China Graphite Group Limited

中国石墨集团有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2237)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the "**Board**") of directors (the "**Directors**") of China Graphite Group Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries for the year ended 31 December 2024. This announcement, containing the full text of the 2024 annual report of the Company, complies with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany preliminary announcement of annual results.

Both the Chinese and English versions of this results announcement are available on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chinagraphite.com.hk.

By Order of the Board
China Graphite Group Limited
Zhao Liang
Chairman, executive Director and chief executive officer

Hong Kong, 26 March 2025

As at the date of this announcement, the Board comprises Mr. Zhao Liang and Mr. Lei Wai Hoi as executive Directors; and Mr. Shen Shifu, Mr. Liu Zezheng, Ms. Zhao Jingran and Mr. Ho Hoi Tung as independent non-executive Directors.

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FINANCIAL HIGHLIGHTS

Key Financial Data

	FY2024 RMB'000	FY2023 RMB'000	Change (%)
Sale of spherical graphite and its by-products	**29,436**	99,629	(70.5%)
Sale of flake graphite concentrate	**108,966**	101,333	7.5%
Sale of unprocessed marble	**3,969**	1,032	284.6%
Total Revenue	**142,371**	201,994	(29.5%)
Gross Profit	**41,576**	73,660	(43.6%)
Gross Profit Margin	**29.2%**	36.5%	
Net (loss)/profit	**(12,501)**	21,318	(158.6%)
Net (loss)/profit margin	**(8.8%)**	10.6%	

- For FY2024, with the slowdown in the downstream market growth of the anode industry and the intense competition in the graphite market, sales price of our products further declined compared to FY2023 especially for our spherical graphite products. Thus, we had reduced the production of the spherical graphite and intensified sales efforts in flake graphite concentrate in order to retain the profit. Revenue amounted to approximately RMB142.4 million for FY2024 compared to approximately RMB202.0 million for FY2023, down by approximately 29.5% year-on-year;

- Revenue from the sale of spherical graphite and its by-products amounted to approximately RMB29.4million for FY2024 compared to approximately RMB99.6 million for FY2023, down by approximately 70.5% year-on-year;

- Revenue from the sale of flake graphite concentrate amounted to approximately RMB109.0 million for FY2024 compared to approximately RMB101.3 million for FY2023, increased by approximately 7.5% year-on-year;

- Gross profit amounted to approximately RMB41.6 million for FY2024 compared to approximately RMB73.7 million for FY2023, down by approximately 43.6% year-on-year. Gross profit margin decreased to 29.2% for FY2024 from 36.5% for FY2023;

- Net loss amounted to approximately RMB12.5 million for FY2024 compared to net profit of approximately RMB21.3 million for FY2023; and

- The Directors do not recommend the payment of a final dividend for FY2024 (FY2023: Nil).

CORPORATE INFORMATION

Executive Directors

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

Independent Non-Executive Directors

Mr. Chiu G Kiu Bernard *(resigned on 24 September 2024)*
Mr. Shen Shifu
Mr. Liu Zezheng
Ms. Zhao Jingran
Mr. Ho Hoi Tung *(appointed on 24 September 2024)*

Audit Committee

Mr. Ho Hoi Tung *(Chairman)*
(appointed on 24 September 2024)
Mr. Chiu G Kiu Bernard *(Chairman)*
(resigned on 24 September 2024)
Mr. Shen Shifu
Mr. Liu Zezheng
Ms. Zhao Jingran

Nomination Committee

Mr. Zhao Liang *(Chairman)*
Mr. Chiu G Kiu Bernard *(resigned on 24 September 2024)*
Mr. Shen Shifu
Mr. Liu Zezheng
Ms. Zhao Jingran

Remuneration Committee

Mr. Liu Zezheng *(Chairman)*
Mr. Zhao Liang
Mr. Chiu G Kiu Bernard *(resigned on 24 September 2024)*
Mr. Shen Shifu
Ms. Zhao Jingran

Compliance Committee

Mr. Liu Zezheng *(Chairman)*
Mr. Chiu G Kiu Bernard *(resigned on 24 September 2024)*
Mr. Lei Wai Hoi
Mr. Ho Hoi Tung *(appointed on 24 September 2024)*

Company Secretary

Mr. Lei Wai Hoi

Authorised Representatives

Mr. Zhao Liang
Mr. Lei Wai Hoi

Headquarters and Principal Place of Business in the PRC

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

Company Website

www.chinagraphite.com.hk

Principal Place of Business in Hong Kong

Unit 12, 23/F, Seapower Tower, Concordia Plaza
No. 1 Science Museum Road, Tsim Sha Tsui
Kowloon, Hong Kong

Registered Office

71 Fort Street, PO Box 500, George Town
Grand Cayman, KY1-1106
Cayman Islands

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

Legal Adviser

Tian Yuan Law Firm LLP
Suites 3304–3309, 33/F
Jardine House, One Connaught Place
Central, Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Banks

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

Stock Code

2237

DEFINITIONS

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

"AGM"	the annual general meeting of the Company for the year ended 31 December 2024 to be held on 15 May 2025
"Beishan Mine"	a graphite mine located approximately 28 km northwest of Luobei County in Heilongjiang Province, the mining rights of which were obtained by us in 2019
"Board" or "Board of Directors"	our board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended and supplemented from time to time, where references to code provisions in this annual report refer to code provisions in the CG Code that came into effect on 1 January 2022
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Company"	China Graphite Group Limited (中国石墨集团有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2020, the Shares of which are listed on the Stock Exchange (stock code: 2237)
"Director(s)"	the director(s) of our Company
"FY2023"	for the year ended 31 December 2023
"FY2024"	for the year ended 31 December 2024
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "we", or "us"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares in Hong Kong at the offer price of HK$0.325 per Share on and subject to the terms and conditions described in the Prospectus, as further described in "Structure and Conditions of the Global Offering" in the Prospectus

"International Offer Shares"	the 360,000,000 new Shares being initially offered by our Company pursuant to the International Offering together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in "Structure and Conditions of the Global Offering" in the Prospectus
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters on behalf of our Company to professional, institutional and/or other investors outside the United States at the Offer Price, as further described in "Structure and Conditions of the Global Offering" in the Prospectus
"JORC Code (2012)"	2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
"Listing Date"	18 July 2022, the date on which dealings in the Shares first commenced on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Mr. Zhao"	Mr. Zhao Liang (趙亮), the chairman of the Board, executive Director, chief executive officer and controlling shareholders of the Company
"NEV(s)"	new energy vehicles
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares
"Prospectus"	the prospectus of the Company dated 30 June 2022
"Reporting Period"	for the year ended 31 December 2024
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the share capital of the Company, with a nominal value of HK$0.001 each
"Shareholder(s)"	holder(s) of the Shares from time to time

''Share Option Scheme''	the share option scheme conditionally adopted by our Company on 21 June 2022, the principal terms of which are summarized in ''Statutory and General Information — D. Other Information — 1. Share Option Scheme'' in Appendix VI to the Prospectus
"SRK"	SRK Consulting (Hong Kong) Limited, an independent third party that specializes in providing expert advice and solutions for clients requiring specialized services in the fields of mining, geotechnics, water, waste, energy and the environment
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"tonne"	metric tonne
"Yixiang Graphite"	Heilongjiang Baoquanling Farmland Yixiang Graphite Company Limited* (黑龍江省寶泉嶺農墾溢祥石墨有限公司), a company established under the laws of the PRC with limited liability on 26 June 2006 and is the Company's indirect wholly-owned subsidiary
"Yixiang New Energy"	Heilongjiang Baoquanling Farmland Yixiang New Energy Materials Company Limited* (黑龍江省寶泉嶺農墾溢祥新能源材料有限公司), a company established under the laws of the PRC with limited liability on 20 April 2011 and is the Company's indirect wholly-owned subsidiary
"%"	per cent

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2024, China proactively addressed macroeconomic challenges by implementing a series of policies to promote high-quality economic development. Concurrently, the country continued to cultivate new quality productive forces, achieving a milestone as annual production of new energy vehicles ("NEV") surpassed 10 million units for the first time.

However, behind these impressive figures, competition in the NEV industry intensified to a fever pitch. The price wars in the automotive industry escalated throughout 2024. While this stimulated consumption to some extent, it also led to further compression of profit margins across the industry, pressuring upstream players, particularly the anode material industry. Additionally, with iterative advancements in synthetic graphite technology and declining raw material costs, further dampening demand for natural graphite products.

Against this backdrop of overlapping challenges, despite the Group's proactive efforts to boost sales and advance cost reduction and efficiency improvements, its revenue and profit performance fell short of expectations due to unfavorable pricing and sales performance for graphite products.

Annual Performance

As at 31 December 2024, the Group recorded total revenue of approximately RMB142.4 million, representing a year-on-year decrease of 29.5%, which was mainly affected by the sluggish market demand and the intense competition within the natural graphite industry. In this connection, the revenue from the sales of spherical graphite and its by-products amounted to approximately RMB29.4 million, representing a year-on-year decrease of 70.5%, with the downturn in the new energy sector, the Group spent more efforts in the sales of the traditional sector which yielded a higher gross profit margin in FY2024 and the revenue from the sales of flake graphite concentrate amounted to approximately RMB109.0 million, representing a year-on-year increase of 7.5%.

In 2024, amid persistent margin compression across the industry and intensified competition from synthetic graphite alternatives, both pricing and sales performance of natural graphite products fell compared to FY2023. For the full year of 2024, gross profit was approximately RMB41.6 million, representing a year-on-year decline of 43.6%. Gross profit margin was 29.2%, down 7.3 percentage points compared to the previous year. As of 31 December 2024, the Group recorded a net loss of approximately RMB12.5 million, as compared to the net profit after tax of approximately RMB21.3 million recorded in the previous year.

Pressure on Production and Operations

In 2024, apart from the traditional shutdown period of the first quarter for graphite enterprises in Luobei County, the Group faced dual pressures from deteriorating competition in the anode material industry and intensifying substitution effects from synthetic graphite. Despite post-resumption operational ramp-up, including intensified graphite ore mining and active productivity enhancements, graphite products continued to face pricing pressures and sales shortfalls, thus impairing the annual performance.

As of 31 December 2024, the sales volume of spherical graphite was 3,089 tonnes, representing a year-on-year decrease of 52.0%. The gross profit margin of the spherical graphite sales segment was 16.6%, representing a year-on-year decrease of 18.9 percentage points. Demand for the traditional sector was less affected compared to the new energy sector for FY2024 and the sales volume of flake graphite concentrate was 45,432 tonnes, representing a year-on-year increase of 25.0%. The gross profit margin of flake graphite concentrate sales segment was 33.8%, representing a year-on-year decrease of 4.0 percentage points.

In response to challenges in the new energy sector in FY2024, the Group had strategically adjusted the production plan of the spherical graphite product. Total production of the spherical graphite decreased to approximately 3,200 tonnes for FY2024 from approximately 8,700 tonnes for FY2023. Demand in the traditional sector was comparatively stable and total production of the flake graphite concentrate was approximately 52,000 tonnes for FY2024 compared to 57,000 tonnes for FY2023. As a whole, our total production was reduced for FY2024 to adapt to the changing market situation.

Prudent Growth with Future-Focused Vision

In 2019, the Group obtained the mining rights to our Beishan Mine, where graphite resources are abundant and of higher grades and allows us to create upstream and downstream synergies that significantly reduces costs while securing a continuous and stable supply of quality graphite, and safeguard our profitability.

At the present stage, the mining permit by the Chinese government in the Beishan Mine is with elevations ranging from 274 to 150 metres above sea level. The Group is currently in the process of applying for the right to mine resources below 150 metres above sea level and has engaged a third-party mining consultant to complete the relevant resource report. The report shows that, as of 30 April 2024, the total of the measured, indicated and inferred graphite mineral resources below 150 metres above sea level was approximately 54.9 million tonnes. The Group is in the process of preparing other necessary documents for submission to the relevant government authorities, and we plan to substantially increase the permitted graphite mining capacity of the Beishan Mine from the current level of 500,000 tonnes per annum so as to safeguard the future development. The Group will continue to announce the relevant progress to investors.

The Group is progressing with the construction of a new beneficiation and processing plant at the Beishan Mine as part of our investment initiative for listing on the Hong Kong Stock Exchange. This facility will ensure sustainable production capacity for future growth. Key developments include the formal approval received on 21 February 2024 from the National Forestry and Grassland Administration, through which our wholly-owned subsidiary secured forest land adjacent to the Beishan Mine for the plant's construction. Furthermore, the Group completed the acquisition of industrial land in Weihai City, Shandong Province during the year, establishing a foundation for developing complementary downstream facilities. Current project status shows the Heilongjiang site undergoing formation works while the Shandong location is in the design phase. While committed to these strategic investments, the Group maintains the flexibility to adapt its development schedule in response to evolving market conditions.

Although the anode materials and graphite industry are currently in an adjustment period, the Group remains optimistic about the future of the industry. At this stage, we will adopt a prudent approach to adjust our development pace in response to changes in the market environment, aligning with evolving market trends.

Continuously Improving Our Research Capabilities

The Group has over 20 years of experience in the natural graphite industry, and has been adhering to the philosophy of "Enhancing strength for steady development and strengthening capability for innovation". Over the years, we continue to enhance innovation-oriented development through collaborating with a number of renowned institutions and research institutes in China to underpin the strength for our product research and development in various completed key scientific research projects.

In the natural graphite industry, the Group actively positions itself at the forefront of development by leading technological innovation, and developed short-flow beneficiation process for graphite with the application of flotation column technique, process for processing graphene with micronized graphite and fluorine-free purification process.

Facing the changes in the industry, the Group will deepen the implementation of its "innovation-driven development" strategy, continuously explore the field of natural graphite anodes, forge high value-added products in response to the needs of the industry, and continue to enhance its core competitiveness.

Corporate Governance

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

We followed our Board Diversity Policy and Director Nomination Policy, fully leveraging on the experience and expertise of our independent non-executive Directors, so as to further improve our corporate governance structure and decision-making mechanism. We adhered to compliant operation, enhanced our compliance management capabilities, and strengthened the construction of a compliance culture for all staff. Focusing on key areas such as graphite mining, product research and development, production safety and product sales, we continued to conduct compliance checks and provide guidelines. We are committed to refining our risk control systems to enhance our ability in detecting risks, and have strengthened our supervision over key areas from mines to factories and plugged management loopholes to ensure healthy business operation.

Social Responsibility and Company Honor

As the first listed company in Hegang City, Heilongjiang Province, the Group believes that employees are the foundation of the Company and strives to create a safe and healthy working environment. The Group is also committed to safeguarding the rights and interests of employees, promoting a diverse and equal work culture, and ensuring that employees are not discriminated against on the basis of gender, age, race, family status or physical disability.

The Group attaches great importance to the impact of its business operations on the environment and nature, and has also integrated environmental protection concepts into its daily internal management and work to achieve its development vision of harmonious coexistence between man and nature. The Group also won the honorary title of Green Factory in Non-Metallic Minerals Industry * (非金屬礦行業綠色工廠) awarded by the China Non-Metallic Minerals Industry Association.

Annual Review and Future Prospects

In 2024, driven by policies such as China's "trade-in" initiatives, the NEV industry continued to thrive. According to data from the China Association of Automobile Manufacturers ("CAAM"), annual NEV production and sales in China reached 12.89 million units and 12.87 million units, respectively, representing year-on-year growth of 34.4% and 35.5%. NEV sales accounted for 40.9% of total new vehicle sales, an increase of 9.3 percentage points compared to 2023. However, intensified competition and sustained profitability pressures within the automotive industry are impacting the sustainable development of the NEV industry chain.

Regarding the anode material industry, data from the China Lithium-ion Battery Anode Material Industry Development White Paper (2025) indicates that global anode material shipments has reached 2.21 million tonnes in 2024, an year-on-year increase of 21.3%, with China's anode material shipments further rising to 95.9%. Due to China's export controls on natural graphite, an increasing number of overseas clients have shifted to synthetic graphite, driving its share of anode material shipments to 84.4% in 2024. Meanwhile, emerging anode materials such as silicon-based alternatives accounted for 3.3% of shipments, further squeezing the market space for natural graphite.

Following years of rapid growth in the anode materials and graphite industry, the natural graphite industry now faces significant challenges, including pricing pressures from downstream sectors, intensifying competition, and disruptions from synthetic graphite and silicon-based alternatives. Nevertheless, the Group are optimistic about the long-term prospects of natural graphite, underpinned by China's deepening implementation of its "carbon peaking and carbon neutrality" policy and the nation's strategic emphasis on natural graphite as a critical non-metallic mineral resource. Amid ongoing industry volatility, we will adapt our development strategies to evolving market conditions and may hold a conservative approach in our expansion and development in the coming year. While adhering to our "old business" of refractory material manufacturing, we will strengthen our competitive edge to enhance our position in the anode materials industry and create greater value for our shareholders.

Acknowledgement

Finally, on behalf of the Board, I would like to express my sincere gratitude to all shareholders, customers and business partners for their continuous support and help. At the same time, I would also like to thank all of our staff members for their dedication and contribution.

Zhao Liang
Chairman, executive Director and chief executive officer
Hong Kong, 26 March 2025

Mineral Resource and Ore Reserve

Reference is made to the announcement of the Company dated 2 October 2024 in relation to the update of the mineral resource estimation. During the year of 2023, the Group had formulated a reserve expansion plan and exploration drilling works in Beishan Mine for resources at depth conducted. According to the mineral resources estimation report dated 2 October 2024 prepared by SRK, the total of the measured, indicated and inferred graphite mineral resources above 150 metres above sea level ("masl") was approximately 12,205 kiloton ("kt") as at 30 April 2024 as compared to 12,363 kt as at 31 December 2023, and the total graphite mineral resources below 150 masl increased significantly from 29,329 kt as at 31 December 2023 to 54,898 kt as at 30 April 2024. We believed that the abundance of high-grade graphite resources of the Beishan Mine would continue to support our future business operation.

The Group has engaged SRK to perform an update of the Mineral Resources and Ore Reserves of our Beishan Mine as at 31 December 2024. The graphite and marble Mineral Resources in our Beishan Mine, within the elevation limits of our mining license as at 31 December 2024 are reported in accordance with the JORC Code (2012). These Mineral Resources are classified as Measured, Indicated and Inferred and are reported as follows:

Graphite Mineral Resource Statement within the approved mining licence elevation limits as at 31 December 2024

Domain	Mineral Resource Category	Tonnage (kt)	TGC (%)
V1	Measured	453	7.77
	Indicated	1,086	8.61
	Inferred	216	5.15
V2	Measured	–	–
	Indicated	205	10.21
	Inferred	25	7.14
V3	Measured	–	–
	Indicated	813	12.36
	Inferred	201	11.94
V4	Measured	609	11.53
	Indicated	1,533	12.52
	Inferred	150	12.77
V5-1	Measured	447	12.74
	Indicated	658	13.26
	Inferred	208	13.21
V5-2	Measured	293	9.69
	Indicated	331	13.84
	Inferred	243	14.35
V6	Measured	997	10.26
	Indicated	2,544	10.44
	Inferred	373	10.11
Sub-Total	**Measured**	**2,799**	**10.47**
	Indicated	**7,170**	**11.24**
	Inferred	**1,417**	**11.02**
Total		**11,385**	**11.02**

Notes: The Mineral Resources are reported on an in situ basis, with a 3.5% total graphitic carbon (TGC) cut-off and bulk density values of 2.31 t/m^3 for the weathered zone, 2.71 t/m^3 for V1, 2.74 t/m^3 for V2, 2.67 t/m^3 for V3, 2.70 t/m^3 for V4, 2.73 t/m^3 for V5-1, 2.70 t/m^3 for V5-2, 2.70 t/m^3 for V6. Tonnages are expressed in metric units, and grades are reported as a percentage of TGC. Appropriate rounding has been applied to tonnages and grades, which may result in apparent summation differences between tonnes, grade, and contained mineral content. SRK does not consider these differences to be material. There are no significant changes in the assumptions, compared with those presented in the announcement dated 2 October 2024.

Marble Mineral Resource Statement within the approved mining license elevation limits as at 31 December 2024

Mineral Resource Category	Tonnage (kt)
Indicated	2,233
Inferred	554
Total	2,786

Notes: Appropriate rounding has been applied to tonnages and grades, which may result in apparent summation differences between tonnes, grade, and contained mineral content. SRK does not consider these differences to be material. There are no significant changes in the assumptions, compared with those presented in the announcement dated 2 October 2024.

