,430	138,393
Total equity		131,530	148,493



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company								
	Issued capital	Share premium*	Other reserve*	Capital reserve*	Statutory reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Retained profits*	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2023 (audited)	110	7,300	-	(4,684)	1,257	35,157	(9,190)	102,967	132,917
Loss for the period	-	-	-	-	-	-	-	(4,224)	(4,224)
Other comprehensive expense for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(791)	-	(791)
Total comprehensive expense for the period	-	-	-	-	-	-	(791)	(4,224)	(5,015)
Issuance of shares	9,890	21,512	-	-	-	-	-	-	31,402
Appropriation to statutory reserve	-	-	-	-	2	-	-	(2)	-
Release of asset revaluation reserve	-	-	-	-	-	(823)	-	823	-
At 30 June 2023 (unaudited)	10,000	28,812	-	(4,684)	1,259	34,334	(9,981)	99,564	159,304
At 1 January 2024 (audited)	10,100	28,812	(100)	(4,684)	1,257	31,335	(7,384)	89,157	148,493
Loss for the period	-	-	-	-	-	-	-	(14,368)	(14,368)
Other comprehensive expense for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,595)	-	(2,595)
Total comprehensive expense for the period	-	-	-	-	-	-	(2,595)	(14,368)	(16,963)
At 30 June 2024 (unaudited)	10,100	28,812	(100)	(4,684)	1,257	31,335	(9,979)	74,789	131,530

* These reserve accounts comprise the consolidated reserves of US\$121,430,000 (2023: US\$138,393,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Loss before tax	(16,639)	(9,063)
Adjustments for:		
Decrease (increase) in inventories	7,463	(6,078)
(Increase) decrease in trade receivables	(1,569)	656
(Increase) decrease in prepayments, deposits and other receivables	(1,926)	1,497
Increase (decrease) in trade payables	1,852	(2,460)
Increase in other payables and accruals	9,051	2,779
Other operating activities	8,866	4,595
Cash generated from (used in) operations	7,098	(8,074)
Interest received	134	176
Interest paid	(1,579)	(1,100)
Interest element in lease payments	(60)	(58)
Income taxes (paid) refunded	(170)	4,310
NET CASH FROM (USED IN) OPERATING ACTIVITIES	5,423	(4,746)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,613)	(4,284)
Additions to intangible assets	(179)	(15)
Proceeds from sublease	-	15
Acquisition of interest in an associate	-	(5,695)
NET CASH USED IN INVESTING ACTIVITIES	(1,792)	(9,979)
FINANCING ACTIVITIES		
Proceeds on issue of shares	-	35,364
Transaction costs attributable to issue of shares	-	(2,830)
New borrowings	3,789	12,886
Repayment of borrowings	(14,554)	(14,305)
Principal portion of lease payments	(165)	(289)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(10,930)	30,826



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,299)	16,101
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, net	(42)	591
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	29,620	11,652
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	22,279	28,344

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL AND BASIS OF PREPARATION

Sanergy Group Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 26 June 2018. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 2602, 26/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

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

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

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the manufacturing and sale of graphite electrodes. In the opinion of the directors, Otautahi Enterprises Trust Company Limited, a company incorporated in New Zealand on 9 January 2014, is the ultimate holding company of the Company. There has been no significant change in the Group’s principal activities during the six months ended 30 June 2024.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from the application of amendments to the Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Americas	8,479	13,578
Europe, Middle East and Africa ("EMEA")	18,162	23,272
People's Republic of China (the "PRC")	5,385	6,771
Asia Pacific excluding the PRC	75	64
	32,101	43,685

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Non-current assets

	At	At
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(audited)
Americas	224	78
EMEA	47,816	50,241
PRC	63,686	64,836
Asia Pacific excluding the PRC	30	36
	111,756	115,191

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

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Sale of graphite electrodes	32,101	43,685

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. REVENUE AND OTHER INCOME (CONTINUED)

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

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Type of goods or service		
Sale of graphite electrodes	32,101	43,685
Timing of revenue recognition		
Goods transferred at a point in time	32,101	43,685

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

For the six months ended 30 June 2024 and 2023, revenue of US\$66,000 and US\$26,000, respectively, was recognised that was included in the contract liabilities at the beginning of the relevant period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. REVENUE AND OTHER INCOME (CONTINUED)

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

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

The performance obligation of the sale of graphite electrodes is satisfied upon delivery of the products and payment is generally due within 30 to 60 days from delivery, except for new customers, where payment in advance is normally required. As a practical expedient in HKFRS 15, the amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to these consolidated financial statements because all the remaining performance obligations in relation to the sale of graphite electrodes are a part of contracts that have an original expected duration of one year or less.

