SANERGY

SANERGY GROUP LIMITED

昇能集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2459)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the "**Board**") of directors (the "**Director(s)**") of Sanergy Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2024 ("**FY2024**"), together with the comparative figures for the year ended 31 December 2023 ("**FY2023**").

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2024	2023
	US$'000	*US$'000*
Revenue	**56,951**	72,292
Gross (loss)/profit	**(17,254)**	841
Gross (loss)/profit margin %	**(30.3%)**	1.2%
Loss for the year attributable to owners of the Company	**(40,984)**	(15,476)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global steel industry faced various challenges in 2024, navigating macroeconomic headwinds and geopolitical uncertainty. The world's crude steel production for the 71 countries reporting to the World Steel Association (which accounted for approximately 98% of total world crude steel production) during 2024 demonstrated an overall decreasing trend and recorded a decrease of 0.9% as compared to 2023, among which North America and the People's Republic of China (the "**PRC**") decreased by 4.2% and 1.7%, respectively. The overall slowdown in steel production suppressed the downstream demand for graphite electrode products. Against this backdrop, the Group recorded revenue of approximately US$57.0 million during FY2024, representing a decrease of approximately 21.2% as compared to FY2023 due to global economic uncertainties and heightened competitive pressures throughout FY2024. The Group achieved a commendable sales volume growth of over 6%, increasing from 17,015 metric tons ("**MT**") in FY2023 to 18,141 MT in FY2024. This achievement reflects the Group's commitment to maintaining market competitiveness despite global economic uncertainties and heightened competitive pressures. Additionally, our proactive efforts to reduce inventory levels have strengthened our working capital position. The Group has been able to reduce the average unit cost of sales by 2.6% as compared to FY2023, primarily driven by our production cost control measures.

However, due to the problems primarily in the European market as a result of the uncertainty and disruption caused by the Ukrainian/Russian conflict to extant supply chains to the Group's Italian factory, the pricing dynamics observed across most regions resulted in a significant decrease of 26.1% in the average selling price of graphite electrodes. Additionally, the continuation of high energy costs in the European market has eroded any potential gross profit from cost control measures, which is at least partially attributable to the ongoing Ukrainian/Russian conflict.

While the increase in sales volumes contributed to a higher total cost of sales, the Group also recorded an inventory provision of approximately US$4.2 million for FY2024 (the "**Inventory Provision**") (as compared to US$3.3 million in FY2023). Consequently, our gross margin declined from a gross profit margin of approximately 1.2% in FY2023 and turned to a gross loss margin of approximately 30.3% in FY2024. Coupled with the net revaluation loss on property, plant and equipment of approximately US$4.5 million, these factors collectively contributed to the loss for the Group in FY2024.

To navigate through the challenging market conditions, our Group prioritized operational flexibility, optimizing inventory levels and preserving liquidity to mitigate downside risks. The Group will monitor any change of positive momentum in the steelmaking industry and adjust our production volume accordingly to align with demand recovery.

FUTURE PROSPECTS

While near-term market conditions remain subdued, the Group anticipates a gradual recovery in graphite electrode demand in 2025. This optimism is supported by a projected growth of 1.9% in developed-world steel demand, driven by a long-awaited upturn in steel demand in the European Union and modest recoveries in the US and Japan. Additionally, upward price adjustments announced or proposed by industry peers further bolster this expectation.

To capitalize on this potential business momentum, the Group remains cautious despite the anticipated rebound. We are closely monitoring market dynamics and strategically implementing our business plan to achieve significant improvements in gross margin and profitability. Our strategic focus includes prioritizing key customer portfolios, securing profitable orders, expanding our customer base and continuing to implement production cost control measures. We are dedicated to supporting routine operational needs and have implemented effective cost and resource optimization management.