Competent Persons Statement:

The information in this Report that relates to Mineral Resources is based on information compiled by Dr. (Gavin) Heung Ngai Chan, who is a Fellow of The Australian Institute of Geoscientists (AIG). He is a full-time employee of SRK Consulting (Hong Kong) Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2012 Edition of the JORC Code. Dr. Chan consents to the inclusion in the Report of the Mineral Resources in the form and context which it appears.

The graphite and marble Ore Reserves in our Beishan Mine within the elevation limits of our mining license as at 31 December 2024 are reported in accordance with the JORC Code (2012). These Ore Reserves are classified as Proved and Probable and are reported as follows:

Graphite Ore Reserve Statement within the approved mining license elevation limits as at 31 December 2024

Type	Ore Reserve Category	Tonnage (kt)	TGC (%)
Graphite	Proved	2,209	10.8
	Probable	4,957	11.1
Total		7,166	11.0

Notes: Ore Reserves reported include Mineral Resources. The Ore Reserves are reported with a 7.2% TGC cut-off. A 10% dilution rate and 5% mining loss have been taken into account. The reference point of the Graphite Ore Reserves estimates is the feed point to processing plant. Appropriate rounding has been applied to tonnages and grades, which may result in apparent summation differences between tonnes, grade, and contained mineral content. SRK does not consider these differences to be material.

The Ore Reserve Estimates have been re-estimated based on the latest Mineral Resource published in 2024. The key changes to the Modifying Factors, compared to the original Ore Reserves prepared in previous year, include:

— Pit optimisation inputs: costs have been updated to reflect the current operation and the cut-off grade for Ore Reserves have been recalculated.

— Pit design limitations: the pit limits have been revised to align with the occurrence of the updated Mineral Resource Estimates.

The Ore Reserves for graphite are classified as Proved and Probable. For details assumptions please refer to Appendix I — Table 1, JORC Code (2012), Ore Reserve estimation on page 163 of this annual report.

Marble Ore Reserve Statement within the approved mining license elevation limits as at 31 December 2024

Type	Ore Reserve Category	Tonnage (kt)
Marble	Probable	1,572

Notes: The cut-off grade of Marble Reserves is 45%, calcium oxide 97% mining recovery is considered. The reference point of the Marble Ore Reserve estimates is exit of the pit. Appropriate rounding has been applied to tonnages, which may result in apparent summation differences between tonnes, grade, and contained mineral content. SRK does not consider these differences to be material.

The Ore Reserve Estimates have been re-estimated based on the latest Mineral Resource published in 2024. The key changes to the Modifying Factors, compared to the original Ore Reserves prepared in previous year, include:

— Pit optimisation inputs: costs have been updated to reflect the current operation and the cut-off grade for Ore Reserves have been recalculated.

— Pit design limitations: the pit limits have been revised to align with the occurrence of the updated Mineral Resource Estimates.

The Ore Reserves for marble are classified as Probable. For details assumptions please refer to Appendix I — Table 1, JORC Code (2012), Ore Reserve estimation on page 163 of this annual report.

Competent Person Statement:

The information in this Report that relates to Ore Reserves is based on information compiled by Falong Hu, who is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM). He is a full-time employee of SRK Consulting (China) Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2012 Edition of the JORC Code. Falong Hu consents to the inclusion in the Report of the Mineral Resources in the form and context which it appears.

Exploration, Development and Mining Production Activities

During FY2024, the Group had not conducted any exploration drilling works in Beishan Mine and we had not entered into any contracts or commitments in respect of the development activities including mining structure or infrastructure.

We focused on the extracting activities and removing the waste rocks from our Beishan Mine for our access to the unprocessed graphite ore for FY2024. The following table illustrates the extraction costs (including the capitalised amount) incurred for FY2024 and FY2023:

	FY2024 (RMB'000)	FY2023 (RMB'000)
Depreciation	2,886	2,929
Blasting services	7,034	5,584
Fuel costs	4,980	4,624
Salaries and benefits	1,197	1,912
Machinery expenses	6,210	5,484
Amortisation of mining rights	1,304	1,304
Raw materials	725	1,162
Repairs and maintenance	586	586
Others	916	1,129
Total	25,838	24,714
Portion capitalised	10,428	9,282
Portion accounted for as cost of sales for the extraction of graphite ore	11,265	14,421
Portion accounted for as cost of sales for the extraction of marble	4,145	1,011
Total	25,838	24,714

The extraction of our Beishan Mine is split into two phases. Phase one covered an area of approximately 0.10 km^2 and phase two covered an area of approximately 0.25 km^2. During FY2024, extraction works for removing the waste rocks and unprocessed marble in phase one had been conducted and approximately 2,667,000 tonnes (FY2023: approximately 2,202,000 tonnes) of materials including approximately 2,176,000 tonnes (FY2023: approximately 1,712,000 tonnes) of unprocessed marble and wastes rocks and approximately 491,000 tonnes (FY2023: approximately 490,000 tonnes) of unprocessed graphite ore were extracted. The Group subcontracted certain mining production activities to independent third parties including blasting activities, graphite product processing services, logistic and transportation of the unprocessed graphite ore to our production site and finished graphite products to our customers, the leasing of equipment and machinery and the relocation of the tailings to assist with our mining operations and the costs of which amounted to approximately RMB33.4 million in total (FY2023: RMB34.1 million).

Extraction cost

The extraction cost consisted of primarily blasting services expenses, fuel cost of the mining equipment, and machinery expenses of renting the mining equipment. Extraction costs increased from approximately RMB24.7 million for FY2023 to approximately RMB25.8 million for FY2024, which was mainly due to the increase of the total materials extracted during FY2024 (approximately 2,667,000 tonnes) as compared to that during FY2023 (approximately 2,202,000 tonnes), leading to the increase of blasting services expenses of approximately RMB1.5 million, the increase of machinery expense of approximately RMB0.7 million by renting more mining equipment and the increase of the consumption of diesel oil of approximately RMB0.4 million, net off the streamline of the mining staff team in FY2024 which reduced the salaries and the consumables by approximately RMB1.2 million in total.

Financial Review

Revenue

During FY2024, the Group generated the revenue primarily from (i) the sale of spherical graphite and its by-products; (ii) the sale of flake graphite concentrate and (iii) the sale of unprocessed marble. The following table sets forth the revenue generated from each business segment for the years indicated:

	FY2024		FY2023	
	(RMB'000)	**(%)**	(RMB'000)	(%)
Sale of spherical graphite and its by-products	**29,436**	**20.7**	99,629	49.3
Sale of flake graphite concentrate	**108,966**	**76.5**	101,333	50.2
Sale of unprocessed marble	**3,969**	**2.8**	1,032	0.5
Total	**142,371**	**100.0**	201,994	100.0

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

The sale of the spherical graphite generated represented approximately 20.7% and 49.3% of the total revenue for FY2024 and FY2023, respectively. The Group have been selling spherical graphite since September 2012, all of which with a carbon content between 95% and 99.5%. We mainly sell models SG-10 and SG-9. Model numbers of the spherical graphite (i.e. SG-10 and SG-9 being the spherical graphite with a diameter of 10 μm and 9 μm respectively) are designated according to the size of the spherical graphite processed, and additional specifications to spherical graphite may include designated density, purity or shapes of such spherical graphite. As by-products of processing the spherical graphite, we also produce and sell micro graphite powder. The following table summarises the revenue generated by, the sales volume and the average selling prices of the spherical graphite and its by-products during FY2024 and FY2023:

	FY2024			FY2023		
	Revenue (RMB'000)	**Sales volume (Tonnes)**	**Average selling price (RMB/tonne)**	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/tonne)
Spherical graphite						
SG-9	**25,182**	**3,084**	**8,165**	50,596	3,617	13,988
SG-10	**64**	**5**	**12,832**	12,486	801	15,588
SG-16	**–**	**–**	**–**	7,071	1,038	6,812
SG-17	**–**	**–**	**–**	6,621	984	6,729
Subtotal	**25,246**	**3,089**		76,774	6,440	
Micro graphite powder	**4,190**	**3,158**	**1,327**	22,855	13,469	1,697
Total	**29,436**	**6,247**		99,629	19,909	

Revenue generated from the sale of flake graphite concentrate

The sale of the flake graphite concentrate accounted for approximately 76.5% and 50.2% of the total revenue for FY2024 and FY2023, respectively. The Group have been selling flake graphite concentrate since the business was founded in 2006. For FY2024 and FY2023, sales from the flake graphite concentrate, mainly included types, "193" (indicating a carbon content of 93% or from 93% to less than 94%), "194" (indicating a carbon content of 94% or from 94% to less than 95%) and "195" (indicating a carbon content of 95% or from 95% to less than 96%). The following table summarises the revenue generated by, the sales volume and the average selling prices of our flake graphite concentrate during FY2024 and FY2023:

	FY2024			FY2023		
	Revenue (RMB'000)	**Sales volume (Tonnes)**	**Average selling price (RMB/tonne)**	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price (RMB/tonne)
193	**12,491**	**5,380**	**2,322**	40,346	15,585	2,589
194	**61,511**	**25,731**	**2,391**	25,762	8,078	3,189
195	**19,217**	**7,212**	**2,665**	15,886	4,720	3,366
Others[(1)]	**15,747**	**7,109**	**2,215**	19,339	7,965	2,428
Total	**108,966**	**45,432**		101,333	36,348	

Note:

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

The revenue generated from the sales of spherical graphite and by-products decreased to approximately RMB29.4 million for FY2024 compared to approximately RMB99.6 million for FY2023, representing a decrease of approximately 70.5%.

The revenue generated from the sale of flake graphite concentrate increased to approximately RMB109.0million for FY2024 compared to approximately RMB101.3 million for FY2023, representing an increase of approximately 7.5%.

Total revenue from the sale of our graphite products decrease to approximately RMB138.4 million for FY2024 compared to approximately RMB201.0 million for FY2023, representing a decrease of approximately 31.1%.

For FY2024, with the slowdown in the downstream market growth of the anode industry and the intense competition in the graphite market, sales price of our products further declined compared to FY2023 especially for our spherical graphite products. Thus, we had reduced the production of the spherical graphite and increased our selling efforts in flake graphite concentrate in order to retain the profit.

Revenue generated from the sales of unprocessed marble

For FY2024, the revenue generated from the sales of unprocessed marble amounted to approximately RMB4.0 million as compared to approximately RMB1.0 million for FY2023. The increase of the unprocessed marble sale was due to the effort of our sales team and the decrease of the marble price for FY2024 to accelerate its sales.

Cost of Sales

The cost of sales consisted of primarily raw materials and consumables, electricity fees, extraction costs, labor costs and depreciation of the production facilities and machineries.

The cost of sales decreased to approximately RMB100.8 million for FY2024 compared to approximately RMB128.3 million for FY2023, representing a decrease of approximately 21.5%. The reduction was mainly due to the decrease of production for FY2024 compared to FY2023, leading to the decrease of raw materials used in production by approximately RMB10.1 million and the decrease of utilities used in production by approximately RMB17.0 million.

Gross Profit and Gross Profit Margin

For FY2024 and FY2023, the Group's gross profit amounted to approximately RMB41.6 million and RMB73.7 million, representing a gross profit margin of approximately 29.2% and 36.5%, respectively. The following table summarises the gross profit and gross profit margin breakdown by business segment for FY2024 and FY2023:

	FY2024		FY2023	
	Gross profit (RMB'000)	**Gross profit margin (%)**	Gross profit (RMB'000)	Gross profit margin (%)
Sale of spherical graphite and its by-products	**4,883**	**16.6**	35,342	35.5
Sale of flake graphite concentrate	**36,869**	**33.8**	38,297	37.8
Sale of unprocessed marble	**(176)**	**(4.4)**	21	2.0
Gross profit (loss)/gross profit (loss) margin	**41,576**	**29.2**	73,660	36.5

Gross profit and gross profit margin from the sales of spherical graphite and its by-products decreased to approximately RMB4.9 million and 16.6% for FY2024 from approximately RMB35.3 million and 35.5% for FY2023.

Gross profit and gross profit margin from the sales of flake graphite concentrate decreased to approximately RMB36.9 million and 33.8% for FY2024 from approximately RMB38.3 million and 37.8% for FY2023.

The decline in both gross profit and gross profit margin for our graphite products primarily resulted from two key factors in FY2024: the slowdown in downstream demand in the anode industry and intensified competition in the graphite market. These market conditions drove significant price erosion compared to FY2023.

Other Income

Our other income consisted of primarily government grants. They increased to approximately RMB4.5 million for FY2024 compared to approximately RMB3.3 million for FY2023. Such increase was mainly due to the increase of government grants to approximately RMB3.4 million for FY2024 from approximately RMB2.6 million for FY2023.

Selling and Distribution Expenses

Our selling and distribution expenses consisted of primarily the transportation fee to deliver our products to the customers, marketing expenses and the labor cost of the sales department. They increased to approximately RMB13.3 million for FY2024 compared to approximately RMB7.4 million for FY2023, representing an increase of approximately 79.4%. The rise in selling and distribution expenses was primarily driven by an increase in transportation costs of approximately RMB5.6 million, attributable to the delivery of our products to major customers located farther from our operations in FY2024 (e.g., Henan and Zhejiang) compared to those in the previous year (e.g., Shandong).

General and Administrative Expenses

Our general and administrative expenses consisted of primarily the administrative labor costs, professional fees and office expenses increased to approximately RMB30.2 million for FY2024 compared to approximately RMB25.4 million for FY2023, representing an increase of approximately 18.9%, mainly due to the consolidation of a subsidiary in Shangdong as announced on 15 February 2024, leading to an increase in the office expenses of approximately RMB1.2 million, professional fees for the design of the project in Shangdong of approximately RMB1.2 million and travelling expenses of approximately RMB1.2 million.

Research and Development Expenses

Our research and development expenses consisted of primarily the electricity fees, raw materials and labor cost used in the research and development activities. They decreased to approximately RMB10.9 million for FY2024 compared to approximately RMB17.2 million for FY2023, representing a decrease of approximately 36.5%. During FY2024, budget for the research and development activities had been streamlined to cope with the changing market conditions and certain research and development projects were postponed, leading to the decrease of the research and development expenses.

Finance (Costs)/Income, Net

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

The Group recorded finance cost, net of approximately RMB4.1 million for FY2024 compared to finance income, net of approximately RMB0.9 million for FY2023. The change was mainly due to the increase of interest expenses on borrowings by approximately RMB1.6 million for FY2024 as a result of the increase of borrowings during the year, the incur of interest expenses of approximately RMB1.1 million in the acquisition of certain lands by instalments during FY2024 and the decrease of the interest income from bank deposits by approximately RMB1.4 million with the decrease of the cash balance for FY2024.

Income Tax (Credit)/Expense

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, companies in the PRC are subject to income tax of 25% unless preferential rate is applicable. The Group's major operating subsidiary, Yixiang New Energy and Yixiang Graphite are subject to a tax rate of 15% for FY2024 and FY2023 as they are eligible for the tax concession granted by the PRC government as a high-tech enterprise.

No Hong Kong profits tax has been provided for FY2024 and FY2023 since there was no tax assessable profit generated from Hong Kong. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

Income tax (credit)/expense consisted of primarily PRC corporate income tax. The Group recorded income tax credit of approximately RMB1.0 million for FY2024 compared to income tax expense of approximately RMB2.8 million for FY2023. The incur of the income tax credit was mainly due to the total net loss positions of our operating subsidiaries during FY2024.

Loss for the Year

The Group recorded net loss after tax of approximately RMB12.5 million for FY2024 compared to net profit after tax of approximately RMB21.3 million for FY2023.

The incur of the loss for FY2024 was mainly due to the slowdown in the downstream market growth of the anode industry and the intense competition in the graphite market, affecting the demand and leading to the further decline of our products price compared to FY2023. As a result, revenue decreased from approximately RMB202.0 million for FY2023 to RMB142.4 million for FY2024 and gross profit decreased from approximately RMB73.7 million for FY2023 to RMB41.6 million for FY2024, leading to the loss position of the Group during the year.

Non-HKFRS Financial Measures

Adjusted net (loss)/profit under non-HKFRS financial measures is defined as (loss)/profit for the year attributable to owners of the Company excluding non-recurring expenses and income. As government grants are non-recurring in nature and not related to the performance of the Group's operation, the Directors consider that the presentation of the Group's adjusted net (loss)/profit under non-HKFRS financial measures by eliminating the impact of government grants can better reflect the actual performance of the Group's operation during the respective years. Furthermore, the Group's management also uses the non-HKFRS financial measures to assess the Group's operating performance and formulate business plans. The Group believes that the non-HKFRS financial measures provide useful information to the investors about its core business operations, which they can use to evaluate the Group's operating results and understand its consolidated results of operations in the same manner as the management.

The following table sets forth a reconciliation of the Group's adjusted net (loss)/profit under non-HKFRS financial measures for the years indicated to that prepared in accordance with HKFRS measures:

	FY2024 (RMB'000)	FY2023 (RMB'000)
(Loss)/profit and total comprehensive (loss)/income attributable to owner of the Company	**(12,501)**	21,318
Less:		
Government grants	**(3,389)**	(2,644)
Adjusted net (loss)/profit under non-HKFRS financial measures	**(15,890)**	18,674

Use of Proceeds from the Global Offering

The Shares were listed on the Stock Exchange since 18 July 2022. Based on 400,000,000 Offer Share and the offer price of HK$0.325 per Share, the net proceeds from the Global Offering, after deducting listing related expenses, amounted to approximately HK$83.1 million (equivalent to approximately RMB71.7 million) (the "Net Proceeds").

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

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

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

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

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

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

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

Liquidity, Financial Resources and Capital Structure

The Group requires a substantial amount of capital to fund the working capital requirements and business expansion. Our operation and growth have been primarily been financed by cash generated from our operating activities and loans from the banks. The Group's financial position remained healthy and stable. It is anticipated that the Group has sufficient working capital to fund its future working capital. For FY2024, we had not used any financial instruments for hedging purpose.

As at 31 December 2024, the capital structure of the Group comprised of share capital and reserves amounting to approximately RMB436.3 million (31 December 2023: RMB448.8 million).

As at 31 December 2024, the Group's net current assets were approximately RMB90.1 million (31 December 2023: approximately RMB225.1 million).

The Group's cash and cash equivalents as at 31 December 2024 were approximately RMB32.5 million (31 December 2023: approximately RMB111.9 million).

As at 31 December 2024, there were interest-bearing borrowings of approximately RMB80.0 million (31 December 2023: approximately RMB66.4 million) and unutilised bank facilities of approximately RMB110.0 million (31 December 2023: RMB93.6 million).

Details of the capital structure, cash and cash equivalents and borrowings are set out in note 26, note 21 and note 24 respectively to the consolidated financial statements in this annual report.

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

	FY2024	FY2023
Gross profit margin	29.2%	36.5%
Net (loss)/profit margin	(8.8%)	10.6%

	As at 31 December	
	2024	2023
Current ratio (times)	1.7	2.9
Gearing ratio	9.8%	N/A

Gross profit margin equals to gross profit for the year divided by revenue for the year, multiplied by 100%. Reason for the decrease of the gross profit margin was stated in the paragraph "Gross Profit and Gross Profit Margin".

Net (loss)/profit margin equals to net (loss)/profit for the year divided by revenue for the year, multiplied by 100%. The reasons for the change of the net profit margin to net loss margin were mainly due to the intense competition of the graphite market and the decrease of the price of the graphite products in FY2024, leading to the decrease of the revenue and gross profit margin of the Group. Further details where stated in the paragraph "Gross Profit and Gross Profit Margin" and "Loss for the Year".

Current ratio equals to total current assets divided by total current liabilities as at the year ended date. Decrease of the current ratio was mainly due to the decrease of trade and bills receivables from approximately RMB193.8 million as at FY2023 to approximately RMB147.8 million as at FY2024 with the decrease of the sales for FY2024, the decrease of cash and cash equivalents from approximately RMB111.9 million as at FY2023 to approximately RMB32.5 million as at FY2024 and the increase of the borrowings from approximately RMB66.4 million as at FY2023 to approximately RMB80.0 million as at FY2024. During FY2024, the Group had paid for the acquisition of a forest land in Heilongjiang as announced on 1 March 2024 for an amount of approximately RMB86.9 million and acquired a land in Shangdong as announced on 15 February 2024 for an amount of approximately RMB55.9 million. Above acquisitions decreased our cash position and increased the amount of borrowings as at FY2024.