An analysis of other income is as follows:

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Bank interest income	134	175
Government subsidies*	121	283
Others	48	5
	303	463

* The subsidies for the six months ended 30 June 2024 and 2023 represented business, export and environmental subsidies received from the PRC government. There were no unfulfilled conditions or contingencies relating to these subsidies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Loss on disposal of property, plant and equipment	(6)	–
Net gain (loss) from sale of other carbon products	550	(266)
Foreign exchange differences, net	177	(940)
	721	(1,206)

6. LOSS BEFORE TAX

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
The Group's loss before tax is arrived at after charging (crediting):		
Cost of inventories sold*	38,181	38,384
Net write-down of inventories*	2,034	–
Depreciation of property, plant and equipment**	2,023	2,020
Depreciation of right-of-use assets**	286	462
Amortisation of intangible assets^	143	142
Lease payments not included in the measurement of lease liabilities	50	9
Directors' remuneration	437	756
Other employee benefit expense:		
— Wages and salaries and pension scheme contributions [†]	4,637	7,593
— Less: Amount capitalised	(1,995)	(2,174)
— Less: Government subsidies ^{##}	–	(508)
Total employee benefit expense	3,079	5,667



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

6. LOSS BEFORE TAX (CONTINUED)

- # The amount for the six months ended 30 June 2023 included the discretionary listing bonus expense of US\$3,045,000.
- ## There are no unfulfilled conditions or contingencies relating to these subsidies.
- * Included in cost of sales on the condensed consolidated statement of profit or loss and other comprehensive income.
- ** Certain depreciation charge for property, plant and equipment and right-of-use assets of US\$1,825,000 and US\$1,933,000 for the six months ended 30 June 2024 and 2023, respectively, are included in cost of sales on the condensed consolidated statement of profit or loss and other comprehensive income.
- ^ Included in administrative expenses on the condensed consolidated statements of profit or loss and other comprehensive income.

7. INCOME TAX CREDIT

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

7. INCOME TAX CREDIT (CONTINUED)

The Coronavirus Aid, Relief, and Economic Security Act ("**CARES Act**") was enacted on 27 March 2020 in the US. Under the CARES Act, the companies incorporated in the US can carry back net operating loss incurred (if any), in the calendar year ended 31 December 2018, 2019 and 2020 to previous five financial years that has taxable profit for tax refund. As such, the subsidiary of the Company in the US is eligible to carry back approximately US\$21,952,000 net operating loss incurred in the year ended 31 December 2020 which gave rise to approximately US\$4,610,000 tax credit for the six months ended 30 June 2023.

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

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

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Current — Hong Kong		
Charge for the period	8	3
Current — elsewhere*	121	(4,082)
Deferred tax	(2,400)	(760)
Income tax credit for the period	(2,271)	(4,839)

* The amount for the six months ended 30 June 2023 included the tax credit impact of CARES Act received in March 2023, amounting to US\$4,610,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

8. DIVIDENDS

No dividend was declared by the Company to its shareholders during the six months ended 30 June 2024 and 2023.

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

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

The weighted average number of ordinary shares used for the purpose of calculating basic loss per share and diluted loss per share for the six months ended 30 June 2023 had been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue which was completed on 17 January 2023 ("**Listing Date**").

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

The computation of diluted loss per share for the six months ended 30 June 2024 and 2023 does not assume the exercise of the Company's over-allotment option and issuance of 10,000,000 share since their assumed exercise would result in a decrease in loss per share.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

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

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(14,368)	(4,224)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,000,000,000	984,760,221

The computation of diluted loss per share for the six months ended 30 June 2024 and 2023 does not assume the exercise of the Company's over-allotment option since their assumed exercise would result in a decrease in loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

During the six months ended 30 June 2024, the Group incurred total expenditure of approximately US\$878,000 (six months ended 30 June 2023: US\$2,699,000) on the acquisition of property, plant and equipment.