Despite prevailing softness in the commercial landscape, the global context of carbon neutrality continues to be the Group's growth driver in the mid-to-long term. 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. In connection with the graphite electrode business, the Group will strive for improvement and a rebound in the operational and financial performance in the near short term. With the backdrop of dual carbon goals of carbon peaking before 2030 and carbon neutrality before 2050, the continuous adoption of electric arc furnace steelmaking will drive long-term growth in the demand for ultra-high power graphite electrodes.

The Group is confident in its ability to navigate the industry headwinds and emerge stronger as industry conditions improve. By maintaining operational efficiency and reinforcing customer relationships, we aim to position the business as a resilient partner in the global sustainable steel value chain.

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately US$72.3 million in FY2023 to approximately US$57.0 million in FY2024 mainly due to:

(i) the decrease in the average selling price of graphite electrodes of approximately US$4,249/MT in FY2023 to approximately US$3,139/MT in FY2024; and partially offset by

(ii) the increase in sales quantities from approximately 17,015MT in FY2023 to approximately 18,141MT in FY2024.

Cost of Sales

The cost of sales increased from approximately US$71.5 million in FY2023 to approximately US$74.2 million in FY2024, mainly due to the combined effect of (i) the increase in sales quantities; (ii) the decrease in the average unit cost of sales from approximately US$4,199/MT in FY2023 to approximately US$4,090/MT in FY2024; and (iii) the Inventory Provision of approximately US$4.2 million (FY2023: US$3.3 million) due to the decrease in the net realizable value of the inventory as assessed based on the market prices of graphite electrodes.

Gross Profit and Gross Margin

The gross profit substantially decreased from approximately US$0.8 million in FY2023 to a gross loss of approximately US$17.3 million in FY2024 and the gross margin decreased from a gross profit margin of approximately 1.2% in FY2023 and turned to a gross loss margin of approximately 30.3% in FY2024. Such decrease in gross margin was mainly driven by the decrease in the average selling price of graphite electrodes and partially offset by the decrease in the average unit cost of sales of graphite electrodes per MT.

Administrative Expenses

The total administrative expenses of the Group were approximately US$14.8 million in FY2024, representing an increase of approximately 23.0% as compared to FY2023. Such increase was mainly due to the increase in personnel and professional fee.

Finance Costs

The Group managed to secure loans from various financial institutions in FY2024 in support of the Group's operational plans. The decrease in the finance costs from approximately US$3.7 million in FY2023 to approximately US$2.9 million in FY2024 was mainly attributable to loan repayments in FY2024.

Loss for the Year

The Company recorded loss attributable to its owners of approximately US$41.0 million in FY2024, which was mainly attributable to (i) the substantial gross loss due to the foregoing reasons; (ii) the net revaluation loss on property, plant and equipment; and (iii) moderate increase in administrative expenses.

Liquidity, Capital Resources and Capital Structure

During FY2024, the Group met its capital requirements principally with the following:

(i) cash generated from operations;

(ii) proceeds from bank and other borrowings; and

(iii) proceeds from the placement of shares of the Company.

Cash Flow

The net cash used in operating activities, the net cash used in investing activities and the net cash used in financing activities in FY2024 amounted to US$3.1 million (2023: net cash used in operating activities: US$6.1 million), US$11.1 million (2023: net cash used in investing activities: US$15.0 million) and US$3.9 million (2023: net cash from financing activities: US$38.4 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 31 December 2024, the Group's cash and cash equivalents and pledged bank deposits, were approximately US$16.4 million (31 December 2023: approximately US$29.6 million) and mainly denominated in United States dollars ("**US$**"), Euro ("**EUR**"), Renminbi ("**RMB**") and Hong Kong dollars ("**HK$**").

The Group's total interest-bearing bank and other borrowings as at 31 December 2024 amounted to approximately US$29.7 million (31 December 2023: approximately 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 purposes 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 31 December 2024, the Group's total equity and liabilities amounted to approximately US$105.8 million and approximately US$68.2 million, respectively (31 December 2023: approximately US$148.5 million and approximately US$77.6 million, respectively).