Gearing ratio equals to net debt divided by total capital as at the year ended date. Net debt is calculated as total borrowings (including borrowings as shown in the consolidated statement of financial position and excluding lease liabilities) less cash and cash equivalents. As at 31 December 2024, our gearing ratio was 9.8% compared to the net cash position as at 31 December 2023. Change of the position of the gearing ratio was mainly due to the decrease of cash and cash equivalents from approximately RMB111.9 million as at FY2023 to approximately RMB32.5 million as at FY2024 and the increase of the borrowings from approximately RMB66.4 million as at FY2023 to approximately RMB80.0 million as at FY2024 for the acquisition of the land in Heilongjing and Shangdong as mentioned above for our future development. Detail calculation is set out in note 3 to the consolidated financial statements in this annual report.

Charge Over the Group's Assets

As at 31 December 2023 and 2024, the bank facilities of the Group were secured by the guarantee provided by the controlling shareholder, property, plant and equipment, land use rights, mining rights and certain trade receivables. More details are set out in note 24 to the consolidated financial statements in this annual report.

Financial Management Policies and Practices

Our Group is also exposed to certain financial risks which are set out in note 3 to the consolidated financial statements in this annual report.

Employees and Remuneration Policies

As at 31 December 2024, the Group had a total of 189 workers (FY2023: 288) of which 139 were full-time employees (FY2023: 198) and the remaining 50 workers were sourced from the crowdsourcing service provider (FY2023: 90). As at 31 December 2024 and 2023, two full-time employees were based in Hong Kong and the remaining were all based in PRC. Decrease of the total workers as at 31 December 2024 compared to that in FY2023 was mainly due to the competition of graphite industry and our cost control policy to reduce redundancy in FY2024.

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

Capital Expenditure

As at 31 December 2024, our capital expenditures amounted to approximately RMB80.6 million, which mainly represented the purchase of the land, production equipment and the enhancement work of our tailing storage facilities (FY2023: RMB58.2 million).

Contingent Liabilities

As at 31 December 2024 and 2023, the Directors confirm that the Group had no contingent liabilities. The Group are currently not a party to any litigation that is likely to have a material adverse effect on the business, results of operations or financial condition.

Capital Commitments

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

Foreign Exchange Exposure

Assets and liabilities of the Group are mainly denominated in RMB. Most of these assets and liabilities are in the functional currency of the operations to which the transactions relate. We have certain HK$ denominated deposit in bank during FY2024 which is exposed to foreign exchange risk. However, the exposure to foreign exchange risk is not material to the Group. As such, we currently do not have a foreign currency hedging policy.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

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

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

Save for those disclosed above, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures, during FY2024 and there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

Final Dividend

The Directors do not recommend the payment of a final dividend for FY2024 (FY2023: Nil).

Significant Events after the Balance Sheet Date

Save elsewhere in this annual report, there were no other significant events occurred after 31 December 2024 and up to the date of this annual report.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zhao Liang (趙亮)

Chairman and chief executive officer

Mr. Zhao, aged 46, is an executive Director, chairman of the Board and chief executive officer of our Company. He is primarily responsible for the overall management, decision-making and strategy planning of our Group.

Mr. Zhao is one of our founders and has over 20 years of experience in the graphite mining industry. Prior to founding our Group, Mr. Zhao was the deputy general manager of Jixi Yixiang Graphite Company Limited* (雞西市溢祥石墨有限公司) from June 2002 to May 2004. He founded and served as deputy general manager of Jixi Lishu Yixiang Graphite Factory* (雞西市梨樹區溢祥石墨廠) in February 2006 which was dissolved in July 2015. Mr. Zhao then founded our Group in June 2006 and has held directorship roles in our principal operating subsidiaries, namely Yixiang Graphite and Yixiang New Energy since April 2019 and April 2011, respectively. He also served as the general manager of Yixiang Graphite from June 2006 to May 2019 and since April 2021. He has been a Hegang City Deputy of the National People's Congress (鶴崗市人大代表) since January 2017.

Mr. Zhao obtained a college degree from Northeast Agricultural University (東北農業大學) in December 2006.

Mr. Lei Wai Hoi (李偉海)

Chief financial officer and company secretary

Mr. Lei, aged 39, is an executive Director, the chief financial officer and company secretary of our Group. Mr. Lei joined our Group in March 2021 and is responsible for overseeing the overall financial management as well as corporate governance matters of our Group. Mr. Lei has over 15 years of experience in the accounting and compliance profession.

Mr. Lei was employed by PricewaterhouseCoopers from October 2009 to July 2017 with his last position as a manager.

Prior to joining our Group, Mr. Lei served as the financial controller and company secretary of WT Group Holdings Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8422) from July 2017 to March 2021.

Mr. Lei obtained a bachelor's degree in business administration (majoring in accounting) from the Hong Kong Baptist University in November 2009. Mr. Lei was admitted as a member of the Hong Kong Institute of Certified Public Accountants in January 2013.

Independent Non-Executive Directors

Mr. Ho Hoi Tung (何凱棟)

Mr. Ho, aged 47, is an independent non-executive Director. He has over 20 years of experience in the field of financial management and compliance. Mr. Ho is a certified management accountant of The Institute of Certified Management Accountants, Australia, a fellow of The Institute of Financial Accountants and a fellow of The Institute of Public Accountants.

From June 1999 to November 2007, Mr. Ho served in several financial institutions and was responsible for financial projects and equities dealings. From November 2007 to June 2015, Mr. Ho served in HSBC Markets (Asia) Limited with his last position as an associate director, where he was primarily responsible for the development and management of the trading flows. Mr. Ho was also a representative of HSBC Securities Brokers (Asia) Limited, a member of HSBC Markets (Asia) Limited, for its Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time ("SFO"). Since September 2015, Mr. Ho had served as the directors of several financial institutions, managing the investment portfolios, supervising the daily operations, setting up the risk management and compliance policies. Mr. Ho served as a managing director of HongKong Ebang Digital Technology Limited from June 2021 to May 2023, and has also been working as the chief executive officer of Accumulus GBA Technology (Hongkong) Co., Limited since May 2023.

Mr. Ho obtained his bachelor's degree in Finance from University of Hong Kong and his master's degree in Financial Engineering from City University of Hong Kong in 1999 and 2007, respectively.

Mr. Shen Shifu (申士富)

Mr. Shen, aged 58, is an independent non-executive Director. He is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Shen has over 20 years of experience in the mineral and mining industries. He joined Qingdao Changcheng Jiaozhou Building Materials Group Company Limited* (青島膠州長城建材集團公司) in August 2002 and worked as senior engineer until July 2005. Since August 2004 and until the date of this annual report, he has been working as a chief expert of the Mineral Processing Research and Design Institute of BGRIMM Technology Group Co., Ltd. ("BGRIMM Group") (北京礦冶科技集團有限公司選礦研究設計所). He has been serving as an independent non-executive director of Zhaojin Mining Industry Company Limited (Stock code: 1818), a company listed on the Main Board since February 2016. Mr. Shen has been serving as an independent non-executive director of Huaiji Dengyun Auto-Parts Holding Co. Ltd., a company listed on the Shenzhen Stock Exchange (SZSE: 2715), since March 2021.

Mr. Shen was an academic foregoer of China Inorganic Chemical Industry Society (中國無機化工學會) from October 2008 to October 2012, and has been an expert committee member of China Nonmetallic Mineral Industry Association Professional Committee of Graphite (中國非金屬礦工業協會石墨專業委員會) and a professor committee member of China Nonferrous Metals Society Technical Experts Working Committee (中國有色金屬學會技術專家工作委員會) since August 2014 and October 2018, respectively.

Mr. Shen graduated from Shandong Institute of Building Materials* (山東建築材料工業學院) (currently known as University of Jinan (濟南大學)) with a bachelor of Silicate Engineering in July 1988, and later obtained a doctorate degree in Mineral Processing Engineering from the Northeastern University (東北大學) in September 2004. He was awarded the title of qualified senior engineer during his employment at Qingdao Laoshan Cement Production Co., Ltd. (青島嶗山水泥製造有限公司). In November 2000, and by the Professional Skills and Occupational Assessment Committee of BGRIMM Group (北京礦冶科技集團有限公司專業技術職務評審委員會) in December 2019.

Mr. Liu Zezheng (劉澤政)

Mr. Liu, aged 44, is an independent non-executive Director. He is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Liu has over 17 years of experience in the legal industry. From February 2008 to November 2011, Mr. Liu served as a lawyer at Beijing Guangsheng & Partners Law Offices* (北京市廣盛律師事務所). He then joined Beijing Qunke Law Offices* (北京群科律師事務所) and served as a lawyer until December 2018. Since January 2019, he has been serving as a lawyer of Beijing Qingshan Law Offices* (北京市青山律師事務所). Mr. Liu obtained the practicing certificate for lawyers issued by the Beijing Municipal Bureau of Justice* (北京市司法局) in July 2008.

Mr. Liu graduated from Inner Mongolia University (內蒙古大學), majoring in law in July 2004.

Ms. Zhao Jingran (趙婧冉)

Ms. Zhao, aged 36, is an independent non-executive Director. She is primarily responsible for supervising and providing independent judgement to our Board.

Ms. Zhao has taken up various roles at The Hong Kong Polytechnic University since 2015. In particular, she has been serving as an assistant professor since July 2015 and a visiting lecturer at the Institute of Advanced Executive Education since July 2021. Ms. Zhao taught management accounting and has been teaching business analytics in accounting and finance and contemporary issues in accounting research since 2019. Ms. Zhao was awarded the 2020 JIAR Best Paper Award and has been awarded the Faculty Award for Outstanding Achievement (Teaching) in 2019/2020.

Ms. Zhao obtained her bachelor’s degree in business administration from Georgia College & State University in May 2010. She also obtained a Ph.D. degree in accounting from Emory University in June 2015.

Senior Management

Mr. Wang Guilu (王貴路)

Mr. Wang, aged 57, is a general manager and sales manager of our Company. Mr. Wang is responsible for the overall management of the sales and marketing activities of our Group.

Mr. Wang joined our Group in June 2006 with his latest position as general manager. He graduated from Hulan Normal College (呼蘭師範專科學校) in July 1988 and he completed a training course for chief executive officers at Tsinghua University Education Training Management Office (清華大學教育培訓管理處) in October 2012.

Mr. Ren Yu (任羽)

Mr. Ren, aged 50, is a deputy general manager of our Company. He is responsible for the overall management of human resources, procurement affairs and project development of our Group.

He joined the Group in 2006 and was promoted to his current position in 2021. Mr. Ren graduated from the CPC Central Party School in Heilongjiang Province with a bachelor's degree in finance and accounting in July 2007.

Mr. Wu Enming (吳恩明)

Mr. Wu, aged 55, is a deputy general manager of our Company. He is responsible for the overall management of the production of our Group.

Mr. Wu joined the Group in 2007 and he graduated with a bachelor's degree in mechanical maintenance from Jixi City Labor Bureau Technical School* (雞西市勞動局技工學校) in July 1993. In July 2006, he completed advanced level of fitter training at Jixi Mining Advanced Technical School* (雞西礦業高級技工學校).

Ms. Xu Xia (徐霞)

Ms. Xu, aged 52, is the finance director of our Company. She is responsible for the overall management of the financial and internal control matters of our Group.

Ms. Xu served as a financial manager at the financial department of Shenzhen Xinsanli Automatic Equipment Co., Ltd.* (深圳市三力自動化設備有限公司) from November 2005 to December 2014 and then served as a finance manager of Huizhou Chuangyingyuan Electronic Technology Co., Ltd.* (惠州市創盈源電子科技有限公司) from September 2015 to December 2020 before joining our Group in January 2021.

Ms. Xu graduated from Xiangtan University (湘潭大學) in June 1994 majoring in administrative management. She obtained the qualification as an intermediate accountant in May 2001 conferred by the MOF and obtained the certificate of accounting professional in June 2005 from the Shenzhen Finance Bureau (深圳市財政局).

Company Secretary

Mr. Lei Wai Hoi (李偉海)

The biography of Mr. Lei is set out in the section headed "Executive Directors" of this annual report.

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the Reporting Period.

Corporate Purpose, Value, Strategy and Culture

We are committed to developing a positive, progressive and action-oriented culture to achieve our corporate purpose and value. We believe our culture enhance our staff sense of belonging and responsibility that enables the Group to deliver long-term sustainable growth and success and to become one of the representatives in the graphite industry in China.

Throughout the year of 2024, we continued to strengthen and focus on the following areas to achieve our corporate purpose and value: business expansion, customer satisfaction, operational safety and efficiency, environmental production, and positivity, through various initiatives set out in the Management Discussion and Analysis, Corporate Governance Report and Environmental, Social and Governance Report in this annual report.

We also have a rigorous and ongoing strategic planning process to identify and assess the opportunities and challenges that the Group might face and to develop a planned course of action for the Group to generate sustainable long-term value for Shareholders. Details of our strategic initiatives for fulfilling our purpose and achieving our value are set out in the Chairman's Statement.

Corporate Governance Practices

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

The CG Code has been applicable to the Company during the Reporting Period and the Company has complied with all applicable code provisions of the CG Code, save for code provision C.2.1 of Part 2 of the CG Code disclosed in the subsection headed "Chairman and Chief Executive Officer" below.

Board of Directors

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives.

The Board is also responsible for, among others, performing the corporate governance duties, including but not limited to developing and reviewing the Group's policies and practices on corporate governance and make recommendations, reviewing and monitoring the training and continuous professional development of the Directors and senior management, reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual applicable to the Directors and employees and reviewing the Group's compliance with the CG Code and disclosure in the corporate governance report.

Each Directors would ensure that he/she would devote sufficient time and attention to the Group's affairs by accepting their respective appointments.

Board Composition

The composition of the Board as at the date of this annual report is as follows:

Executive Directors

Mr. Zhao Liang *(Chairman and chief executive officer)*
Mr. Lei Wai Hoi *(Chief financial officer and company secretary)*

Independent Non-Executive Directors

Mr. Chiu G Kiu Bernard (resigned on 24 September 2024)
Mr. Shen Shifu
Mr. Liu Zezheng
Ms. Zhao Jingran
Mr. Ho Hoi Tung (appointed on 24 September 2024)

The biographical information of the Directors is set out in the section headed "Profile of Directors and Senior Management" on pages 25 to 28 of this annual report. There was no financial, business, family or other material relationship among the Directors during the Reporting Period.

Board Meetings and Directors' Attendance Records

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Directors make every effort to contribute to the formulation of policy, decision-making and the development of the Group's business.

All Directors should give the benefit of their skills, expertise and qualifications through regular attendance and active participation of meetings held by the Company, where constructive comments on the development of Company's strategy and policies can be exchanged. Prior to board meeting, directors should receive adequate information in a timely manner and are properly briefed on issues arising at board meetings, for which the management shall supply in sufficient details and in a complete and reliable manner. Directors have full access to require more information or make further inquiry on subject matters. The Chairman would approve meeting agenda, take into account matters proposed by other directors for inclusion in the agenda, encourage Directors with different views to voice concerns and the board decision fairly reflect board consensus, and facilitate contribution of non-executive directors and constructive relations between executive and non-executive directors. Board meetings are held with reasonable prior notice at least four times in a year. In the event a director has conflict of interest in a matter, physical board meeting is preferred over written resolution to deal with this matter.

Here below are details of all Directors' attendance at the Board meeting and the general meeting of the Company held during the Reporting Period:

	No. of Annual General Meeting attended in person/ by proxy/convened	No. of Board meetings attended in person/ by proxy/convened	Attendance rate of Annual General Meeting/ Board meetings
Executive Directors			
Mr. Zhao Liang	1/0/1	4/0/4	100%/100%
Mr. Lei Wai Hoi	1/0/1	4/0/4	100%/100%
Independent non-executive Directors			
Mr. Chiu G Kiu Bernard (resigned on 24 September 2024)	1/0/1	3/0/3	100%/100%
Mr. Shen Shifu	1/0/1	4/0/4	100%/100%
Mr. Liu Zezheng	1/0/1	4/0/4	100%/100%
Ms. Zhao Jingran	1/0/1	4/0/4	100%/100%
Mr. Ho Hoi Tung (appointed on 24 September 2024)	N/A	1/0/1	N/A/100%

An annual general meeting of the Company was held on 6 May 2024. Poll results of the annual general meeting had been published on the website of the Stock Exchange and the Company.

Here below are details of all Directors' attendance at the Board committee meetings held during the Reporting Period:

	No. of Audit Committee Meeting attended in person/ by proxy/ convened	No. of Remuneration Committee Meeting attended in person/ by proxy/ convened	No. of Nomination Committee Meeting attended in person/ by proxy/ convened	No. of Compliance Committee Meeting attended in person/ by proxy/ convened
Executive Directors				
Mr. Zhao Liang	N/A	1/0/1	1/0/1	N/A
Mr. Lei Wai Hoi	N/A	N/A	N/A	1/0/1
Independent non-executive Directors				
Mr. Chiu G Kiu Bernard (resigned on 24 September 2024)	2/0/2	1/0/1	1/0/1	1/0/1
Mr. Shen Shifu	2/0/2	1/0/1	1/0/1	N/A
Mr. Liu Zezheng	2/0/2	1/0/1	1/0/1	1/0/1
Ms. Zhao Jingran	2/0/2	1/0/1	1/0/1	N/A
Mr. Ho Hoi Tung (appointed on 24 September 2024)	N/A	N/A	N/A	N/A

Records of board and committee meeting containing sufficient details of the matters considered and reached are kept by our secretary of the meeting and be made available for inspection.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual.

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

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

Independent Non-Executive Directors

During the Reporting Period and up to the date of this annual report, the Board at all times met the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

With effect from 24 September 2024, Mr. Chiu G Kiu Bernard ("Mr. Chiu") has resigned as an independent non-executive Director and has ceased to be the chairman of the audit committee of the Board (the "Audit Committee"), a member of the nomination committee of the Board (the "Nomination Committee"), a member of the remuneration committee of the Board (the "Remuneration Committee") and a member of the compliance committee of the Board (the "Compliance Committee") due to his desire to devote more time to pursue other personal commitments. Mr. Chiu will not hold any other position with the Group after his cessation of directorship and positions in the Board committees and he has confirmed that he has no disagreement with the Board and there is no other matter in relation to his resignation that needs to be brought to the attention of the Shareholders.

After the resignation of Mr. Chiu, Mr. Ho Hoi Tung ("Mr. Ho") has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Compliance Committee with effect from 24 September 2024. The biography of Mr. Ho is set out in the section headed "Independent Non-Executive Directors" of this annual report.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the executive Directors, Mr. Zhao and Mr. Lei, has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either the executive Director or the Company.

Each of the independent non-executive Directors, Mr. Shen, Mr. Liu, Ms. Zhao and Mr. Ho, has entered into a letter of appointment with the Company for a term of three years, which may be terminated by not less than three month's notice in writing served by either the independent non-executive Director or the Company.

Pursuant to Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

Pursuant to Article 108(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, in accordance with Article 112 of the Articles of Association, Mr. Ho Hoi Tung will retire from office at the AGM, and in accordance with Article 108(a) of the Articles of Association, Mr. Shen Shifu and Mr. Liu Zezheng will retire from office at the AGM. The retiring Directors, being eligible, have offered themselves for re-election at the AGM.

It is noted that a separate resolution should be approved by shareholders for further appointment of any independent non-executive director who has served in the Company more than nine years, in that papers to shareholders accompanying that resolution should state why the Nomination Committee believes that the director is still independent and should be re-elected (including the factors considered, the process and discussion of the nomination committee) in arriving at such determination. Where all the independent non-executive directors of the Company have served more than nine years on the Board, the procedures under B.2.4. of the CG Code shall be followed.

Information including the process used to identify individual and reason for independence, skills and experience, time commitment and contribution to board diversity, as applicable, would be set out in circulars to shareholders when proposing a resolution to elect an individual as independent non-executive director of the Company.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations. Each Director must know their responsibility as a director and non-executive Director would have same duties of care and skill and fiduciary duties as executive Directors.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company. By doing so, independent views are available to the Directors, and such mechanism and implementation and efficiency would be reviewed by the Board annually.