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

During the current interim period, the Group entered into several new lease agreements with lease terms ranging from 24 to 36 months (six months ended 30 June 2023: 36 to 48 months) and fixed monthly payments. The Group recognised new right-of-use assets of approximately US\$230,000 and US\$75,000, and lease liabilities of approximately US\$230,000 and US\$75,000 during the six months ended 30 June 2024 and 2023, respectively.

At 30 June 2024, certain of the Group's land and buildings with a net carrying amount of approximately US\$7,743,000 (31 December 2023: US\$7,896,000), plant and machinery with a net carrying amount of approximately US\$14,367,000 (31 December 2023: US\$14,821,000) and industrial leasehold land with a net carrying amount of approximately US\$3,125,000 (31 December 2023: US\$3,186,000) were pledged to independent third parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

11. INTEREST IN AN ASSOCIATE

	At	At
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(audited)
Cost of investment in an associate	6,913	6,913
Share of post-acquisition losses and other comprehensive expense	(457)	(265)
Exchange difference arising on translation	(119)	3
	6,337	6,651

In May 2023, the Group has entered into an investment agreement (“**Investment Agreement**”) with third parties to inject a total of RMB40,000,000 (equivalent to approximately US\$5,709,000) into Hubei Hairong Technology Co., Ltd (“**Hubei Hairong**”). The Group is entitled to appoint one out of three directors of Hubei Hairong, which represented 33.3% of voting right, the Group is considered to have significant influence over Hubei Hairong.

Pursuant to the Investment Agreement, the Group has a share acquisition option to purchase 51% of a Hong Kong incorporated investment holding company holding 52.5% equity interest of Hubei Hairong, the exercise of the option is subjected to terms and conditions including, but not limited to certain amount of additional fundings to be raised by Hubei Hairong which is not yet met as at 30 June 2024 and 31 December 2023. The option is classified as financial asset at fair value through profit or loss (“**FVTPL**”) and recognised a gain from changes in fair value of financial asset at FVTPL amounted to US\$1,540,000 during the year ended 31 December 2023. No material movement in the financial asset at FVTPL was recorded during the six months ended 30 June 2024.

In November 2023, a third party injected additional capital into Hubei Hairong, pursuant to an investment agreement entered between the third party and Hubei Hairong. After the capital injection, the Group holds 28.3% of total equity interest of Hubei Hairong and is entitled to appoint one out of four directors, which represented 25% of voting right. Hubei Hairong remains as an associate of the Group upon the completion of the transaction.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. TRADE RECEIVABLES

	At	At
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(audited)
Trade receivables measured at amortised cost	14,188	13,046
Impairment losses	(380)	(319)
	13,808	12,727
Trade receivables measured at FVTPL	567	223
	14,375	12,950

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

Certain trade receivable balances were classified and measured at FVTPL as these trade receivables are held within a business model with the objective to sell the financial assets on a non-recourse basis under a trade receivable factoring arrangement with a bank. The balances were derecognised as the Group has transferred substantially all the risks and rewards of ownership of these receivables to the bank.

As part of its normal business, the Group also entered into a trade receivable factoring arrangement and transferred certain trade receivables to a bank with recourse. The carrying amount of the assets that the Group continued to recognise as at 30 June 2024 was US\$Nil (31 December 2023: US\$131,000) and that of the associated liabilities as at 30 June 2024 was US\$Nil (31 December 2023: US\$124,000).

At 30 June 2024, certain trade receivables of approximately of US\$5,622,000 (31 December 2023: US\$10,063,000), were pledged to third parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. TRADE RECEIVABLES (CONTINUED)

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

	At	At
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(audited)
Not past due	12,444	7,524
Within 1 month	1,595	2,060
1 to 3 months	325	1,026
Over 3 months	11	2,340
	14,375	12,950

13. TRADE PAYABLES

	At	At
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(audited)
Trade payables	8,950	7,200



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. TRADE PAYABLES (CONTINUED)

An ageing analysis of the trade payables, based on the past due date as at the end of each of the period, is as follows:

	At	At
	30 June	31 December
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(audited)
Not past due	7,036	5,678
Within 1 month	1,303	1,092
1 to 3 months	502	281
Over 3 months	109	149
	8,950	7,200

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 120 days.