Gearing Ratio

The Group's gearing ratio, as calculated based on total debts divided by total equity, increased from approximately 26.1% as at 31 December 2023 to approximately 28.1% as at 31 December 2024. This was mainly attributable to the decrease in equity.

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 mainly including purchase of plant and machinery and upgrades and maintenance of our production systems. For FY2024, the Group incurred capital expenditures of approximately US$5.0 million.

Contingent Liabilities

As at 31 December 2024, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2024, other than pledged bank deposits, certain of property, plant and equipment, trade receivables and industrial leasehold land with carrying amounts of approximately US$21.0 million, approximately US$3.7 million and approximately US$3.6 million, respectively (as at 31 December 2023: approximately US$22.7 million, approximately US$8.9 million and approximately US$3.2 million, respectively) were pledged to third parties for interest-bearing bank and other borrowings.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Venture

Acquisition of Taigu Assets

On 6 July 2023, Shengrui (Shanxi) New Materials Technology Co. Limited* (昇瑞(山西)新材料科技有限公司) (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the "**Asset Purchase Agreement**") with Shanxi Taigu Mingxing Carbon Steel Company Limited* (山西太谷明興碳素瑪鋼有限公司) (the "**Vendor**") to acquire relevant buildings, production facilities and intangible assets pertaining to graphite electrode products, etc (the "**Taigu Assets**") for a consideration of approximately RMB80.5 million, of which RMB40 million had been paid in accordance with the payment schedule. Completion of the acquisition of the Taigu Assets had taken place in August 2023 and all of the Taigu Assets had been transferred to the Group in accordance with the terms of the Asset Purchase Agreement. Thereafter, the Vendor took the position to seek rescission of the Asset Purchase Agreement on the basis of force majeure and began to illegally occupy the Taigu Assets in around March 2024. As advised by the PRC legal advisers of the Company, the basis of force majeure proposed by the Vendor is groundless given that the completion of the acquisition of the Taigu Assets had taken place in August 2023. During this period and prior to the arbitration application in December 2024, the Company had made significant efforts to negotiate with the Vendor in an effort to regain access to the Taigu Assets. As advised by the PRC legal advisers, the Vendor's occupation of the Taigu Assets is a breach of the Asset Purchase Agreement and PRC law. In December 2024, the Company filed an arbitration application to the Shanghai International Arbitration Center ("**SIAC**") against the Vendor to seek immediate return of the Taigu Assets and compensation for losses suffered since the Vendor illegally occupied the Taigu Assets. As at the date of this announcement, the Vendor has proposed for a mediation before the arbitration and the first pre-arbitration mediation session has been held in the first quarter of 2025. The Company will update the Shareholders and potential investors on the latest developments as and when appropriate.

Termination and Dissolution of Joint Venture

In November 2024, in view of the ever-changing market and economic environment, the Company and Huixian City Construction Investment Co., Ltd.* (輝縣市建設投資有限公司) have reached agreement and resolved amicably to terminate the joint venture agreements and dissolve the joint venture, Shengrui (Xinxiang) New Material Technology Co., Ltd.* (昇瑞(新鄉)新材料科技有限公司) on a voluntary basis. Further details of the termination and dissolution are set out in the announcement of the Company dated 24 November 2024. As at the date of this announcement, the joint venture has been dissolved with no material adverse impact on the financial performance and operation of the Group.

Save as disclosed above or otherwise in this announcement, the Group did not have any other material acquisitions nor disposals of subsidiaries, associates and joint ventures during FY2024.