The Directors shall disclose to the Company details of other offices held by them including, changes, the number and nature of offices held in public companies and other significant commitments. Such disclosures would be made promptly upon occurrence.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management. The Board makes decisions to develop and review the Group's policies and practices on corporate governance and to review and monitor training and of directors and senior management of our Group. Moreover, the Board sets directions to the delegated management in which prior Board approval should be obtained before making decisions and entering commitments for the Group. Delegation arrangements would be reviewed periodically.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

The Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills and to continue to keep updated with their responsibilities under relevant laws and regulations, the Listing Rules and other regulatory requirements as well as the Company's policies. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses. Records of training by Directors would be maintained by the Company.

Board Committees

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

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3 of this annual report.

Audit Committee

The Group have established an audit committee with written terms of reference (the "Audit Committee") in compliance with Rules 3.21 and 3.22 of the Listing Rules and the Paragraph D.3 of Part 2 of the CG Code. As at the date of this annual report, the Audit Committee comprises four members, namely Mr. Ho Hoi Tung, Mr. Shen Shifu, Mr. Liu Zezheng and Ms. Zhao Jingran. Mr. Ho Hoi Tung, the independent non-executive Director with appropriate accounting and financial management expertise, is the chairperson of the committee. The primary duties of the Audit Committee are to make recommendations to our Board on the appointment, re-appointment and removal of external auditors, approval of their terms and remuneration, raise questions on their resignation or dismissal, review of their engagement policy, independence and scope of audit, review the financial statements; provide material advice in respect of our financial reporting process; oversee our internal control and risk management systems and audit process; and provide advice and comments to our Board on matters related to corporate governance.

None of the committee members is a former partner of or has any financial interest in the Company's existing external auditors within two years before his appointment as a member of the Audit Committee.

During the Reporting Period, two Audit Committee meeting was held at which the Audit Committee reviewed and discussed the issues relating to the publication of the interim and final results of the Company and its subsidiaries for the relevant period, reviewed the risk management and internal control systems, the effectiveness of the issuer's internal audit function, as well as other related matters required under the CG Code. All members of the Audit Committee attended the meeting.

The financial statements of the Group for FY2024 have been reviewed by the Audit Committee.

Remuneration Committee

The Group have established a remuneration committee with written terms of reference (the "Remuneration Committee") in compliance with Rules 3.25 and 3.26 of the Listing Rules and the Paragraph E.1 of Part 2 of the CG Code. As at the date of this annual report, the Remuneration Committee comprises four members, namely Mr. Liu Zezheng, Mr. Zhao Liang, Mr. Shen Shifu and Ms. Zhao Jingran. Mr. Liu Zezheng, the independent non-executive Director, is the chairperson of the committee. The primary duties of the Remuneration Committee are to make recommendations to the Board regarding our policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies, to make recommendations to the Board on the remuneration proposals and packages of our Directors and senior management and on the employee compensation and benefit arrangement and to review and approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, one Remuneration Committee meeting was held at which the Remuneration Committee discussed and determined the policy for the remuneration packages of executive Directors and senior management, reviewed performance of executive Directors and matters relating to Directors' service terms and share schemes, as well as other related matters required under the CG Code. All members of the Remuneration Committee attended the meeting.

Nomination Committee

The Group have established a nomination committee with written terms of reference (the "Nomination Committee") in compliance with Rule 3.27A of the Listing Rules and the Paragraph B.3 of Part 2 of the CG Code. As at the date of this annual report, the Nomination Committee comprises four members, namely Mr. Zhao Liang, Mr. Shen Shifu, Mr. Liu Zezheng and Ms. Zhao Jingran. Mr. Zhao is the chairperson of the committee. The primary duties of the Nomination Committee are to make recommendations to review the structure, size and composition (including the skills, knowledge and experience) of our Board; identify suitable candidates qualified to become board members with recommendation to the Board; assess independence of independent non-executive Directors; and review and make recommendations to the Board on reappointment of Directors and the management of the Board succession. Nomination Committee would be provided with sufficient resources in carrying out its duties.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, one Nomination Committee meeting was held at which the Nomination Committee discussed and reviewed the matters relating to the independence of the independent non-executive Directors, re-election of Directors, and the structure, size, selection and composition of the Board. All members of the Nomination Committee attended the meeting.

Compliance Committee

The Group have established a compliance committee with written terms of reference (the "Compliance Committee"). As at the date of this annual report, the Compliance Committee comprises three members, namely Mr. Liu Zezheng, Mr. Lei Wai Hoi and Mr. Ho Hoi Tung. Mr. Liu is the chairperson of the committee. The primary duties of the Compliance Committee are to ensure compliance with regulatory requirements and matters as well as the adequacy and effectiveness of regulatory compliance procedures and system.

During the Reporting Period, one Compliance Committee meeting was held at which the Compliance Committee discussed the regulatory matters. All members of the Compliance Committee attended the meeting.

Directors' and Employees' Securities Transactions

The Company has adopted the Model Code as its code of conduct for securities transactions by Directors. The Directors are reminded of their obligations under the required standard of dealings set out in the Model Code on a regular basis. Having made specific enquiries to all the Directors during the Reporting Period, all the Directors have confirmed that they have complied with the Model Code.

The Group's senior management and employees who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the Reporting Period.

Mechanisms for the Board to obtain independent views and opinions

Pursuant to Code Provision B.1.4 of Part 2 of the CG Code, the Company should establish mechanisms to ensure independent views and input are available to the Board. The Board had adopted a mechanism for obtaining independent views and opinions (the "Mechanism"), with the aim of ensuring the strong independence of the Board and improving the working efficiency and the independence of decision-making of the Board. The Board will review the implementation and effectiveness of the Mechanism annually. The Mechanism specifies that all Directors have the right to obtain sufficient resources provided by the Company to perform their duties, and Directors have the right to make a request to the Company for independent professional advice at the expense of the Company if they believe that the advice is relevant and necessary for performing their duties.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, qualification, skills, experience, knowledge, length of service and any other factors that the Board would consider relevant and applicable from time to time taking into account the Company's business model and specific needs.

As the main business of the Group is in the mining related industry, the proportion of male employees of the Group is relatively higher than that of female employees. However, when recruiting staff, the Group mainly considers factors such as the candidates' ability, experience and required remuneration packages, rather than their gender. During the Reporting Period, Ms. Zhao Jingran holds directorship and Ms. Xu Xia holds senior management position to achieve gender diversity in our top management level.

The Board will continue to adopt measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will continue to review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

As at the date of this annual report, the Board's composition can be summarised by the following main diversity perspectives:

	Number of Directors
By Gender	
Female	1
Male	5
By Age	
Below 40	2
40-49	3
50 or above	1
By Length of Service	
1-3 years	6

Our Directors also have a balanced mix of knowledge and skills and obtained degrees in various majors. We have four independent non-executive Directors with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different backgrounds of our Directors, the composition of our Board satisfies the Board Diversity Policy.

As at 31 December 2024, male employees accounted for 78.3% and female employees accounted for 21.7% of all employees (including senior management) of the Group. To achieve gender diversity, we are committed to creating favorable conditions in our working environment to attract more women to join the Group, and thus increase the proportion of female employees (including senior management) by years, making us a gender-balanced company. The gender balance scheme includes hiring and promoting more women to hold senior management positions based on the qualifications, experience and skills required for those positions. In addition, we may face the issue of whether the supply of female personnel in the human resources market matches the academic qualifications, experience and skills required for positions within the Group. Despite these challenges, we are still moving towards gender balance.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the following factors for assessing the suitability and the potential contribution to the Board of a proposed candidate:

- whether the individual's educational background and qualification, skills and experience are relevant to the Company's business model and specific needs;

- individual's character and reputation for integrity;

- whether the individual would be able to devote sufficient time to the Board;

- (in respect of appointment and reappointment of independent non-executive Directors) Independence of the individual with reference to the independence criteria set out in Rule 3.13 of the Listing Rules;

- how the individual would be able to contribute to the diversity of the Board with reference to the factors set out in the Board Diversity Policy of the Company from time to time in force; and

- Board succession planning considerations.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the Reporting Period, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy regularly to ensure its effectiveness. The Nomination Committee will also conduct annual review on the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs, comply with all applicable laws and regulations from time to time and maintain good corporate governance practice.

Corporate Governance Functions

The Board is responsible for determining corporate governance policy of the Company and performing the functions set out in the code provision A.2.1 of the CG Code including among others, reviewing policies and practices on corporate governance, monitoring the training and continuous professional development, reviewing policies and practices on regulatory requirements, developing conduct code and reviewing Company's compliance with CG Code and related disclosure.

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. A Corporate Governance Policy setting out various corporate governance policies and procedures has been adopted by the Company, which applies to assist the Board and the top management to better perform their corporate governance duties to the Group and delegate the responsibilities to the Board committees.

Risk Management and Internal Control

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Board oversees on an on-going basis the management of our Group in designing, maintaining, implementing and monitoring of the risk management and internal control system and; ensures that our Group establish and maintain appropriate and effective systems. The Group has the features in the risk governance structure that is based on the "3 lines of defence" model comprised of day-to-day operational management and control, risk and compliance oversight, and independent assurance.

The Group adopts a control and risk self-assessment methodology system, and continuously assesses and manages its risk profile on a regular basis. Risks that are relevant to the Group's business are identified, assessed and ranked according to their likelihood, financial consequence and reputational impact on the Group. The system uses risk indicators and red flags to monitor the priority risks identified. As a process used to review the effectiveness of the risk management and internal control system, risk owners are required to submit risk alerts with risk mitigation plan promptly and regular risk reports are presented to the Board and Audit Committee for ongoing review and monitoring. The quality of managements on-going monitoring of risks and of internal control system is considered satisfactory. Action plans were formulated and implemented during the Reporting Period to address the areas of concern effectively. The internal audit team has risk management and internal control reviews covering operational, financial and compliance controls of the Group. The Group's internal audit function reports directly to the Audit Committee. It carries out independent reviews of key business processes and controls in accordance with its annual audit plan approved by the Audit Committee. The head of internal audit meets the Audit Committee at least once a year to report the key findings and recommendations for improvement of audit issues and enable it to assess control of the Company and the effectiveness of risk management.

The Board, through the Audit Committee, had conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2024. Heads of key business units and functional departments are required to confirm the effectiveness of the risk management and internal control system of their responsible areas during the Reporting Period. The Board has received a confirmation from the management board on the effectiveness of the systems and no significant areas of concern have been identified and considered the systems and the Company's processes for financial reporting and Listing Rules compliance effective and adequate. During the annual review, the Audit Committee has also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's internal audit, accounting and financial reporting function which are in place.

The Company has adopted a whistleblowing policy to facilitate employees of our Group and other stakeholders who deal with our Group to raise, in confidence, concerns about possible improprieties in the practices and procedures, including financial reporting, internal control and other matters with the audit committee. It enables employees and stakeholders to report matters that may constitute (i) non-compliance to laws or regulations; (ii) malpractice, impropriety or fraud relating to internal controls, accounting, auditing and financial matter; (iii) endangerment of the health and safety of an individual; (iv) damage caused to the environment; (v) improper conduct or unethical behaviour likely to prejudice the standing of the Company; and (vi) deliberate concealment of any of the above.

The Company has developed the information & communication policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited. Under the information & communication policy, the Company's Communication Team comprising executive directors and members of senior management have the overall delegated authority to decide whether the information reported is inside information and require disclosure and refer the subject matter to the Board for decision. Measures are in place to preserve the confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain confidentiality. In communicating with external parties, only designated officers are authorised to respond to enquiries in allocated areas of issues. Briefing session is held regularly for officers to facilitate their understanding and compliance with the information & communication policy.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

The Board has conducted its annual review of the effectiveness of the Group's risk management and internal control systems. The annual review also covered the financial reporting, internal audit function and staff qualifications, experiences and relevant resources. The Board considered that, for the Reporting Period, the risk management and internal control system and procedures of our Group were reasonably effective and adequate, and that no material deficiencies had been identified.

Competing Interests

Our Group did not have any business dealings with companies associated with or controlled by our Controlling Shareholders and there was no overlapping of business between our Group and our Controlling Shareholders.

None of our Controlling Shareholders, our Directors or their respective close associates has interests in any business, apart from the business operated by members of our Group, that competes, or is likely to compete, directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

Directors' Responsibility in respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements. The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 82 to 87 in this annual report.

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of external auditors.

The Company did not change the auditor in the past three years.

Auditors' Remuneration

An analysis of the remuneration paid/payable to the external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the Reporting Period is set out below:

Service Category	Fees Paid/ Payable (RMB'000)
Audit services	1,530
Non-audit services	–
	1,530

Annual Remuneration Payable to the Members of Senior Management

The annual remuneration of the members of the senior management except the Directors by band for the Reporting Period is as follows:

Band	Number of senior management
Nil – RMB1,000,000	4

Further details of the Directors' remuneration and the five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in note 8 to the consolidated financial statements.

Company Secretary

Mr. Lei Wai Hoi has been the company secretary of the Company. Please refer to the section headed "Profile of Directors and Senior Management" in this annual report for the biographical information of Mr. Lei. Mr. Lei has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Our company secretary is responsible advising the Board on governance matters and facilitating induction and professional development of directors, and reporting to the Chairman. Access to advice and services of company secretary regarding board procedures and rules and regulations are available to Directors.

Shareholders' Rights

The Company engages with its Shareholders through various communication channels.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the website of the Company and the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s).

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

Any Shareholder who wishes to put forward proposals at a general meeting of the Company shall submit such proposals to the Board in writing for the Board's consideration either via mail to the Company's principal place of business in Hong Kong or via email not less than 15 business days prior to the date of the general meeting. The mail address and email address are set out in the subsection headed "Contact Details" below.

For Company's annual general meeting, the Chairman should attend, together with the chairmen of the audit, remuneration, nomination and other committee, who would be available to answer questions raised by shareholders. Procedures for conducting a poll would be explained. External auditors are also invited to attend for audit related matters. For general meetings, the Company would not bundle resolutions unless they are interdependent, or with valid reasons.

Putting Forward Enquiries to the Board

For enquiries about shareholdings, share registration and related matters, Shareholders shall direct their enquiries to the Company's Hong Kong branch share registrar and the contact details are set out as follows:

Tricor Investor Services Limited

Address:	17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email:	is-enquiries@vistra.com
Telephone:	(852) 2980 1333
Fax:	(852) 2810 8185

For any other enquiries to be brought to the attention of the Board, Shareholders shall send their written enquiries to the Company either via mail to the Company's principal office in Hong Kong or via email. The mail address and email address are set out in the subsection headed "Contact Details" below.

Contact Details

Shareholders can send their proposals and enquiries as mentioned above to the Company as follows:

Address:	Unit 12, 23/F, Seapower Tower, Concordia Plaza, No.1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong. (For the attention of the Board of Directors)
Email:	info@chinagraphite.com.hk

For the avoidance of doubt, Shareholder(s) must deposit and send the duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

The Company will not normally deal with verbal or anonymous enquiries.

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has adopted the Shareholders' Communication Policy, which sets out the Company's use of a number of mechanisms to provide effective and efficient communication to Shareholders, among which, (i) the share registrar of the Company serves the Shareholders in respect of their shareholding and related matters; (ii) corporate communications such as annual reports, interim reports and circulars are provided in both English and Chinese versions and are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.chinagraphite.com.hk; and (iii) general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management. At the annual general meeting, the Chairman of the Board, the chairman of Board committees, or, in their absence, other members of each committee will also answer questions from Shareholders.

The Shareholders' Communication Policy is regularly reviewed to ensure its effectiveness. During the year ended 31 December 2024, the Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy. The Board believes that the diversified shareholders' communication channels provide Shareholders and investors with effective access to information about the Group, and that Shareholders can contact the Board directly and express their opinions on their own initiative through the procedures of making enquiries to the Board as mentioned in the section headed "Putting Forward Enquiries to the Board"and "Contact Details" in this Corporate Governance Report. The Board, therefore, endorses the effectiveness of the Shareholders' Communication Policy.

Change in Constitutional Documents

During the Reporting Period, there was no change in the constitutional documents of the Company.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

The Board shall review the Dividend Policy as and when necessary.

Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to the Shareholders' approval, but no dividend shall be declared in excess of the amount recommended by the Board. A decision to declare or to pay any dividend in the future, and the amount of any dividend, depend on a number of factors, including the actual and expected results of operations, financial condition, the payment of cash dividends by our subsidiaries to us, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions of the Company, and other factors which our Board deems to be relevant. There is no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

REPORT OF THE DIRECTORS

The Board is pleased to present their annual report together with the audited consolidated financial statements for the Reporting Period.

Registered Office

The Company is a company incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands and has its registered office at 71 Fort Street, PO Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands.

Principal Activities

The principal activities of our Group are engaged in the manufacturing and sale of graphite products. The principal activities of its major subsidiaries are detailed in note 29 to the consolidated financial statements.

Business Review

The business review of our Group for the Reporting Period is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 7 to 10 and pages 11 to 24 of this annual report, respectively.

Principal Risks and Uncertainties

The business operations of our Group are subject to certain risks and uncertainties. We believe that the following are some of the major risks that may have a material adverse effect on us:

— Our current business operation depends on the stable supply of unprocessed graphite from our suppliers and also our Beishan Mine;

— Fluctuations in the market prices of, and the supply and demand for, graphite related products and our products could materially and adversely affect our business, financial condition and results of operations;

— Our business operations are exposed to mining risk, environmental and social risks and workplace safety and occupational health risks and hazards associated with our operations;

— We are subject to credit risk in collecting the trade and bills receivables due from the customers;

— We rely on a limited number of customers for a substantial portion of our revenue; and

— Failure to obtain, retain and renew governmental approvals, permits and licenses required for our operations could materially and adversely affect our business, financial condition and results of operations.

Relationships with Stakeholders

Our Group understands that it is important to maintain a good relationship with our stakeholders including customers, suppliers, employees and shareholders to achieve its long-term goals. Accordingly, our management have maintained a solid communication channel and shared business updates with them when appropriate. This communication provides valuable feedback for our business and assists us to understand stakeholders' needs and assess the best way to leverage our resources and expertise to contribute to future business and community development.

Major customers and suppliers

For the Reporting Period, our major customers were primarily suppliers of anode material for lithium-ion batteries, industrial manufacturers and retailers of heat-resistant materials. Our five largest customers accounted for approximately 58.8% of our Group's total revenue for FY2024 (FY2023: 46.7%). Sales to the largest customer accounted for approximately 25.3% of our Group's total revenue for FY2024 (FY2023: 18.9%). The Group had already established long term and stable relationship with the five largest customers. Whilst it is considered as an advantage to have the stable customer base, our Group aims to continue to broaden our customer base and product range which may eventually reduce any concentration and counter-party risk arising from our customers in future.

For the Reporting Period, our major suppliers included suppliers of utilities such as electricity and suppliers of consumables. For FY2024, purchases from our top five suppliers accounted for approximately 49.2% of our total purchases (FY2023: 38.6%), and purchases from our top supplier accounted for approximately 29.8% of our total purchases (FY2023: 23.1%). The Group had already established long term and stable relationship with these five largest suppliers. We will review our supplier list from time to time and assess whether there is need to broaden our supplier list and enhance its composition.

None of the Directors of the Company, or any of his close associates or Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers during the Reporting Period.

Employees

The Group focuses on the talents of the employees. The Group strives to create a good workplace that the employees are motivated to work in. The employees are treated fairly with respect and we reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives. We maintained good relationship with the employees during the Reporting Period.

Shareholders

The Group will endeavour to maximize the return to the Shareholders of the Company. We will focus on our core business and achieve sustainable profit growth and rewarding the Shareholders with dividend after considering the business development needs and financial health of the Group.

Compliance with the Relevant Laws and Regulations

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

Changes to Directors' Information

Mr. Chiu G Kiu Bernard has resigned as an independent non-executive Director and Mr. Ho Hoi Tung has been appointed as an independent non-executive Director. Details can be referred to the announcement of the Company dated 24 September 2024.

Saved as disclosed above, during the Reporting Period, there had been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' Emolument

Details of the emoluments of the Directors and five highest paid individuals for the Reporting Period are set out in note 8 to the consolidated financial statements in this annual report. No other inducement payment nor any compensation for loss of office were paid to any of our Directors and there was no arrangement under which a director waived or agreed to waive any emoluments during the Reporting Period.

Environmental and Social Sustainability

It is the Group's corporate and social responsibility to promote a sustainable and eco-friendly environment. In this respect, the Group strive to minimize its environmental impact by reducing our energy consumption and protect the environment by taking certain initiatives during our mine exploration, beneficiating and processing activities. The Group is also subject to various environmental protection laws and regulations. For more details, please refer to our Environmental, Social and Governance Report on pages 59 to 81 of this annual report.