14. LEASE LIABILITIES

During the current interim period, interest expense of approximately US\$60,000 (six months ended 30 June 2023: US\$58,000) has been charged to profit or loss and repayment of approximately US\$165,000 (six months ended 30 June 2023: US\$289,000) has been made in relation to the lease liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

During the six months ended 30 June 2024, the Group obtained new bank borrowing of approximately US\$3,789,000 (six months ended 30 June 2023: US\$12,886,000) and repaid bank borrowings of approximately US\$14,554,000 (six months ended 30 June 2023: US\$14,305,000). The bank borrowing of the Group carry interest at market rates of 3.5% (six months ended 30 June 2023: approximately 0.75% to 8%) per annum.

16. DEFERRED TAX

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

Deferred tax liabilities — Gross

	Right-of-use assets	Fair value adjustments arising from acquisition of a subsidiary	Revaluation of property, plant and equipment	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2023	74	175	11,623	3,007	14,879
Deferred tax (credited) charged to the statement of profit or loss during the year	(61)	(43)	(46)	701	551
Deferred tax credited to asset revaluation reserve during the year	–	–	(302)	–	(302)
Exchange realignment	–	–	302	–	302
At 31 December 2023	13	132	11,577	3,708	15,430
Deferred tax charged (credited) to the statement of profit or loss during the period	15	(21)	–	30	24
Exchange realignment	–	–	(276)	–	(276)
At 30 June 2024	28	111	11,301	3,738	15,178



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. DEFERRED TAX (CONTINUED)

Deferred tax assets — Gross

	Provision for inventories	Tax losses	Lease liabilities	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2023	16	2,866	158	3,783	6,823
Deferred tax credited to the statement of profit or loss during the year	741	1,360	63	1,029	3,193
At 31 December 2023	757	4,226	221	4,812	10,016
Deferred tax credited to the statement of profit or loss during the period	581	1,656	111	76	2,424
At 30 June 2024	1,338	5,882	332	4,888	12,440

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

	At 30 June 2024 US\$'000 (unaudited)	At 31 December 2023 US\$'000 (audited)
Net deferred tax assets	5,204	3,413
Net deferred tax liabilities	(7,942)	(8,827)
	(2,738)	(5,414)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. DEFERRED TAX (CONTINUED)

The Group had aggregated tax losses of US\$47,461,000 as at 30 June 2024 (31 December 2023: US\$33,299,000) for which deferred tax assets have been recognised for such tax losses that are available for setting off against taxable profits generated indefinitely or within the next five to ten years. No deferred tax asset has been recognised in respect of the remaining tax losses of US\$161,000 (31 December 2023: US\$161,000) due to unpredictability of future profit streams.

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

At 30 June 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company's subsidiaries established in Mainland China and Italy (31 December 2023: US\$Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China and Italy for which deferred tax liabilities have not been recognised totalled approximately US\$1,470,000 (31 December 2023: US\$2,268,000).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

17. SHARE CAPITAL

Authorised:

	Number of shares	Share capital US\$'000
At 1 January 2023, 31 December 2023 and 30 June 2024		
— Ordinary shares of US\$0.01 each	5,000,000,000	50,000

Issued and fully paid:

	Number of shares in issue	Share capital US\$'000
At 1 January 2023	11,000,000	110
Capitalisation issue of 816,600,000 ordinary shares	816,600,000	8,166
Issue of 172,400,000 ordinary shares	172,400,000	1,724
Issue of 10,000,000 ordinary shares	10,000,000	100
At 31 December 2023 and 30 June 2024	1,010,000,000	10,100

Pursuant to a written resolution passed by the shareholders of the Company on 19 December 2022, a total of 816,600,000 shares of US\$0.01 each were allotted to the shareholders of the Company whose names appeared on the register of members of the Company as at 31 December 2021 on a pro rata basis by way of capitalisation of US\$8,166,000 from the Company's share premium account on 17 January 2023, resulting in increase in share capital and reduction in share premium of US\$8,166,000, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

17. SHARE CAPITAL (CONTINUED)

The Company's shares were listed on the Stock Exchange on 17 January 2023 and as a result, an additional 172,400,000 ordinary shares were issued at US\$0.21 (equivalent to HK\$1.6) per share for a total consideration of US\$35,364,000 (equivalent to HK\$275,840,000), resulting in increase in share capital and share premium of US\$1,724,000 and US\$33,640,000, respectively. Transaction costs attributable to issue of shares amount to US\$3,962,000 which is debited into share premium during the year ended 31 December 2023.