Significant Investments

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 31 December 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 US$'000	2023 US$'000
REVENUE	5	**56,951**	72,292
Cost of sales		**(74,205)**	(71,451)
Gross (loss)/profit		**(17,254)**	841
Other income	5	**528**	691
Other gains and losses		**(4,299)**	(128)
Impairment losses under expected credit loss model, net of reversal		**(73)**	(59)
Selling expenses		**(3,059)**	(2,781)
Administrative expenses		**(14,785)**	(12,022)
Other expenses		**(265)**	(250)
Share of result of an associate		**(610)**	(265)
Finance costs	7	**(2,920)**	(3,653)
Listing expenses		**–**	(1,655)
Discretionary listing bonus expenses		**–**	(3,045)
LOSS BEFORE TAX	6	**(42,737)**	(22,326)
Income tax credit	8	**1,753**	6,850
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(40,984)**	(15,476)
LOSS PER SHARE			
– Basic and diluted	10	**US$(4.0) cents**	US$(1.6) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024	2023
	US$'000	*US$'000*
LOSS FOR THE YEAR	**(40,984)**	(15,476)
OTHER COMPREHENSIVE (EXPENSE) INCOME		
Other comprehensive (expense) income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,899)**	1,806
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:		
Revaluation loss on property, plant and equipment	**(3,680)**	(2,458)
Income tax effect	**836**	302
Net other comprehensive expense that will not be reclassified to profit or loss in subsequent periods	**(2,844)**	(2,156)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	**(7,743)**	(350)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(48,727)**	(15,826)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	**2024** **US$'000**	2023 *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**88,567**	100,053
Right-of-use assets		**7,264**	7,156
Intangible assets		**576**	713
Prepayments and deposits		**496**	652
Interest in an associate		**5,997**	6,651
Deferred tax assets		**4,566**	3,413
		107,466	118,638
CURRENT ASSETS			
Inventories		**33,138**	57,024
Trade receivables	*11*	**10,227**	12,950
Prepayments, deposits and other receivables		**6,783**	6,282
Financial asset at fair value through profit or loss		**–**	1,540
Pledged bank deposits		**5,418**	–
Cash and cash equivalents		**10,937**	29,620
		66,503	107,416
CURRENT LIABILITIES			
Trade and notes payables	*12*	**7,609**	7,200
Other payables and accruals		**17,190**	15,745
Interest-bearing bank and other borrowings		**25,556**	34,699
Lease liabilities		**523**	240
Income tax payable		**4,706**	4,687
		55,584	62,571
NET CURRENT ASSETS		**10,919**	44,845
TOTAL ASSETS LESS CURRENT LIABILITIES		**118,385**	163,483

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2024

	2024	2023
	US$'000	*US$'000*
NON-CURRENT LIABILITIES		
Other payables and accruals	**1,118**	1,288
Interest-bearing bank and other borrowings	**4,118**	3,964
Lease liabilities	**1,084**	911
Deferred tax liabilities	**6,314**	8,827
	12,634	14,990
NET ASSETS	**105,751**	148,493
CAPITAL AND RESERVES		
Equity attributable to owners of the Company		
Share capital	**11,400**	10,100
Reserves	**94,351**	138,393
TOTAL EQUITY	**105,751**	148,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

1. GENERAL INFORMATION

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 "**Listing Date**").

The 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. There has been no significant change in the Group's principal activities during the year ended 31 December 2024.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**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 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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 *Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")*

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within twelve months.

- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity's own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The application of the amendments in the current year had no material impact on the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The 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 at the end of each reporting period.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the fair value hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sale of graphite electrodes. Information reported to the Group's management 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

	2024	2023
	US$'000	*US$'000*
Americas	**13,368**	19,326
Europe, Middle East and Africa ("**EMEA**")	**32,941**	38,319
People's Republic of China (the "**PRC**")	**10,480**	12,907
Asia Pacific excluding the PRC	**162**	1,740
	56,951	72,292

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

(b) Non-current assets

	2024	2023
	US$'000	*US$'000*
Americas	**165**	78
EMEA	**44,596**	50,241
PRC	**57,329**	64,836
Asia Pacific excluding the PRC	**633**	36
	102,723	115,191

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

Information about major customers

Revenue from customers individually contributing over 10% to the total revenue of the Group during the year is as follows:

	2024	2023
	US$'000	*US$'000*
Customer A	**11,479**	12,599
Customer B	**7,466**	N/A*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2024	2023
	US$'000	*US$'000*
Revenue from contracts with customers		
Sale of graphite electrodes	**56,951**	72,292

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

	2024 *US$'000*	2023 *US$'000*
Types of goods or services		
Sale of graphite electrodes	**56,951**	72,292
Timing of revenue recognition		
Goods transferred at a point in time	**56,951**	72,292

For the years ended 31 December 2024 and 2023, revenue of US$240,000 and US$409,000, was recognized that was included in the contract liabilities at the beginning of the relevant period.

(b) Performance obligation

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 *Revenue from Contracts with Customers*, the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to the sale of graphite electrodes are part of the contracts that have an original expected duration of one year or less.

An analysis of other income is as follows:

	2024 *US$'000*	2023 *US$'000*
Other income		
Bank interest income	**306**	389
Sublease interest income	**–**	1
Government subsidies*	**167**	283
Others	**55**	18
	528	691

* The subsidies for the year ended 31 December 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.

6. LOSS BEFORE TAX

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

	2024	2023
	US$'000	*US$'000*
Cost of inventories sold*	**69,965**	68,160
Depreciation of property, plant and equipment**	**4,538**	4,075
Depreciation of right-of-use assets**	**628**	796
Amortization of intangible assets^	**293**	279
Lease payments not included in the measurement of lease liabilities	**215**	88
Auditor's remuneration	**256**	243
Directors' remuneration	**1,897**	3,599
Other employee benefit expenses		
Wages and salaries and pension scheme contributions#	**9,115**	10,847
Less: Amount capitalized	**(3,151)**	(3,939)
Less: Government subsidies##	**–**	(508)
Total employee benefit expenses	**7,861**	9,999
Write-down of inventories*	**4,240**	3,291

\# The amount for the year ended 31 December 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 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$3,872,000 and US$4,540,000 for the year ended 31 December 2024 and 2023, respectively, are included in cost of sales on the consolidated statement of profit or loss and other comprehensive income.

^ Included in administrative expenses on the consolidated statements of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024	2023
	US$'000	*US$'000*
Interest on lease liabilities	**132**	128
Interest on bank borrowings	**2,107**	813
Interest on other borrowings	**535**	2,368
Other arrangement fee	**146**	344
	2,920	3,653

8. 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 years on the taxable income arising in the US during the year.

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 was eligible to carry back approximately US$21,952,000 net operating loss incurred in the year ended 31 December 2020 which give rise to approximately US$4,610,000 tax credit for the year ended 31 December 2023.

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

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 24.0% and 3.9%, respectively, on the taxable income for both years.

A reconciliation of the tax expense applicable to loss before tax at the statutory rates of the jurisdictions in which the Group operates to the tax credit at the effective tax rates is as follows:

	2024	2023
	US$'000	*US$'000*
Current – Hong Kong		
Charge for the year	**6**	9
Current – elsewhere*		
Credit for the year	**463**	(4,217)
Deferred tax	**(2,222)**	(2,642)
Income tax credit for the year	**(1,753)**	(6,850)

* The amount for the year ended 31 December 2023 included the tax credit impact of CARES Act received, amounting to US$4,610,000.

9. DIVIDENDS

No dividend was declared by the Company to its shareholders during the years ended 31 December 2024 and 2023.

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

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

	2024	2023
	US$'000	*US$'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(40,984)**	(15,476)

	Number of shares	
	2024	2023
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,031,693,989**	992,442,740

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

The weighted average number of ordinary shares used for the purpose of calculating basic loss per share and diluted loss per share for the year ended 31 December 2023 had been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue which was completed on the Listing Date.

The computation of basic loss per share for the year ended 31 December 2024 and 2023 does not include the issuance of 10,000,000 share as a consideration for acquisition of a land in Italy as the share is subjected to return.