Consolidated Financial Statements

The financial performance of our Group for the year ended 31 December 2024 and the financial position of our Group as at that date are set out in the consolidated financial statements from pages 88 to 161 of this annual report.

Analysis on Financial Performance

An analysis of the Group's performance during the Reporting Period is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 7 to 10 and from pages 11 to 24 of this annual report, respectively.

Dividends

The Directors do not recommend the payment of a final dividend for FY2024 (FY2023: Nil).

Closure of Register of Members

Entitlement to attend and vote at the annual general meeting

The register of members of the Company will be closed from 12 May 2025 to 15 May 2025, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 9 May 2025.

Share Capital and Reserve

Details of the movements in share capital of the Company during the Reporting Period are set out in note 26 to the consolidated financial statements.

The issued share capital of the Company is HK$1,600,000 divided into 1,600,000,000 shares of HK$0.001 each.

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity on page 91 of this annual report and note 33 to the consolidated financial statements respectively.

Shares and Debentures Issued

The Company did not have any shares, debt, debenture, convertible, securities, options, warrants or similar rights issued or granted for FY2024.

Equity-Linked Agreements

No equity-linked agreement was entered into by our Group during the Reporting Period or subsisted at the end of the Reporting Period.

Distributable Reserves

As at 31 December 2024, the Company's reserve available for distribution to Shareholders amounted to approximately RMB259.0 million (FY2023: approximately RMB270.9 million).

Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 162 of the annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during FY2024 are set out in note 13 to the consolidated financial statements.

Purchase, Sale, Redemption or Cancellation of Securities

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

Borrowings

Details of the borrowings of the Group as at 31 December 2024 are set out in note 24 to the consolidated financial statements.

Loan and Guarantee

During FY2024, the Group had made certain loans from the banks and arranged the guarantee for these loans. Details of the guarantees are set out in note 24 to the consolidated financial statements.

Sufficiency of Public Float

As at the date of this annual report and based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

Tax Relief and Exemption

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

Directors

The Directors during the Reporting Period and up to the date of this annual report were:

Executive Directors

Mr. Zhao Liang *(Chairman and chief executive officer)*
Mr. Lei Wai Hoi *(Chief financial officer and company secretary)*

Independent non-executive Directors

Mr. Chiu G Kiu Bernard (resigned on 24 September 2024)
Mr. Shen Shifu
Mr. Liu Zezheng
Ms. Zhao Jingran
Mr. Ho Hoi Tung (appointed on 24 September 2024)

In accordance with Article 112 of the Articles of Association, Mr. Ho Hoi Tung will retire from office at the AGM, and in accordance with Article 108(a) of the Articles of Association, Mr. Shen Shifu and Mr. Liu Zezheng will retire from office at the AGM. The retiring Directors, being eligible, have offered themselves for re-election at the AGM.

Directors' Service Contracts and Letters of Appointment

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years, which may be terminated by not less than one month's notice in writing served by either the executive Director or the Company. Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No contract of significance in relation to our Group's transactions, arrangement or contract to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

Contracts with Controlling Shareholders

No contract of significance was entered into between the Company or any of its subsidiaries and the controlling Shareholders of the Company or any of its subsidiaries during the Reporting Period or subsisted at the end of the Reporting Period and up to the date of this annual report, and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder of the Company or any of its subsidiaries was entered into during the Reporting Period or subsisted at the end of the Reporting Period and up to the date of this annual report.

Biographical Details of Directors and Senior Management

Brief biographical details of the Directors and senior management are set out on pages 25 to 28 of this annual report.

Permitted Indemnity Provision

The Articles of Association provides that every Director may be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a director in defending any proceedings whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company had arranged appropriate directors' liability insurance coverage for the Directors as at the date of this annual report.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2024, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Notes:

(1) All interest stated are in long positions.

(2) The calculation is based on the total number of 1,600,000,000 Shares in issue as at 31 December 2024.

(3) As at 31 December 2024, Sandy Mining Limited ("Sandy Mining"), which beneficially owned 75.0% of the issued Shares, was wholly-owned by Mr. Zhao. Under the SFO, Mr. Zhao is deemed to be interested in the 1,200,000,000 Shares held by Sandy Mining.

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of The Substantial Shareholders and Other Persons in Shares and Underlying Shares

To the best knowledge and information of the Directors after having made all reasonable enquiries, as at 31 December 2024, the following persons (other than the Directors and chief executives of the Company) had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Notes:

(1) All interest stated are in long positions.

(2) The calculation is based on the total number of 1,600,000,000 Shares in issue as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, the Directors and chief executives of the Company were not aware of any other persons (other than the Directors and chief executives of the Company) who had interests in 5% or more of the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Share Option Scheme

On 21 June 2022, the Company conditionally adopted the Share Option Scheme and the principal terms of which are set out below:

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to grant options to eligible participants (as defined in paragraph (b) below) as incentives or rewards for their contribution to our Group. The Share Option Scheme will provide the eligible participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the eligible participants to optimize their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Eligible participants

Eligible participants mean (i) any full-time or part-time employees of our Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest ("Invested Entity"); (ii) any non-executive director (including independent non-executive directors) of our Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangements to the development and growth of the Group.

(c) Maximum number of Shares

The total number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue as at 31 December 2024, being 160,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rule 17.02 from time to time, the Board may:

(i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board. The circular sent by our Company to our Shareholders shall contain a generic description of the specified eligible participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified eligible participants with an explanation as to how the options serve such purpose, and/or other information required under the Listing Rules.

Notwithstanding any other provisions of the Scheme, the maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant.

(e) Price of Shares

The exercise price in respect of any particular option shall be a price determined by the Board and stated in the offer letter, and shall not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer; and (iii) the nominal value of a Share prevailing on the date of the offer.

(f) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time commencing the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

Options may be granted on such terms and conditions in relation to their vesting exercise or otherwise (such as by linking their exercise to achievement of performance targets by the grantee or the attainment or performance of milestones by the Company, subsidiaries of the Company, the Invested Entities, the grantee or any group of eligible participant) the amount, if any, payable on application or acceptance of the option or award and the period within which payments or calls must or may be made or loans for such purposes must be repaid.

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period commencing on the Listing Date and ending on the tenth anniversary of the Listing Date (both dates inclusive), after which no further options shall be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during the Reporting Period and up to the date of this annual report and there was no outstanding option as at 31 December 2024 and as at the date of this annual report.

(g) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the eligible participants and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the eligible participants, together with a remittance in favor of our Company of HK$1 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the paragraph headed "Share Option Scheme" above, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the directors and/or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Emolument Policy and Directors' Remuneration

In compliance with Rule 3.25 of the Listing Rules and the CG code, our Company has established the Remuneration Committee to formulate remuneration policies. Directors and senior management members who receive remuneration from our Company are paid in forms of salaries, allowances, discretionary bonuses and other benefits in kind. The remuneration of our Directors and senior management members is determined with reference to their experience, duties and performance and the salaries of comparable companies. Details of the emoluments of the Directors and five highest paid individuals for the Reporting Period are set out in note 8 to the consolidated financial statements in this annual report. The Company has put in place share option scheme as an incentive scheme in the long-term.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Connected and Related Party Transactions

The Group had not entered into any connected transaction or continued connected transactions during the Reporting Period and up to the date of this annual report, which is required to be disclosed under Chapter 14A of the Listing Rules.

To the best knowledge of the Directors, save as disclosed under note 27 to the consolidated financial statements, there was no other related party transaction during the Reporting Period and the related party transaction disclosed herein do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

Corporate Governance

In the opinion of the Directors, save for the deviation from the code provision C.2.1 disclosed in the subsection headed "Chairman and Chief Executive Officer" in the Corporate Governance Report of this annual report, the Company has complied with all applicable code provisions set out in the CG Code during the Reporting Period.

The corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 29 to 46 of this annual report.

Retirement Scheme

The Group operates the following retirement schemes for its employees:

(1) a "five social insurance and one housing fund" retirement pension scheme in accordance with the Retirement Policy of the PRC for its PRC employees;

(2) a defined scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate.

The assets of the above schemes are held separately from those of the Group in independently administered funds.

The Group's contributions as an employer are implemented in accordance with the Retirement Policy of the PRC and the Hong Kong MPF Ordinance.

Auditor

The consolidated financial statements for the Reporting Period have been audited by PricewaterhouseCoopers, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company.

Continuing Disclosure Obligations Pursuant to the Listing Rules

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

Subsequent Events

Save as disclosed elsewhere in this annual report, there were no other significant events occurred after 31 December 2024 and up to the date of this annual report.

On behalf of the Board
Zhao Liang
Chairman, executive Director and chief executive officer

Hong Kong, 26 March 2025

Introduction

This Environmental, Social and Governance Report ("ESG Report") is issued by our Group in accordance with the Environmental, Social and Governance Reporting Code (the "Code") in Appendix C2 to the Listing Rules. This ESG report covers the Group's ESG policies, initiatives and performance from 1 January 2024 to 31 December 2024 relating to the operation of our Beishan Mine, production and sales of flake graphite concentrate and spherical graphite. The scope of this ESG Report mainly covers our operations in PRC and our office in Hong Kong. The entities subject to reporting are determined by considering their ESG significance as well as influence to the Group's operations, and they shall collectively constitute a fair picture of the Group's overall ESG performance.

Reporting Principles

The reporting principles of materiality, quantitative, balance, and consistency have been strictly applied in determining and compiling the content of the ESG Report in order to maintain high quality disclosure.

Materiality	Sufficiently important and pertinent information as identified and determined by the Group and being relevant to the Group's stakeholders is covered in this ESG Report. In prioritising the identified ESG issues, materiality assessment is conducted which is disclosed in the section of Materiality Assessment of this ESG Report.
Quantitative	To facilitate objective evaluation of our ESG performance and management effectiveness, quantitative information is provided, with standards, targets, methodologies, assumptions and calculation tools disclosed where appropriate.
Balance	Information is disclosed as objectively as possible to provide stakeholders with an unbiased picture of our overall ESG performance.
Consistency	We ensure consistency of the reporting standards, data collection and calculation methods adopted and provide figures over the reporting years to allow meaningful comparison.

ESG Governance

The Board, in the performance of its ESG governance responsibilities, has the collective and overall responsibility of: (i) overseeing the formulation and reporting of the ESG strategies, target and internal control measures and related issues; (ii) assessing and determining ESG-related risks, and (iii) holding meetings to discuss the ESG governance matters of the Group when necessary. For day-to-day ESG governance, the Board authorizes the senior management to organize and coordinate the ESG work of each subsidiary to ensure that its strategic decisions are implemented. The Board is committed to maintaining good communications with our senior management and making timely decisions on important ESG issues, supported by regular reporting of annual ESG updates by senior management, in order to gain a timely understanding of the ESG performance of the Group's business. The Board understands that the establishment of ESG targets aids in the Group's ESG governance. Therefore, the Board sets ESG targets related to the Group's business where appropriate, and reviews progress made toward improving the Group's ESG performance by keeping track of the ESG KPI on a regular basis, in the environmental and social aspects, which are vital and closely related to the graphite processing business of the Group. The Board will, if deemed necessary, engage independent third parties to evaluate the Group's ESG risks and review existing strategies, targets and internal control measures.

The Group identifies and manages ESG risks in order to achieve its business objectives and ensure its stable development. We adopt a risk management system under a top-down risk management structure. The Board has the overall responsibility of maintaining sound ESG risk management and internal control systems within the Group. Through exercising oversight on the Group's management and active and conducive communication with management personnels and employees who are involved in the day-to-day operation of the Group's business, the Board is able to identify material ESG risks in the aspects of emissions of wastage, consumption of resources, impact on natural resources and climate change, as well as other social aspects pertaining to our Group. As part of this, the Board is responsible for identifying and assessing the Group's significant ESG risks, determining related risk levels, and formulating counter measures for which management is implemented by relevant departments and business units. The Board will report significant ESG matters to the Compliance Committee and both of them are responsible for reviewing and monitoring the effectiveness of the Group's ESG risk management and internal control systems, and for ensuring that the Group has taken reasonable measures to manage significant risks. The Group believes that ESG risks have gradually becoming an important factor in its business, and has taken the approach to incorporate ESG risks into its routine risk management process as a means of enhancing its overall risk evaluation, prioritizing and management and control capabilities. The Board and the Compliance Committee comprise of experts of the graphite industry, finance and legal sectors which possess appropriate skills and competencies to oversee strategies designed to respond to climate-related risks and opportunities.

Stakeholder Engagement

Our approach to stakeholder engagement is that we ensure a good understanding of the views and expectations that help define our present and future sustainability strategies. Particularly, we have engaged with the stakeholders that are directly impacted by our Group's operations, including investors, customers, employees, suppliers, local community, and regulatory bodies. We continue to maintain ongoing communication with our key stakeholders to understand their concerns and interests towards our operations and sustainability performances. Feedback collected through the stakeholder engagement exercises has provided valuable insights to our strategic development, and also has contributed to the preparation of this ESG Report. The Group also adopts various e-channels, such as online meetings, for communication with various stakeholders. Other communication channels with stakeholders include annual general meetings, financial reports, announcements, supplier visits, customer feedbacks, employee surveys, etc.

Materiality Assessment

A materiality assessment is conducted in the Reporting Period to reassess the existing ESG topics and identify potential areas that would have a significant climate-related risks and opportunities that could reasonably be expected to affect our cash flows, our access to finance cost of capital over the short, medium or long term and are material to our business and the stakeholders' interests. Material ESG issues of the Group covered in this ESG Report are as follows:

Aspects	Material ESG Issues
A. Environmental	
A1. Emissions	• Air Emissions • Waste Management
A2. Use of Resources	• Energy Consumption and Efficiency • Water Management • Packaging Materials
A3. Environment and Natural Resources	• Environmental and Natural Resources Management

Aspects	Material ESG Issues
B. Social	
B1. Employment	• Employment and Labour Practice
B2. Health and Safety	• Occupational Health and Safety
B3. Development and Training	• Development and Training
B4. Labour Standards	• Labour Standards
B5. Supply Chain Management	• Supply Chain Monitoring
B6. Product Responsibility	• Product Responsibility
B7. Anti-corruption	• Prevention Corruption
B8. Community Investment	• Community Engagement

Compliance with Laws and Regulations

Compliance with applicable laws, rules and regulations with regard to environmental and social aspects are of paramount importance and we understand the risk of non-compliance that can be detrimental to the Group. The Group has implemented systems and allocated staff resources to ensure ongoing legal compliance. The Group's operations are mainly carried out in PRC. Accordingly, the Group's establishment and operations shall comply with all laws and regulations applicable in PRC.

Environmental

The Group believes that a sound environmental management policy is essential to achieving sustainable development. Our Group has always been committed to minimizing the environmental impact of its routine operations. Our Group has complied with the environmental laws and regulations that significantly relate to our Group's operations during the Reporting Period.

Our operations are subject to various PRC environmental protection laws and regulations, as well as local environmental protection regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental protection matters, including but not limited to mining control, land rehabilitation, dust emissions, noise emissions, discharge of wastewater and pollutants.

To ensure on-going compliance with the relevant environmental protection laws and regulations in the PRC, we have implemented or will implement certain measures, including but not limited to (i) conducting training on topics relating to environmental protection laws and regulations and safety production; and (ii) nominating our chairman and executive Director to lead our environmental protection team which will be responsible for updating our management and ensuring our compliance with the latest regulatory compliance. Our senior management continuously monitors our environmental policies to ensure compliance with the national legal and regulatory requirements. We also provide regular training to our management and employees to enhance their awareness of our environmental policies. During the Reporting Period, we did not encounter any material claims, administrative actions or penalties by the relevant PRC authorities in relation to environmental issues and our operating subsidiary, Yixiang New Energy was awarded as Green Factory* (綠色工廠) by the China Non-metallic Minerals Industry Association.

Air Emissions

Air Emissions

Our mining, beneficiation and processing activities will result in dust and exhaust air emission. To reduce such emission, the Group have implemented dust and exhaust air management measures and policies for our production activities including wet drilling, watering of roads and stockpiles, greening on site and using dust remover for the process of grinding, screening and drying. Fumes from the boiler during the graphite drying process are treated by a cyclone dust collector for resale.

Dust arising from our production station will be collected and properly treated by our wind and dust suppression facilities before discharge. Potential volatile organic compound ("VOCs") will be treated by our VOCs treatment facilities before discharged.

The main sources of noise are from the operation of rock drill, explosion, pump, crane, crusher, ball mill, dryer, loader and vehicles. Measures including selection of low noise equipment, use of vibration damping facilities, time and speed limit on transportations, greening and optimizing the layout, has been put in place by our Group.

Every year, the Group contracted a qualified environmental institution to measure the dust pollutants and noise level nearby our factories. Following table sets out our air pollutants emissions and noise level and the statutory permitted level during FY2024.

Category	Pollutant emissions/noise level		Statutory permitted level
	FY2024	FY2023	
Dust pollutant	**0.178–0.255 mg/m³**	0.175–0.315 mg/m³	1.0 mg/m³
Daytime noise level	**51–54 dB(A)**	51–59 dB(A)	60 dB(A)
Nighttime noise level	**41–44 dB(A)**	40–44 dB(A)	50 dB(A)

The Group is working to ensure our dust pollutant and noise level are within the statutory permitted level.

Greenhouse Gases ("GHG") Emissions
The major source of our emissions is the direct GHG emission generated from the diesel oil used by our production vehicles such as the excavators, dump trucks, loaders and drilling machines and the indirect GHG emissions generated from our purchased electricity used in our production plants.

The breakdown of our GHG emissions is as follows:

Indicator	Total emissions (calculated in tonnes CO_2e)	Emissions per tonnes of production
For the year ended 31 December 2023		
Direct GHG emissions (Scope 1) — Diesel oil	5,277	0.08
Indirect GHG emissions (Scope 2) — Purchased electricity	47,941	0.73
Total GHG emissions (Scope 1 and Scope 2)	53,218	0.81
For the year ended 31 December 2024		
Direct GHG emissions (Scope 1) — Diesel oil	3,444	0.06
Indirect GHG emissions (Scope 2) — Purchased electricity	28,291	0.51
Total GHG emissions (Scope 1 and Scope 2)	31,735	0.58

Total production of spherical graphite and flake graphite concentrate was 55,183 tonnes for FY2024 (FY2023: 66,018 tonnes).

Compared to FY2023, lower amount of total GHG emissions were produced for FY2024 which was attributable to the decrease production of our graphite products in FY2024 and the increase use of the energy-saving equipment.

In support for the Paris Agreement goal of limiting global warming, the Group aims to control our GHG emission in the future. Measures such as selection of energy-saving equipment, regular maintenance of the production facilities ensuring their efficient consumption of energy, switching off the machineries and lights when they are not in use have been implemented by the Group.

The Group is committed to ensuring the air and GHG emission level fall within the statutory permitted level.

Waste Management

There are hazardous wastes and non-hazardous wastes.

Hazardous wastes
Hazardous materials are corrosive, reactive, explosive, toxic, flammable and potentially biologically infectious, which poses a potential risk to human and/or environmental health. During the Reporting Period, no hazardous wastes were generated at the mine site and our production plants.

Non-hazardous wastes

Non-hazardous wastes mainly including the wastes rocks were generated from our mining activities. They were discharged to the waste rock dump with the governmental approval which is nearby to our mine site. Certain waste rock would be used to maintain our tailings storage facility of the beneficiation plant. In the long run, they would be used in the construction of our new beneficiation plant, for the land rehabilitation purpose and stored in our waste rock dump.

Tailings were also produced in our beneficiation operations. The tailings generated by our production plant were discharged to a tailing storage facility on site. These tailings would be used for underground filling of the stope, the construction of the new beneficiation plant and tailings pond.

The Group is aware of the importance of responsible tailings management, and will continue to improve relevant standards to reduce risks. The Company has created and continuously improved projects design, safety and environmental management plans, to ensure that the relevant risks to the community, environment and operations caused by tailings can be minimized. In FY2024, the Company continued to strengthen the risk prevention and control of tailing storage facilities, and comprehensively improved the ability of safety risk management and control of tailings storage. The Company completed the formulation of tailings storage safety risk control plan, and carried out investigations and control actions on continuous tailings storage potential risks in accordance with the applicable laws and regulations. The Company had also entrusted certain quality inspection institutions with corresponding qualifications to carry out a comprehensive quality inspection of the drainage structures of the tailing storage facilities.