Pursuant to a deed of assignment entered into by the Group on 13 November 2023, a total of 10,000,000 new shares of US\$0.01 each, amounted to US\$100,000 in total (the "Consideration Shares"), were issued to the assignor, an independent third party, as a consideration for assigning its rights in relation to an acquisition of a land parcel in Italy to the Group. The Consideration Shares issued rank pari passu with the existing shares except that they are subject to the disposal restrictions pursuant to an undertaking given by the assignor. The issued shares were credited to other reserve as at 31 December 2023 and 30 June 2024.

18. PLEDGE OF ASSETS

As at 30 June 2024, certain of property, plant and equipment, trade receivables, industrial leasehold land and cash and cash equivalents with carrying amounts of approximately US\$22.1 million, US\$5.6 million, US\$3.1 million, US\$5.2 million respectively (31 December 2023: US\$22.7 million, US\$10.1 million, US\$3.2 million and US\$1 million respectively) were pledged to independent third parties.

19. COMMITMENTS

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

	At 30 June 2024 US\$'000 (unaudited)	At 31 December 2023 US\$'000 (audited)
Contracted, but not provided for:		
Investment in an associate	2,105	2,118
Investment in an investee company	6,875	6,918
	8,980	9,036

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For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS/BALANCES

Related Party Transactions

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

		Six months ended 30 June	
	Notes	2024	2023
		US\$'000	US\$'000
		(unaudited)	(unaudited)
Lease payments paid to related companies	(i)	57	54
Salaries paid to a related party	(ii)	25	49

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

Notes:

- (i) The lease payments were based on terms determined between the Group and related companies which are wholly-owned by close family members of the Controlling Shareholder. Lease interest of US\$5,000 (six months ended 30 June 2023: US\$3,000) were charged to profit or loss.
- (ii) Salaries were paid to a close family member of the Controlling Shareholder.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

Related Party Balances

	Notes	At 30 June 2024 US\$'000 (unaudited)	At 31 December 2023 US\$'000 (audited)
Included in prepayments, deposits and other receivables:			
Rental deposit	(iii)	11	10
Included in other payables and accruals:			
Due to a shareholder	(iv)	616	616
Lease liabilities	(v)	176	19

Notes:

- (iii) The balance as at 30 June 2024 and 31 December 2023 was due from a related company, which is wholly owned by a close family member of the Controlling Shareholder. The balance is non-trade related, unsecured, non-interest-bearing and is refundable upon expiry of the rental contracts in February and April 2026.
- (iv) The balances were non-trade related, unsecured, non-interest-bearing and repayment on demand.
- (v) During the six months ended 30 June 2024, the Group entered into a rental agreements with the related company which is a wholly-owned by close family members of the Controlling Shareholder. The Group has recognised an addition of right-of-use assets and lease liabilities of US\$208,000 during the six months ended 30 June 2024 (six months ended 30 June 2023: US\$Nil).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

Compensation of key management personnel

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

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Short-term employee benefits	252	746
Post-employment benefits	2	10
Discretionary listing bonus expenses	–	1,770
	254	2,526

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

	Fair value at 30.6.2024 US\$'000 (unaudited)	31.12.2023 US\$'000 (audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial Assets					
Financial asset at FVTPL	1,540	1,540	Level 3	Back solve from recent transaction price, and Black-Scholes model. The key inputs are: (i) Time to maturity; (ii) Risk free rate; (iii) Expected volatility; and (iv) Dividend yield	Expected Volatility: 35% (31 December 2023: 35%) (note)
Trade receivables at FVTPL (note 12)	567	223	Level 2	Discounted cash flow method. The key input is market interest rate.	N/A

Note: A 10% increase or decrease in the expected volatility holding all other variable constant will increase or decrease the fair value of financial asset at FVTPL by US\$107,000 (31 December 2023: US\$102,000).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

There were no transfers into or out of Level 2 and Level 3 during the period.

For financial assets and financial liabilities that are not measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of these financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL US\$'000
As at 1 January 2024 (audited)	1,540
Fair value gains (losses) in profit or loss	–
As at 30 June 2024 (unaudited)	1,540