The computation of diluted loss per share for the year ended 31 December 2024 does not assume the issuance of 10,000,000 share since their assumed exercise would result in a decrease in loss per share.

The computation of diluted loss per share for the year ended 31 December 2023 did 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 year ended 31 December 2024 and 2023.

11. TRADE RECEIVABLES

An aging 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:

	2024	2023
	US$'000	*US$'000*
Not past due	**7,608**	7,524
Within 1 month	**993**	2,060
1 to 3 months	**982**	1,026
Over 3 months	**644**	2,340
	10,227	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 minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest- bearing.

At the end of the reporting period, the Group had certain concentrations of credit risk as 32% (2023: 26%) and 67% (2023: 71%) of the Group's trade receivables from the Group's largest and the five largest customers, respectively.

12. TRADE AND NOTES PAYABLES

An aging analysis of the trade and notes payables as at the end of the reporting period, based on the past due date, is as follows:

	2024	2023
	US$'000	*US$'000*
Not past due	**5,363**	5,678
Within 1 month	**494**	1,092
1 to 3 months	**1,048**	281
Over 3 months	**704**	149
	7,609	7,200

The trade payable are non-interest-bearing and are normally settled on terms ranging from 28 to 120 days.

EVENTS AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this announcement, there are no significant events affecting the Group after FY2024 and up to the date of this announcement.

USE OF PROCEEDS FROM THE LISTING

The Company's shares have been listed on the Main Board of the Stock Exchange since the 17 January 2023. The net proceeds from the global offering after deducting the underwriting fees and commissions and related expenses were approximately HK$186.7 million. The Group has utilized and will continue to utilize the net proceeds from the global offering according to the purposes set out in the section headed "Future Plans and Use of Proceeds" in the prospectus issued by the Company on 30 December 2022 (the "**Prospectus**") and the change in use of proceeds as set out in the interim report for the six months ended 30 June 2024. The intended application of the net proceeds and the actual utilization of the net proceeds from the global offering as at 31 December 2024 are as follows:

	Purpose	Percentage of total amount	Net proceeds	Utilized up to 31 December 2024	Unutilized up to 31 December 2024	Expected timeline of full utilization of the balance as at 31 December 2024
			HK$ million	*HK$ million*	*HK$ million*	
1	Pay for the purchase price of the Taigu Assets (as defined in the Prospectus)	23.8%	44.2	(44.2)	–	–
2	Upgrade of the Group's production systems on the Italian Factory, the PRC Factory and the Sanli Assets (as defined in the Prospectus)	44.4%	83.0	(38.3)	44.7	first half of 2026
3	Develop and expand graphite anode material (GAM) business	8.0%	15.0	(4.5)	10.5	second half of 2025
4	Working capital and general corporate purposes	10.0%	18.7	(18.7)	–	–
5	Pay for operational costs of our graphite electrode business	13.8%	25.8	(25.8)	–	–

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2024, the Group employed 188 staff (31 December 2023: 211 staff). The staff costs (including directors' remuneration) for FY2024 amounted to approximately US$11.0 million (2023: US$14.4 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.

FINAL DIVIDEND

The Board did not recommend any final dividend for FY2024 (FY2023: US$Nil).

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied with the code provisions as set out in the CG Code during FY2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. After making specific enquiries to all the Directors, each of them has confirmed that they have complied with the Model Code during FY2024.

AUDIT COMMITTEE

The Company has established the audit committee (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 reviewed together with the management the accounting principles and practices adopted by the Group and has discussed risk management, internal control and financial reporting matters with management including a review of the consolidated financial statements and annual results for FY2024.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 27 March 2025. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 FY2024.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sanergygroup.com). The annual report for FY2024 containing all the information required by Appendix D2 to the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

By order of the Board
Sanergy Group Limited
Peter Brendon Wyllie
Chairman of the Board and Executive Director

Hong Kong, 27 March 2025

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

* *For identification purpose only*