The Group managed these wastes in accordance with the applicable laws and standards. For the Reporting Period, the Group did not have significant breach of the applicable laws and standards in relation to the wastes and tailings management.

The table below sets out the details of the waste production by us:

Category	Waste production (units)	Waste produced per tonnes of production
For the year ended 31 December 2023		
Waste rock (M^3)	620,000	9.39
Tailing wastes (M^3)	563,000	8.53
— Used in underground filling (M^3)	563,000	
For the year ended 31 December 2024		
Waste rock (M^3)	650,000	11.78
Tailing wastes (M^3)	464,000	8.41
— Used in underground filling (M^3)	133,000	

Decrease of the tailing wastes for FY2024 was mainly due to the decrease of production of graphite products in FY2024. In FY2024, certain tailing wastes produced were relocated and used in the underground filling of the stope nearby. Remaining tailing wastes were stored in our tailing ponds for future construction of our new beneficiation plant and underground filling of the stope.

Waste rocks were increased in FY2024 compared to FY2023 due to the increasing extraction during the year. Waste rocks were stored in our waste rock dump near the Beishan Mine.

Targets are set to limit the increase of total emissions and waste level by not more than 30% in the subsequent year, while considering the future expansion of our business. To reach the target, the Group will continue to enhance our production efficiency by putting more efforts in the research and development of the production methodologies in the coming years, the regular maintenance of the production facilities and to enhance the design of our extraction plan to maximise the benefit brought by the Beishan Mine.

Energy Consumption and Efficiency

We consume electricity, fuel and water during our daily operations of our Beishan Mine, beneficiation and processing plants. We believe reducing resource consumption is beneficial to the environmental protection. We aim to strictly comply with relevant provisions of the Law of the People's Republic of China on Conserving Energy, the Water Law of the People's Republic of China, and the Regulation on the Administration of Water Sourcing Permission and Levy of Water Resource Fees and formulates relevant plans targeting the reduction of electricity, fuel and water consumption in mining, beneficiating, processing as well as office activities.

We have implemented the following measures which are applicable to both our Group and our third-party service providers: (a) adjusting the temperature of office air-conditioning according to real-time weather; (b) encourage the staff to leave curtains open to make full use of natural light and reduce the use of electricity; (c) encourage employees to take public transport instead of driving to/from work; (d) regular maintenance and adjustment to engines to keep vehicles machineries operating at the proper condition to reduce fuel consumption; (e) conduct regular maintenance of pipelines and taps and inspect any possible leakage; (f) establish a comprehensive water resource management and control system focusing on tap water used during daily office work and groundwater used for production and dust prevention; and (g) the continue investing in the research and development of the more efficient production methodologies.

The breakdown of our energy consumption is as follows:

Type of energy	Energy consumption (unit)	Energy consumption per tonnes of production
For the year ended 31 December 2023		
Purchased electricity (kilowatt)	78,579,000	47,941
Diesel (litre)	2,019,000	5,277
For the year ended 31 December 2024		
Purchased electricity (kilowatt)	46,371,000	28,291
Diesel (litre)	1,317,000	3,444

The Group endeavor to control the energy consumption during our production and target to improve our working efficiency. We will analyze the energy consumption periodically and will investigate when inefficiency was identified. Compared to FY2023, less electricity and diesel were consumed for FY2024 which was attributable to the decrease of the production activities carried out and less graphite products produced during FY2024.

Water Management

As mentioned above, the Group strictly comply the laws and regulation in PRC relating to water and have formulated relevant plans reducing the consumption of water.

The nearest surface water body to our Beishan Mine and the production plant is the Yadan River and its tributary, which is a water source of our Beishan Mine and production plant. The potential negative impact of our Beishan Mine on surface water and groundwater is mainly due to the arbitrary discharge of untreated production and domestic wastewater. In addition, mining activities may also cause changes in groundwater levels. The main wastewater pollution sources during our production include mine water, beneficiating and processing wastewater, return water from tailings storage facility, waste rock leachate, wastewater from maintenance workshop, industrial site rainwater, domestic sewage, etc. The Group had already established proper mining and production design which will prevent the above problems and we have also set up proper facilities to handle the above issues.

The Group have implemented a sustainable water supply management plan to minimize the impact on natural systems through the management of water use, avoid the depletion of aquifers, and reduce the impact on other water users. The Group have also identified alternative water sources if the development affects the surrounding community's access to water. The Group have also established settling pond collecting the mine water and reused it for dust suppression. In our beneficiation and processing plant, all production wastewater would be discharged to the tailing storage facility for future reuse. Surface drains were properly installed around the open pit and adequate stormwater diversion facilities have established at the plant to separate surface runoff from contaminated areas and clean areas. The Group also assess the quality of the surface water and groundwater within the area (including upstream and downstream areas, especially Yadan River and its tributary) annually and will investigate if there is any decline in the water quality. During the Reporting Period, no substantial sewage was produced as waste water generated from the mining, beneficiation and processing activities were collected at the settling pond and tailings storage facilities, where the water was recycled and reused in mining and production processes.

In our production, the Group did not have problems in seeking appropriate water resources. The existing supply of water resources could satisfy the Group's needs in the aspects of volume and quality. Most of our water used in the mining, beneficiation and processing activities were recycled water and they will be refilled by the underground water to minimize the consumption of water. The Group did not have significant consumption on the tap water.

Packaging Materials

We use the jumbo bulk bags as the packing materials of our main products including flake graphite concentrate, spherical graphite and its by-products. Following are the breakdown of jumbo bags used during the Reporting Period:

Package materials	Consumption (unit)	Consumption per tonnes of production
For the year ended 31 December 2023		
Jumbo bulk bags (piece)	64,143	0.97
For the year ended 31 December 2024		
Jumbo bulk bags (piece)	57,151	1.04

Decrease of the use of the jumbo bulk bags in FY2024 was due to the decrease of the production and sale of the graphite products compared to FY2023.

Targets are set to limit the increase of total electricity and package materials level by not more than 30% in the subsequent year, while considering the future expansion of our business. The Group did not have significant breach of the applicable laws and standards in relation to electricity, water and package materials consumption.

Environmental and Natural Resources Management

The Group pursues the best practice in relation to the environment and natural resources and places emphasis on the impact of its operations on the environment and natural resources. The Group also incorporates the concept of environmental protection into its internal management and daily operation to achieve the goal of environmental sustainability. The main emissions produced and main resources used in the daily operation of the Group and our measures to reduce such emissions and resources consumptions are described in the section "Air Emissions", "Waste Management", "Energy Consumption and Efficiency", "Water Management" and "Packaging Materials" above. The Group places a high priority on environmental impacts and the depletion of natural resources and aims to identify and mitigate these impacts by integrating sustainability into all the Group's activities.

The Group conducts assessments of potential environmental impacts to understand how well footprints are identified, measured and managed at that level. During the Reporting Period, the Group had conducted assessment on air pollution emissions, noise pollutions and water pollutions and will ensure they comply to the statutory permitted level.

Apart from the above, the Group had also performed an environmental impact assessment. The landform and topography in the mining area are commonly modified by open pit mining, rock dumping, haul roads, office buildings and dormitories, and other facilities, which may result in impacts to or loss of flora and fauna habitat. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land can become polluted and the land use function will be changed, causing an increase in land desertification, water loss and soil erosion. Environmental impact assessments indicated that the area of our Beishan Mine is dominated by man-made forest, natural secondary forest and shrubs, and that there are no rare and endangered species identified within such area. The main vegetation in such area is pine, birch, oak, yellow pineapple, low shrubs and weeds in the understorey. The main animals in such area are sika deer, horse deer, black bear, wild boar, roe deer, fox, small house mouse, frogs, snakes and sparrows. The Group insisted striking a balance between mining development and ecology. During the Reporting Period, we did not note any significant impact on the environment caused by our mining activities.

Under the relevant PRC laws and regulations, we are required to undertake measures to restore a mine site to its original state within a prescribed time frame if our mining activities result in damage to arable land, grassland or forestry land. The rehabilitated land must satisfy rehabilitation standards in accordance with the relevant law from time to time, and cannot be used unless it has been examined and approved by the relevant PRC land authorities. Failure to comply with this requirement or failure to restore the mine site to its original state within the prescribed timeframe will result in the imposition of fines on our Company, rehabilitation fees and/or rejection of applications for land use rights or rejection of applications for new mining license or renewal, alteration or cancellation of mining license by the local bureau of land and resources.

Land rehabilitation generally involves: (i) removal of building structures, equipment and machinery, and other physical remnants of mining; (ii) restoration of land features in disturbed areas and dump sites; (iii) contouring, covering and revegetation of disturbed areas. While this site closure planning process is not specified in the PRC national requirements for mine closure, the implementation of this process for a PRC mining project will facilitate achieving compliance with these PRC national legislative requirements and demonstrate conformance to internationally recognized industry management practice.

To confine with the internationally recognized industry practice for managing site closure, there is being put in place a geological environment protection and rehabilitation plan which sets out our proposed site closure and rehabilitation measures, including but not limited to: (i) greening; (ii) stockpiling topsoil for reuse in rehabilitation; and (iii) rehabilitation monitoring of the area of geological disaster, land disturbance, water environment, soil and new plants. The plan describes the proposed treatment measures, schedule, monitoring, cost estimation, etc. A rehabilitation plan by the qualified institution had been prepared and as at 31 December 2024, we had made a provision of approximately RMB2.8 million for mine closure and rehabilitation of affected environment based on the progress of extraction in our Beishan Mine. A mine geological environment treatment and restoration fund account had also been set up by the Group and land and mine reclamation fee amounting to approximately RMB2.6 million was deposited as at 31 December 2024. We are of the view that our proposed approach to land rehabilitation is generally in line with the relevant recognized PRC industry practices.

Responding to the increasing global focus on climate change, we have identified certain climate change risks which could adversely affect our business, results of operation and financial condition through studying governmental policies and benchmarking our practices against industry peers. The potential climate change risks can be categorized into transition risk and physical risks. In regard to transition risks, in particular the evolving environmental and climate regulatory requirements that could increase our environmental protection and compliance expenses, we intend to carry out further environmental and climate due diligence to ensure our business comply with the requirements. Furthermore, we intend to set climate change as an important topic and to communicate with our shareholders and relevant stakeholders during the course of low-carbon economy transformation. We also plan to acquire more environmental friendly appliances, equipment and machinery in line with the evolving environmental and climate standards. In regard to physical risks, such as the increase of extreme weather events which may disrupt our mining, beneficiation and processing operations, damage our facility and machinery or affect our supply chain, we are committed to continuing the enhancement of our practices of disaster drills to mitigate potential losses.

Social

Employment and Labour Practice

The Group believes that its staff members are fundamental to enterprise, and it strives to create a safe and healthy working environment to attract talents. The Group also attaches great importance to upholding employees' rights and interests.

Our Group has established rules and procedures of recruitment, job promotion, compensation, benefits, rest periods, dismissal, etc., to protect our employees' rights. Our Directors confirm that our Group also constantly reviews and improves its policies to ensure that employees' rights are upheld. During recruitment and job promotion, our Group follows the principle of "selection on merit", taking into account the performance, work experience and capability of the applicant or employee. Our Group advocates a diverse and equal workforce culture by ensuring that applicants and employees are not discriminated against on the basis of gender, age, race, family status or physical disability. The Group strictly prohibits any forms of unfair or unreasonable dismissal, and sets out the terms of dismissal of employees. Our Group determines employees' compensation packages on the basis of work performance and the market standard of remuneration. Our Group also provides employee benefits where applicable, such as overtime payment and holiday working allowances. Employees are entitled to statutory holidays, annual leave, sick leave and maternity leave. Unpaid leave, paternity leave, marriage leave and casual leave are provided depending on individual circumstances.

As at 31 December 2024, the Group had 189 workers (including the full-time employees and the workers from the crowdsourcing service provider) in PRC and Hong Kong (FY2023: 288 workers). Our employee profile was as follows:

	Number of Employees As at 31 December	
	2024	2023
By Gender		
Male	**148**	237
Female	**41**	51
By Age		
Below 30	**22**	28
30–49	**94**	180
50 or above	**73**	80
By Position Type		
Senior Management Level	**6**	6
Management Level	**29**	30
General Level	**154**	252
By Employment Type		
Full-time employee	**139**	198
Labour from crowdsourcing service provider	**50**	90
By Geographical Region		
PRC	**187**	286
Hong Kong	**2**	2

Employee Turnover Rate	Percentage As at 31 December 2024	2023
By Gender		
Male	**40.3%**	31.5%
Female	**42.3%**	34.6%
By Age		
Below 30	**38.9%**	26.3%
30–49	**51.0%**	30.0%
50 or above	**19.8%**	38.0%
By Geographical Region		
PRC	**41.0%**	32.2%
Hong Kong	**0.0%**	Nil

Note:

Employee Turnover Rate per category = Number of employees in the category leaving employment during the Reporting Period/(Number of employees in the category as at year-end + Number of employees in the category leaving employment during the Reporting Period). The calculation method is in accordance with Appendix 3: Reporting Guidance on Social KPIs published by the Stock Exchange.

Compared to FY2023, total workers decreased due to the decline of the graphite industry and our cost control policy to reduce redundancy in FY2024.

During the Reporting Period, we are not aware of any case of material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, discrimination, and other matters of benefits and welfare in both PRC and Hong Kong.

Occupational Health and Safety

The PRC government imposes significant regulatory requirements on graphite mines with respect to employee safety. We regard occupational health and safety as one of our most important responsibilities. We have implemented a number of measures to ensure compliance with the stringent regulatory requirements which we are subject to. Our Directors confirm that our safety procedures are in line with the PRC industry standard practices and PRC safety regulations.

A department responsible for occupational health and safety had been set up and periodic inspections and assessment of our safety standards would be carried out in order to ensure that our entire mining operation is in compliance with the applicable PRC laws and regulations. During the Reporting Period, various internal inspections covering electricity usage safety, fire safety, facility and equipment safety, maintenance and welding safety, tailing storage safety, mining vehicles, crane and chemicals safety had been conducted.

In addition to the safety systems, we also organize and conduct training sessions for employees on accident prevention and management. First-aid kits are provided in all workplaces. The Group has established arrangements to minimize potential accidents when employees travel to or from their workplaces. The Group have passed all periodic and other safety inspections by the relevant authorities.

During the Reporting Period, our Group had no accidents, claims or complaints which materially and adversely affected our operation and the Group's work-related fatality rate was nil (2023, 2022 and 2021: nil) and loss of the working days on our operation due to work injury was nil (2023: nil).

Development and Training

Our Group believes that retaining talent and promoting teamwork are key to its long-term development, and is committed to enhancing the professional knowledge and skills of its employees. Our Group regularly participates in training seminars on topics such as financing, compliance, corruption prevention and job safety. Our Group provides the employees with orientation training, including an introduction to corporate culture and on-the-job training, which enable them to quickly integrate into our Group and adapt to their jobs. Further on-the-job training, health and safety training, in-house experience sharing and other activities are arranged for employees to broaden their professional horizons. To encourage development, our Group conducts employee assessments at the end of each year. Depending on their performance and responsibilities, our Group provides employees with promotion and training opportunities.

The breakdown of employees trained and average training hours completed per employee by gender and position type during the Reporting Period are as follows:

	Percentage As at 31 December	
Workers Trained	**2024**	2023
By Gender		
Male	**78.3%**	82.3%
Female	**21.7%**	17.7%
By Position Type		
Senior Management Level	**3.2%**	2.1%
Management Level	**15.3%**	10.4%
General Level	**81.5%**	87.5%

	Hours As at 31 December	
Average Training Hours Completed per workers	**2024**	2023
By Gender		
Male	**52.4**	59.1
Female	**41.0**	38.5
By Position Type		
Senior Management Level	**59.2**	65.0
Management Level	**57.4**	62.0
General Level	**48.2**	54.5

Remark: Percentage of employees trained by category = Employees in the category who took part in training/Employees who took part in training. Average training hours for employees by category = Total number of training hours for employees in the category/Number of employees in the category. The calculation method is in accordance with Appendix 3: Reporting Guidance on Social KPIs published by the Stock Exchange.

Labour Standard

As for preventing child labour or forced labour, the Group mainly implemented Labor Law of the People's Republic of China, the Employment Contract Law of the People's Republic of China and other relevant laws and regulations. The Group strictly complied with relevant laws and regulations including Labor Law of the People's Republic of China and the Employment Contract Law of the People's Republic of China. Across all companies under the Group, internal human resources units were set up to manage employees in a professional manner when such employees were recruited and employed, so as to eliminate situations such as child labors and forced labors in the Group. The Group strictly complied with and should take immediate actions in accordance with relevant laws and regulations including Labor Law of the People's Republic of China and the Employment Contract Law of the People's Republic of China when discovering violations.

Supply Chain Monitoring

Our Group's supply chain primarily includes unprocessed graphite suppliers, utilities provider, consumable and production equipment suppliers. Our Group prescribes transparent procurement procedures for selecting suitable suppliers in a fair, impartial and open manner. Our Group's procedures ensure fair competition when procuring, including objective selection criteria. These procedures protect the interests of both our Group and the supplier. Our Group's procurement considerations including but not limited to product or service quality, pricing and delivery time, aim to reduce procurement risk and enhance procurement efficiency. Our Group has measures to ensure that the products and services provided meet its standards. Our Group also monitors the environmental and social performance of its suppliers to ensure that its requirements are met, and to reduce the environmental and social risks caused by procurement. In the selection of suppliers, the Company has been strictly controlling the environmental, social and governance practice of suppliers, giving priority to environmentally friendly products and services.

In FY2024, most of our major suppliers were located in Heilongjiang Province, the PRC.

Products Responsibility

Our Group is committed to upholding and enhancing the quality of its products for its customers and strictly in line with the Product Quality Law of the People's Republic of China and all relevant laws and regulations in respect of the health and safety, advertisement, label and privacy matters and remedies of products and services. Our Group regularly conducts inspection on its machinery and equipment employed in its mining, beneficiation and processing operations to ensure that they are safe and in good working order and our products are not defective as a result. During the Reporting Period, there are no breaches of the relevant laws and rules.

Our Group has also established procedures for managing product defects. During the Reporting Period, there are no products sold subject to recalls for safety and health reasons and we have not received any complaints regarding material product defects. If customer complaints arise during the sales process, we will actively respond to customer issues and resolve them at the first instance. Our Group has procedures in place to assign senior personnel to deal and handle the transport logistics with customer, in the event that our products need to be recalled. During FY2024, Yixiang New Energy was awarded 2024 Natural Graphite Industry High-Quality Suppliers by Shanghai Iccsino Data Technology Co., Ltd, a leading professional industry research and consulting company in China.

In order to enhance our product qualities, we also devoted ourselves in research and development activities. As at 31 December 2024, our operating subsidiaries, Yixiang Graphite and Yixiang New Energy were listed on High-quality Development of Technologically Advanced Small and Medium-sized Enterprises of the Heilongjiang Province* (黑龍江省專精特新中小企業).

During the Reporting Period, the Group had not infringe any third party trademark or intellectual property rights. Use of any trademark or intellectual property would be subject to the approval of the senior management and department head.

The Group has obtained ISO 9001 quality management system certification and is committed to providing quality and reliable products and services to our customers.

Our Group regards customer privacy as a matter of prime importance, and provides employees with guidance to prevent them from disclosing customer information. If any leak of customer information is found, our Group will rectify it promptly and administer punishment to responsible employees corresponding to the severity of the incident. Employees will also be held legally responsible in certain serious breach of our privacy policies. During the Reporting Period, there are no issue relating to the customer privacy in our Group.

Corruption Prevention

The Group strives to be ethical in its business operations, and does not tolerate any form of corruption, such as bribery, extortion, fraud or money laundering. The Group strictly complied with the Company Law of the People's Republic of China, the Law of the People's Republic of China on Anti-money Laundering, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery and other relevant laws and regulations on prevention of bribery, extortion, fraud and money laundering.

There exist effective measures throughout our Group including risk management and internal control policies to prevent any form of corruption. Such measures also provide our employees with clear guidance and training in dealing with receiving gifts and donation, conflict of interests, etc. Furthermore, our Group further strengthens the awareness of the Directors and the existing staff and new recruits by conducting periodic anti-corruption training.

Compliance Committee to monitor and oversee the compliance-related issues of our Group was also established. Any corruption related cases of the Group are required to report to the committee for further investigation and actions where appropriate.

All employees are required to maintain proper standards of business conduct and to comply with all applicable laws and regulations. To support such, we have established procedures for reporting matters of serious concern that may affect our operation and reputation, encouraging our employees to report their concerns at the earliest practical stage, so that our Group can take appropriate and timely actions. Upon the receipt of a whistleblowing report, our senior management and Compliance Committee will review the matter to assess what action should be taken. This may involve an internal inquiry or a more formal investigation. Our Group will make every effort to keep the whistleblower's identity confidential unless it becomes necessary to disclose the whistleblower's identity in accordance with applicable laws and regulations. Employees who are found to have committed corruption will be discharged from their duties and required to indemnify the losses caused. If their acts are found to be in violation of any regulatory requirement, the employee will be held accountable for his/her judicial responsibility.

During the Reporting Period, the Group complies all the applicable laws and regulations regarding bribery, extortion, fraud and money laundering and did not have any legal cases regarding corrupt practices brought against the Group or our employees.

Community Engagement

Our Group appreciates the importance of giving back to the community and fulfilling its corporate social responsibilities. When developing its business, our Group inherently considers its potential for making a positive impact on the community. Our Group is constantly striving to understand the impact of its business on the communities in which it operates, and explores opportunities to contribute to them with a view of improving lives and enhancing our Group's brand image.

The Group mainly participates in and supports the development of public welfare undertakings, such as, education, health, culture and sport events in the communities where our employees work and in the towns where our enterprises are located, by means of public welfare donations, our time participation and resources contribution. During the Reporting Period, certain donations have been made for the development of the youth in Heilongjiang.

Appendix C2 Environmental, Social and Governance Reporting Code Content Index

Reporting Guide Requirements	Description	Relevant Section
Overall Approach	The Board has overall responsibility for an issuer's ESG strategy and reporting.	ESG Governance
Governance Structure	(a) A disclosure of the board's oversight of ESG issues; (b) The board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); (c) How the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	ESG Governance
Reporting Principles	(a) Materiality (b) Quantitative (c) Consistency (d) Balance	Reporting Principles
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report, and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Introduction

Reporting Guide Requirements	Description	Relevant Section
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issue relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental
KPI A1.1	The types of emissions and respective emissions data.	Air Emissions
KPI A1.2	Repealed 1 January 2025	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Air Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management

Reporting Guide Requirements	Description	Relevant Section
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy Consumption and Efficiency, Water Management and Packaging Materials
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total kilowatt and intensity (e.g. per unit of production volume, per facility).	Energy Consumption and Efficiency
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Consumption and Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Materials
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Environmental and Natural Resources Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental and Natural Resources Management
A4 Climate Change	Repealed 1 January 2025	

Reporting Guide Requirements	Description	Relevant Section
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practice
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment and Labour Practice
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labour Practice
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety

Reporting Guide Requirements	Description	Relevant Section
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standard
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standard
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standard
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Monitoring
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Monitoring
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Monitoring
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Monitoring

Reporting Guide Requirements	Description	Relevant Section
KPI B5.4	Description of practices used to promote environmental preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Monitoring
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Products Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Products Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Products Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Products Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Products Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Products Responsibility

Reporting Guide Requirements	Description	Relevant Section
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corruption Prevention
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Corruption Prevention
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Corruption Prevention
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Corruption Prevention
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Engagement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Engagement
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Engagement

pwc 羅兵咸永道

To the Shareholders of China Graphite Group Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Graphite Group Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 88 to 161, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is impairment assessment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables	
Refer to Note 3.1(b), Note 4.1 and Note 19 to the consolidated financial statements. As at 31 December 2024, the Group had gross trade receivables of RMB76,342,000 and provision for impairment losses on trade receivables of RMB10,519,000. Provision is made for lifetime expected credit losses on trade receivables. Management applied judgement in assessing the expected credit losses. To measure the expected credit losses, management considered that full provision would be made for trade receivable balances with known financial difficulties. While for the remaining trade receivable balances, they have been grouped based on shared credit risk characteristics, and the expected credit loss rates are determined based on historical credit losses experienced over the past 3 years and adjusted to reflect forward-looking information including macroeconomic factors, such as real gross domestic product, consumer price index and broad measure of money supply, affecting the ability of the customers to settle the receivables.	Our procedures in relation to management's assessment of the expected credit losses for trade receivables included the following: We understood, evaluated and validated the key controls, on a sample basis, over credit assessment procedures performed by management, including the periodic review of aged receivables, and management's estimation of the expected credit losses allowance for trade receivables. We also assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated the outcome of prior period assessment of impairment of trade receivables to assess the effectiveness of management's estimation process.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this area due to the magnitude of the trade receivables and the estimation and judgement involved in determining the expected credit losses for the trade receivables are subject to high degree of estimation uncertainty.	We obtained management's assessment of the expected credit losses for trade receivables, tested the accuracy of the aging profile of trade receivables by checking to the underlying invoices on a sample basis and tested the accuracy of trade receivables settlement by checking to the underlying settlement records on a sample basis. For trade receivables with known financial difficulties, we challenged and assessed the appropriateness of management's assessment based on supporting documents such as correspondence with the customers, customers' responses to collection activities and relevant public search results relating to the financial circumstances of these customers. For the remaining trade receivables, we challenged and assessed the appropriateness of management's assessment including the credit risk characteristics based on the customers' historical settlement pattern over the past 3 years with reference to the historical settlement records of customers and the business operation of customers, and performed market research regarding the relevant current and forward-looking information including macroeconomic factors, such as real gross domestic product, consumer price index and board measure of money supply, affecting the ability of the customers to settle the receivables. We tested the mathematical accuracy of the calculation of expected credit loss rates and the calculation of the provision for impairment losses. Based on the procedures performed, we considered that the judgement and estimates adopted by management in determining the expected credit losses of the trade receivables were supportable by the evidence obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Hin Gay, Gabriel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

		Year ended 31 December	
	Notes	**2024 RMB'000**	2023 RMB'000
Revenue	5	**142,371**	201,994
Cost of sales	7	**(100,795)**	(128,334)
Gross profit		**41,576**	73,660
Other income and other gains, net	6	**4,539**	3,325
Selling and distribution expenses	7	**(13,297)**	(7,413)
General and administrative expenses	7	**(30,236)**	(25,421)
Research and development expenses	7	**(10,893)**	(17,150)
Provision for impairment of financial assets	3.1(b)	**(1,073)**	(3,389)
Operating (loss)/profit		**(9,384)**	23,612
Finance income	9	**431**	2,582
Finance costs	9	**(4,501)**	(1,656)
Finance (costs)/income, net		**(4,070)**	926
Share of losses of an associate	16	**(49)**	(464)
(Loss)/profit before income tax		**(13,503)**	24,074
Income tax credit/(expense)	10	**1,002**	(2,756)
(Loss)/profit and total comprehensive (loss)/income for the year		**(12,501)**	21,318
(Loss)/profit and total comprehensive (loss)/income attributable to owners of the Company		**(12,501)**	21,318
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
— Basic	11	**RMB(0.78) cents**	RMB1.33 cents
— Diluted	11	**RMB(0.78) cents**	RMB1.33 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

		As at 31 December	
		2024	2023
	Notes	**RMB'000**	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	**160,996**	157,358
Right-of-use assets	14	**65,477**	8,882
Mining rights	15	**21,455**	22,759
Other intangible assets		**268**	306
Deferred income tax assets	25	**1,899**	2,277
Prepayments	20	**101,347**	10,919
Interest in an associate	16	**–**	7,536
Loans to an associate	27(a)	**–**	22,598
		351,442	232,635
Current assets			
Inventories	18	**28,365**	36,712
Trade and bills receivables	19	**147,823**	193,828
Deposits, prepayments and other receivables	20	**2,086**	442
Financial assets at fair value through profit or loss		**192**	90
Cash and cash equivalents	21	**32,484**	111,918
		210,950	342,990
Total assets		**562,392**	575,625
Equity			
Equity attributable to owners of the Company			
Share capital	26(a)	**1,375**	1,375
Share premium	26(b)	**303,829**	303,829
Other reserves	26(b)	**(127,935)**	(127,303)
Retained earnings	26(b)	**259,039**	270,908
Total equity		**436,308**	448,809

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000
Liabilities			
Non-current liabilities			
Other payables	23(a)	–	2,150
Lease liabilities	14	**688**	–
Provision for reclamation and mine closure	23(b)	**2,801**	2,673
Deferred income	6	**1,679**	1,936
Deferred income tax liabilities	25	**93**	2,167
		5,261	8,926
Current liabilities			
Trade payables	22	**21,930**	29,990
Accruals and other payables	23(a)	**16,563**	17,160
Borrowings	24	**80,000**	66,428
Contract liabilities	5(f)	**1,740**	1,016
Lease liabilities	14	**535**	509
Current tax liabilities		**55**	2,787
		120,823	117,890
Total liabilities		**126,084**	126,816
Total equity and liabilities		**562,392**	575,625

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

The consolidated financial statements on pages 88 to 161 were approved by the Board of Directors on 26 March 2025 and were signed on its behalf.

Zhao Liang
Director

Lei Wai Hoi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2023	1,375	326,853	15,193	(145,419)	252,513	450,515
Comprehensive income						
Profit for the year	–	–	–	–	21,318	21,318
Total comprehensive income	–	–	–	–	21,318	21,318
Transactions with owners						
Dividends for the year ended 31 December 2022 (Note 12)	–	(23,024)	–	–	–	(23,024)
Appropriation to other reserve	–	–	–	2,923	(2,923)	–
	–	(23,024)	–	2,923	(2,923)	(23,024)
Balance at 31 December 2023 and 1 January 2024	**1,375**	**303,829**	**15,193**	**(142,496)**	**270,908**	**448,809**
Comprehensive loss						
Loss for the year	**–**	**–**	**–**	**–**	**(12,501)**	**(12,501)**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(12,501)**	**(12,501)**
Transactions with owners						
Appropriation to other reserve	**–**	**–**	**–**	**(632)**	**632**	**–**
	–	**–**	**–**	**(632)**	**632**	**–**
Balance at 31 December 2024	**1,375**	**303,829**	**15,193**	**(143,128)**	**259,039**	**436,308**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

		Year ended 31 December	
	Notes	**2024 RMB'000**	2023 RMB'000
Cash flow from operating activities			
Cash generated from operations	28(a)	**54,449**	38,521
Income tax paid		**(3,425)**	(10,888)
Net cash generated from operating activities		**51,024**	27,633
Cash flows from investing activities			
Purchase of property, plant and equipment		**(19,464)**	(52,318)
Purchase of intangible assets		**(15)**	(201)
Payment for land use rights		**(120,161)**	(3,770)
Proceeds from disposal of property, plant and equipment	28(b)	**404**	326
Acquisition of a subsidiary	29(b)	**335**	–
Decrease in short-term bank deposit		**–**	27,113
Loans to an associate		**(500)**	(31,140)
Interest received		**431**	1,834
Net cash used in investing activities		**(138,970)**	(58,156)
Cash flows from financing activities			
Proceeds from bank borrowings	28(c)	**140,500**	56,428
Repayment of bank borrowings	28(c)	**(126,928)**	–
Dividends paid		**–**	(23,024)
Interest paid	28(c)	**(3,276)**	(1,529)
Interest on payments by installments in relation to the acquisition of land		**(1,097)**	–
Repayment of lease liabilities	28(c)	**(882)**	(934)
Net cash generated from financing activities		**8,317**	30,941
Net (decrease)/increase in cash and cash equivalents		**(79,629)**	418
Cash and cash equivalents at the beginning of the year		**111,918**	110,182
Effects of exchange rate changes on cash and cash equivalents		**195**	1,318
Cash and cash equivalents at end of the year	21	**32,484**	111,918

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

1 General information

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

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

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

The consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000), unless otherwise stated.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**"). The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which are measured on fair value basis.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

2 Basis of preparation *(Continued)*

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

The following are new and amended standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2024 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new and amended standards and interpretation as and when they become effective.

HKFRS 18 will replace HKAS 1 "Presentation of Financial Statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the consolidated income statement and providing management-defined performance measures within the consolidated financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. The Group expects to apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with HKFRS 18.

In addition to the abovementioned changes in presentation and disclosures, the Group is in the process of assessing the impact of adopting other new accounting standards and amendments to accounting standards and interpretation on its current or future reporting periods and on foreseeable future transactions.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks factors: foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest rate risk. The Company's overall risk management procedures focus on the unpredictability of financial markets and seek minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group operates in the People's Republic of China ("**the PRC**") with most of the transactions denominated in RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group is exposed to foreign exchange risk with respect to the Hong Kong dollar ("**HK$**").

At 31 December 2024, if HK$ had strengthened/weakened by 5% against the RMB with all other variables held constant, loss/profit before income tax for the year would have been approximately RMB90,000 lower/higher (2023: RMB401,000 higher/lower), mainly as a result of the foreign exchange difference on translation of HK$ denominated short-term bank deposit and cash and cash equivalents.

The exposure to foreign exchange risk is not material to the Group.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and bills receivables, deposits, other receivables, loans to an associate, short-term bank deposit and cash and cash equivalents. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

(i) Impairment allowance policies for trade and bills receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables.

For bills receivables, bills are issued by counterparties at reputable banks and finance institutions and the credit risk is considered to be low. As at 31 December 2024 and 2023, provision for impairment loss of RMB105,000 and RMB40,000 were made, respectively.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A default on a financial asset is when the counterparty fails to make contractual payments within 365 days when they fall due.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(i) Impairment allowance policies for trade and bills receivables (Continued)

The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced over the past 3 years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, such as real gross domestic product, consumer price index and broad measure of money supply, affecting the ability of the customers to settle the receivables. The Group has maintained a defined credit policy with tightened risk profile and applied prudent policies to manage its credit risk with its trade receivables that includes an ageing analysis of trade receivables, is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as "provision for impairment of financial assets". Subsequent recoveries of amounts previously written off are credited against the same line item.

The following table presents the gross carrying amount and the lifetime expected credit loss in respect of individually assessed trade receivables as at 31 December 2024 and 2023:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Gross carrying amount	**2,999**	3,753
Lifetime expected credit loss	**(2,999)**	(3,753)
Net carrying amount	**–**	–

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(i) Impairment allowance policies for trade and bills receivables (Continued)

The following table presents the gross carrying amount and provision for impairment loss in respect of collectively assessed trade receivables by invoice date as at 31 December 2024 and 2023:

Sale of flake graphite concentrate

	Expected credit loss rate	Gross carrying amount – trade receivables RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
As at 31 December 2024				
Up to 90 days	**6.0%**	**31,184**	**(1,882)**	**29,302**
91–180 days	**11.8%**	**5,358**	**(630)**	**4,728**
181–270 days	**17.9%**	**1,704**	**(305)**	**1,399**
271–365 days	**24.5%**	**249**	**(62)**	**187**
Over 1 year	**59.3%**	**7,159**	**(4,247)**	**2,912**
		45,654	**(7,126)**	**38,528**
As at 31 December 2023				
Up to 90 days	3.9%	32,596	(1,271)	31,325
91–180 days	9.4%	10,054	(949)	9,105
181–270 days	18.0%	473	(85)	388
271–365 days	31.6%	297	(94)	203
Over 1 year	66.9%	4,997	(3,342)	1,655
		48,417	(5,741)	42,676

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(i) Impairment allowance policies for trade and bills receivables (Continued)

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

	Expected credit loss rate	Gross carrying amount – trade receivables RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
As at 31 December 2024				
Up to 90 days	**0.2%**	**13,262**	**(26)**	**13,236**
91–180 days	**0.0%**	**89**	**–**	**89**
181–270 days	**0.0%**	**7**	**–**	**7**
Over 1 year	**2.6%**	**14,331**	**(368)**	**13,963**
		27,689	**(394)**	**27,295**
As at 31 December 2023				
Up to 90 days	0.0%	50,997	(6)	50,991
91–180 days	0.0%	12,223	(6)	12,217
181–270 days	0.1%	4,334	(5)	4,329
Over 1 year	0.0%	1	–	1
		67,555	(17)	67,538

(ii) Other financial assets at amortised cost

The Group applies a general approach on other financial assets at amortised cost.

The credit risk on cash and cash equivalents and short-term bank deposit are limited because cash are placed in banks with sound credit ratings.

For deposits and other receivables and loans to an associate, management makes periodic collective assessments as well as individual assessment on the recoverability with no significant credit risk identified.

During the year, the following provision were recognised in profit or loss in relation to impaired financial assets.

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Impairment losses on trade receivables	**1,008**	2,807
Impairment losses on bills receivables	**65**	40
Impairment losses on loans to an associate	**–**	542
	1,073	3,389

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The liquidity of the Group is adequately managed and monitored by maintaining sufficient cash balance to meet its financial commitments. Accordingly, the directors are of the opinion that the Group does not have significant liquidity risk.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand/ less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2024					
Trade payables	**21,930**	**–**	**–**	**–**	**21,930**
Accruals and other payables	**10,101**	**–**	**–**	**–**	**10,101**
Borrowings	**81,442**	**–**	**–**	**–**	**81,442**
Lease liabilities	**573**	**448**	**264**	**–**	**1,285**
	114,046	**448**	**264**	**–**	**114,758**
31 December 2023					
Trade payables	29,990	–	–	–	29,990
Accruals and other payables	10,799	2,150	–	–	12,949
Borrowings	67,325	–	–	–	67,325
Lease liabilities	512	–	–	–	512
	108,626	2,150	–	–	110,776

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities, including cash and cash equivalents, short-term bank deposit and bank borrowings.

The Group is exposed to fair value interest rate risk arising from assets and liabilities bear interest at fixed rates. The Group's assets and liabilities which bear fixed interest rates mainly include short-term bank deposit and bank borrowings. At 31 December 2024, if interest rates had been 100 basis points higher/lower with all other variables held constant, loss/profit before income tax for the year then ended would have been approximately RMB800,000 higher/lower (2023: RMB664,000 lower/higher) due to higher/lower interest expenses on fixed rate bank borrowings.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's assets and liabilities which bear variable interest rates mainly include bank balances classified under cash and cash equivalents. At 31 December 2024, if interest rates on interest-bearing cash and cash equivalents had been 100 basis points higher/lower with all other variables held constant, loss/profit before income tax for the year then ended would have been approximately RMB325,000 lower/higher (2023: RMB1,119,000 higher/lower) due to higher/lower interest income on variable rate bank deposits.

3.2 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. The Group has classified its financial instruments into the three levels prescribed under the accounting standards. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of consolidated statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. The Group's financial assets at fair value through profit or loss, which represented listed securities, are measured at fair value of RMB192,000 and are included in level 1 at 31 December 2024 (2023: RMB90,000).

3 Financial risk management *(Continued)*

3.2 Fair value estimation *(Continued)*

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

During the years ended 31 December 2024 and 2023, there were no transfers of financial instruments between levels 1, 2 and 3.

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owners to procure adequate financial resumes from the owners. The Group's overall strategy remains consistent during the years ended 31 December 2024 and 2023.

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

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

The debt-to-capital ratios during the years ended 31 December 2024 and 2023 were as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Total borrowings	**80,000**	66,428
Less: Cash and cash equivalents	**(32,484)**	(111,918)
Net debt	**47,516**	(45,490)
Total equity	**436,308**	448,809
Total capital	**483,824**	403,319
Debt-to-capital ratio	**9.8%**	N/A

4 Critical accounting estimates and judgments

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group's management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Impairment of trade receivables

The loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

4.2 Amortisation of mining rights and depreciation of mining structures

Mining rights and mining structures are amortised and depreciated over the estimated total proven and probable reserves of the mines using units of production method. The Group assesses on an annual basis the estimated reserve of the mine. However, the remaining license period of the mining rights held by the Group is shorter than the estimated useful lives of the mine estimated by the Group. Management is of the opinion that the Group is able to renew the license of the mining rights from the relevant authority continuously and at minimal charges. If the expectation differs from the original estimate, such differences will impact the amortisation charged in the period in which such estimate is changed.

Engineering estimates of the Group's mine reserves involved subjective judgments by engineers in developing such information and reserves are estimated in accordance with national standards set by relevant PRC authorities. Estimates of proven and probable reserves involved subjective judgments and assumptions are required for a range of geological, technical and economic factors, so the proven and probable reserves are only approximate values. The recent production and technology documents shall be considered for the estimates of proven and probable reserves which will be updated regularly, the inherent inaccuracy of technical estimating exists. If the past estimates change significantly, the amortisation and depreciation shall be adjusted during future periods.

4 Critical accounting estimates and judgments *(Continued)*

4.3 Obligation for reclamation and mine closure

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including development plan of the mines, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgments from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

4.4 Impairment of non-current assets

The Group's non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use or fair value less costs of disposal.

The calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying amount of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and value-in-use which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including annual revenue growth rate, annual operating costs growth rate, production rates, terminal growth rate, inflation rates and discount rates used in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

5 Revenue and segment information

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

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

— Sale of flake graphite concentrate

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

Performance is measured based on segment results that is used by the CODM for the purposes of resources allocation and assessment of segment performance. Income tax expense is not allocated to reportable segments. The Group derived revenue from the sales of goods at a point in time.

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

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

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

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

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

5 Revenue and segment information *(Continued)*

(a) The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2024 is as follows:

	Sale of flake graphite concentrate RMB'000	Sale of spherical graphite and its by-products, and unprocessed marble RMB'000	Total RMB'000
Segment revenue	118,600	51,104	169,704
Intersegment revenue	(9,634)	(17,699)	(27,333)
Revenue from external customers	108,966	33,405	142,371
Segment results	4,069	(10,159)	(6,090)
Elimination of inter-segment loss			3,114
Unallocated amounts:			
Other income and other gains, net			4,539
Depreciation of right-of-use assets			(482)
Corporate expenses			(10,514)
Finance costs, net			(4,070)
Loss before income tax			(13,503)
Income tax credit			1,002
Loss for the year			(12,501)
Depreciation of property, plant and equipment	(12,602)	(4,771)	(17,373)
Depreciation of right-of-use assets	(1,433)	(919)	(2,352)
Amortisation of mining rights	–	(1,304)	(1,304)
Provision for impairment of financial assets	(668)	(405)	(1,073)
Share of loss of an associate	–	(49)	(49)
Capital expenditures	4,941	75,664	80,605

5 Revenue and segment information *(Continued)*

(b) Reportable segment assets and liabilities are reconciled to total assets and total liabilities of the Group as at 31 December 2024 as follows:

	Sale of flake graphite concentrate RMB'000	Sale of spherical graphite and its by-products, and unprocessed marble RMB'000	Total RMB'000
Assets			
Reportable segment assets	195,100	358,914	554,014
Intersegment elimination			(338)
Unallocated assets			8,716
Total assets per consolidated statement of financial position			562,392
Liabilities			
Reportable segment liabilities	25,890	18,273	44,163
Unallocated liabilities			81,921
Total liabilities per consolidated statement of financial position			126,084

5 Revenue and segment information *(Continued)*

(c) The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2023 is as follows:

	Sale of flake graphite concentrate RMB'000	Sale of spherical graphite and its by-products, and unprocessed marble RMB'000	Total RMB'000
Segment revenue	170,635	116,164	286,799
Intersegment revenue	(69,302)	(15,503)	(84,805)
Revenue from external customers	101,333	100,661	201,994
Segment results	38,488	(5,294)	33,194
Elimination of inter-segment profit			(984)
Unallocated amounts:			
Other income and other gains, net			3,325
Depreciation of right-of-use assets			(642)
Corporate expenses			(11,745)
Finance income, net			926
Profit before income tax			24,074
Income tax expense			(2,756)
Profit for the year			21,318
Depreciation of property, plant and equipment	(12,143)	(5,766)	(17,909)
Depreciation of right-of-use assets	(1,018)	(287)	(1,305)
Amortisation of mining rights	–	(1,304)	(1,304)
Provision for impairment of financial assets	(2,896)	(493)	(3,389)
Share of loss of an associate	–	(464)	(464)
Capital expenditures	35,759	22,482	58,241

5 Revenue and segment information *(Continued)*

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

	Sale of flake graphite concentrate RMB'000	Sale of spherical graphite and its by-products, and unprocessed marble RMB'000	Total RMB'000
Assets			
Reportable segment assets	229,280	334,763	564,043
Intersegment elimination			(3,452)
Unallocated assets			15,034
Total assets per consolidated statement of financial position			575,625
Liabilities			
Reportable segment liabilities	59,779	22,809	82,588
Unallocated liabilities			44,228
Total liabilities per consolidated statement of financial position			126,816

(e) Other segment information

The Group is domiciled in the PRC. All of its revenue from external customers are from customers located in the PRC.

Revenue from 2 and 3 customers individually contributed over 10% of the Group's revenue during the years ended 31 December 2024 and 2023. The revenue from the customer during the years are as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Customer A	**36,042**	N/A
Customer B	**25,182**	38,177
Customer C	**N/A**	20,863

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

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

5 Revenue and segment information *(Continued)*

(f) Assets and liabilities related to contracts with customers

The Group has recognised RMB1,740,000 and RMB1,016,000 receipts in advance from customers for the sale of graphite products as contract liabilities as at 31 December 2024 and 2023. For the years ended 31 December 2024 and 2023, RMB829,000 and RMB1,183,000 of revenue recognised, respectively, relates to carried-forward contract liabilities.

(g) Accounting policies on revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when or as the control of the good is transferred to the customer.

Depending on the terms of the contract and the laws that apply to the contract, control of the good may be transferred over time or at a point in time.

Control of the good is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods. Specific criteria where revenue is recognised are described below.

5 Revenue and segment information *(Continued)*

(g) Accounting policies on revenue recognition *(Continued)*

Sales and distribution of goods

The Group manufactures and sells graphite products. Sales are recognised when control of the products has transferred to its customer, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of value-added tax, rebates and returns. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made on cash or with a credit term of not more than 90 days. A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

6 Other income and other gains, net

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Other income		
Government grants (Note)	**3,389**	2,644
Others	**831**	824
Other gains/(losses), net		
Gains on disposal of property, plant and equipment	**217**	167
Fair value gain/(loss) of financial assets at fair value through profit or loss	**102**	(310)
	4,539	3,325

Note: The amount mainly represents the Group's entitlement to corporate income tax refund and other government grants. For the years ended 31 December 2024 and 2023, there is no unfulfilled conditions attached to the government grants.

As at 31 December 2024, government grants relating to the purchase of equipment of RMB1,679,000 are included in non-current liabilities as deferred income and will be credited to profit or loss on a straight-line basis over the expected lives of the related assets (2023: RMB1,936,000).

7 Expenses by nature

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials used		
— in production	**25,454**	35,535
— for research and development	**3,549**	5,033
Changes in inventories of finished goods and work in progress	**7,210**	(22,088)
Blasting expense	**3,240**	4,460
Subcontracting and processing charges	**902**	9,642
Provision for impairment of inventories	**692**	1,696
Provision for impairment of property, plant and equipment	**–**	701
Transportation fees	**12,692**	5,200
Auditor's remuneration	**1,530**	1,800
Depreciation of property, plant and equipment (Note 13)	**17,373**	17,909
Depreciation of right-of-use assets (Note 14)	**2,834**	1,947
Amortisation of mining rights (Note 15)	**1,304**	1,304
Amortisation of other intangible assets	**53**	51
Employee benefit expenses (including directors' emoluments) (Note 8)	**20,239**	28,171
Outsourcing charges	**4,387**	6,977
Short-term operating lease rentals in respect of office premises and machineries (Note 14)	**298**	11,306
Utilities expenses	**28,362**	49,563
Professional fees	**5,256**	4,042
Repair and maintenance expenses	**4,074**	3,343
Travelling and entertainment expenses	**3,604**	2,377
Training expenses	**1**	350
Office expenses	**2,918**	1,691
Exchange gains, net	**(170)**	(232)
Resource tax and other miscellaneous tax	**5,506**	3,059
Others	**3,913**	4,481
Total cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses	**155,221**	178,318

8 Employee benefit expenses

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Wages, salaries, bonuses and allowances	**19,091**	26,835
Pension costs — defined contribution plans	**1,420**	1,905
Other employee benefits	**925**	1,343
	21,436	30,083
Capitalised as property, plant and equipment	**(1,197)**	(1,912)
	20,239	28,171

On 21 June 2022, the Company conditionally adopted the share option scheme which is a share incentive scheme established to grant options to eligible participants as incentives or rewards for their contribution to the Group. The share option scheme will provide the eligible participants an opportunity to have a personal stake in the Company with the view to motivate the eligible participants to optimise their performance efficiency for the benefit of the Group and attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. During the years ended 31 December 2024 and 2023, no option was granted, exercised, cancelled or lapsed.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 directors for the years ended 31 December 2024 and 2023, whose emoluments are reflected in the analysis presented in Note (b) below. The emoluments payable to the remaining 3 individuals for the years ended 31 December 2024 and 2023 are as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**2,105**	2,196

	Number of individuals Year ended 31 December	
	2024	2023
Emoluments bands HK$1 to HK$1,000,000	**3**	3

8 Employee benefit expenses *(Continued)*

(b) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2024 is set out below:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowance and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors							
Zhao Liang	–	1,800	–	–	16	–	1,816
Lei Wai Hoi	–	1,068	–	–	16	–	1,084
Independent Non-Executive Directors							
Ho Hoi Tung (Note (i))	44	–	–	–	–	–	44
Chiu G Kiu Bernard (Note (ii))	122	–	–	–	–	–	122
Shen Shifu	143	–	–	–	–	–	143
Liu Zezheng	143	–	–	–	–	–	143
Zhao Jingran	166	–	–	–	–	–	166
Total	618	2,868	–	–	32	–	3,518

8 Employee benefit expenses *(Continued)*

(b) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive for the year ended 31 December 2023 is set out below:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowance and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors							
Zhao Liang	–	1,800	–	–	16	–	1,816
Lei Wai Hoi	–	1,085	–	–	16	–	1,101
Independent Non-Executive Directors							
Chiu G Kiu Bernard (Note (ii))	163	–	–	–	–	–	163
Shen Shifu	163	–	–	–	–	–	163
Liu Zezheng	163	–	–	–	–	–	163
Zhao Jingran	163	–	–	–	–	–	163
Total	652	2,885	–	–	32	–	3,569

Notes:

(i) Appointed on 24 September 2024.

(ii) Resigned on 24 September 2024.

8 Employee benefit expenses *(Continued)*

(c) Pension costs — defined contribution retirement plans

The Group provides a mandatory provident fund scheme (the "**MPF Scheme**") for its staff in Hong Kong under the requirement of the Hong Kong Mandatory Provident Fund Scheme Ordinance ("**MPF Scheme Ordinance**"). Under the current MPF scheme, the Group's contributions are calculated at 5% of the employees' relevant income as defined in the MPF Scheme Ordinance up to a maximum of HK$1,500 per employee per month. The assets of the MPF scheme are held separately from those of the Group in independently administered funds.

As stipulated by the rules and regulations in PRC, the Group contributes to state-sponsored retirement plan for its employees in PRC. The employees contribute up to 8% of their basic salaries, while the Group contributes to retirement plans approximately at 16% to 20% of the basic salaries of its employees in PRC and has no further obligations for the actual payment of pensions or post retirement benefits. The state-sponsored retirement plan are responsible for the entire pensions obligations payable to retired employees.

During the years ended 31 December 2024 and 2023, the Group has no forfeited contributions that were able to be utilised by the Group to reduce its contributions.

(d) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits and termination benefits during the year ended 31 December 2024 (2023: same).

(e) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2024, the Group did not pay any consideration to any third parties for making available directors, services (2023: same).

(f) Information about loans, quasi-loans and other dealings in favor of the directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2024 (2023: same).

9 Finance (costs)/income, net

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Finance income		
Interest income from bank deposits	**431**	1,834
Interest income from loans to an associate (Note 27(b))	–	748
	431	2,582
Finance costs		
Interest expenses on borrowings	**(2,749)**	(1,148)
Interest expenses on discounted bill financing	**(503)**	(362)
Interest elements of lease liabilities	**(24)**	(19)
Interest elements of provision for reclamation and mine closure	**(128)**	(127)
Interest expenses on payment by installments in relation to the acquisition of land	**(1,097)**	–
	(4,501)	(1,656)
Finance (costs)/income, net	**(4,070)**	926

10 Income tax (credit)/expense

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the "**CIT Law**"), companies in the PRC are subject to income tax of 25% unless preferential rate is applicable. The Group's major operating subsidiary, Heilongjiang Baoquanling Agricultural Reclamation Yixiang New Energy Materials Co., Ltd. ("**Yixiang New Energy**") and Heilongjiang Baoquanling Agricultural Reclamation Yixiang Graphite Co., Ltd. ("**Yixiang Graphite**") are subject to a tax rate of 15% for the years ended 31 December 2024 and 2023 as they are eligible for the tax concession granted by the PRC government as a high-tech enterprise up to 2025 and 2027, respectively, subject to renewal upon expiry.

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

No Hong Kong profits tax has been provided for the years ended 31 December 2024 and 2023 since there was no tax assessable profit generated from Hong Kong. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

10 Income tax (credit)/expense *(Continued)*

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax	**98**	2,967
— Under/(over)-provision in prior years (Note)	**596**	(12)
Deferred income tax	**(1,696)**	(199)
Income tax (credit)/expense	**(1,002)**	2,756

Note: The under-provision for the year ended 31 December 2024 mainly represents the reversal of tax credits claimed in prior years, in which such tax credits was disallowed by the PRC tax authority upon reassessment during the period.

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the domestic tax rate applicable to the profit or loss before income tax expense of the entities in the respective countries as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
(Loss)/profit before income tax	**(13,503)**	24,074
Tax calculated at domestic tax rates applicable to the profit or loss in respective operations	**(2,882)**	3,480
Expenses not deductible for tax purposes	**1,070**	1,101
Research and development tax credit	**(1,664)**	(1,850)
Under/(over)-provision in prior years	**596**	(12)
Tax losses for which no deferred tax asset has been recognised	**1,878**	37
Income tax (credit)/expense	**(1,002)**	2,756

The weighted average applicable tax rate was 7% and 11% for the years ended 31 December 2024 and 2023, respectively.

11 (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2024 and 2023.

The basic and diluted (loss)/earnings per share for the years ended 31 December 2024 and 2023 were the same because there were no dilutive potential ordinary shares.

	Year ended 31 December	
	2024	2023
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (in thousand)	**1,600,000**	1,600,000
Group's (loss)/profit attributable to the owners of the Company (RMB'000)	**(12,501)**	21,318
(Loss)/earnings per share (RMB cents)	**(0.78)**	1.33

12 Dividends

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

The Board does not recommend any dividend in respect of the year ended 31 December 2024.

13 Property, plant and equipment

	Construction in progress RMB'000	Plant and buildings RMB'000	Mining structures RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Total RMB'000
As at 1 January 2023							
Cost	7,113	67,714	24,892	93,530	7,736	3,450	204,435
Accumulated depreciation	–	(28,408)	(1,323)	(43,385)	(5,805)	(2,497)	(81,418)
Net book amount	7,113	39,306	23,569	50,145	1,931	953	123,017
Year ended 31 December 2023							
Opening net book amount	7,113	39,306	23,569	50,145	1,931	953	123,017
Additions	21,954	24,228	–	1,297	6,458	333	54,270
Transfers	(16,988)	768	7,449	8,771	–	–	–
Disposals	–	–	–	(16)	(143)	–	(159)
Depreciation	–	(9,522)	(926)	(6,968)	(1,143)	(510)	(19,069)
Impairment	–	–	–	(701)	–	–	(701)
Closing net book amount	12,079	54,780	30,092	52,528	7,103	776	157,358
As at 31 December 2023							
Cost	12,079	92,710	32,341	103,279	12,447	3,783	256,639
Accumulated depreciation and impairment	–	(37,930)	(2,249)	(50,751)	(5,344)	(3,007)	(99,281)
Net book amount	12,079	54,780	30,092	52,528	7,103	776	157,358
Year ended 31 December 2024							
Opening net book amount	**12,079**	**54,780**	**30,092**	**52,528**	**7,103**	**776**	**157,358**
Additions (Note)	**15,716**	**4,584**	**–**	**408**	**2,024**	**23**	**22,755**
Transfers	**(11,959)**	**–**	**10,884**	**1,075**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**(50)**	**(137)**	**–**	**(187)**
Depreciation	**–**	**(10,131)**	**(512)**	**(6,856)**	**(1,085)**	**(346)**	**(18,930)**
Closing net book amount	**15,836**	**49,233**	**40,464**	**47,105**	**7,905**	**453**	**160,996**
As at 31 December 2024							
Cost	**15,836**	**97,294**	**43,225**	**104,438**	**11,740**	**3,806**	**276,339**
Accumulated depreciation and impairment	**–**	**(48,061)**	**(2,761)**	**(57,333)**	**(3,835)**	**(3,353)**	**(115,343)**
Net book amount	**15,836**	**49,233**	**40,464**	**47,105**	**7,905**	**453**	**160,996**

Note:

Included the addition of equipment of RMB40,000 from the acquisition of a subsidiary (Note 29(b)).

13 Property, plant and equipment *(Continued)*

Depreciation expense has been recorded as below for the years ended 31 December 2024 and 2023.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of sales	**15,607**	15,890
General and administrative expenses	**1,051**	1,621
Research and development expenses	**715**	398
	17,373	17,909
Capitalised as mining structures	**1,557**	1,160
	18,930	19,069

As at 31 December 2024, property, plant and equipment with the carrying amount of RMB19,706,000 were pledged as the security for banking facilities granted to the Group (2023: RMB23,349,000) (Note 24).

Accounting policies on property, plant and equipment

Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain plant and machines, the shorter lease term as follows:

Plant and buildings	20 years
Machinery and equipment	3–10 years
Motor vehicles	4–5 years
Furniture and fixtures	3–5 years

Depreciation on mining structures is provided to write off the cost of the mining structures using the units of production method based on the total proved and probable reserves of the mine as the depletion base.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

13 Property, plant and equipment *(Continued)*

Accounting policies on property, plant and equipment *(Continued)*

Depreciation methods and useful lives *(Continued)*

Construction in progress ("**CIP**") is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the CIP is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of CIP until it is completed and ready for its intended use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

See Note 34.6 for the other accounting policies relevant to property, plant and equipment.

14 Leases

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

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

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Right-of-use assets		
Land use rights	**62,945**	7,429
Properties	**2,532**	1,453
	65,477	8,882
Lease liabilities		
Current	**535**	509
Non-current	**688**	–
	1,223	509

Additions to the right-of-use assets for the years ended 31 December 2024 and 2023 were RMB59,416,000 and RMB3,770,000, respectively. The addition for the year ended 31 December 2024 included an amount of RMB31,740,000 which was transferred from the prepayment of land from the acquisition of a subsidiary (Note 29(b)).

As at 31 December 2024, land use rights with the carrying amount of RMB3,139,000 were pledged as the security for banking facilities granted to the Group (2023: RMB3,394,000) (Note 24).

14 Leases *(Continued)*

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

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Depreciation charge of right-of-use assets		
Land-use rights	**2,318**	1,541
Properties	**516**	406
	2,834	1,947
Interest expense (included in finance costs) (Note 9)	**24**	19
Expense relating to short-term leases (included in cost of sales and selling and distribution expenses) (Note)	**298**	11,306

The total cash outflow for leases during the years ended 31 December 2024 and 2023 were RMB2,816,000 and RMB12,267,000, respectively.

Note: During the year ended 31 December 2024, the Group renewed the lease of a land use right. In the renewed lease arrangement, Natural Resource Bureau of Luobei Country (the "**New Landlord**") took over the ownership of the land use right from Yanjun Farm of Luobei County, the previous landlord, as the new landlord under the renewal arrangement. Pursuant to the renewal agreement effective from January 2023, the New Landlord levied an additional charge of RMB7,616,000 on the Group, representing a one-off clearance settlement in relation to the use of the land use right by the Group during 2012 to 2022 based on the New Landlord's assessment with reference to the existing policies and regulations upon such renewal in 2024, repayable over 3 years. As at 31 December 2024, RMB5,466,000 has been settled.

(iii) The Group's leasing activities

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

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

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

15 Mining rights

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Opening net carrying amount	**22,759**	24,063
Amortisation	**(1,304)**	(1,304)
Closing net carrying amount	**21,455**	22,759
Gross carrying amount	**29,663**	29,663
Accumulated amortisation	**(8,208)**	(6,904)
Net carrying amount	**21,455**	22,759

As at 31 December 2024, mining rights with carrying amount of RMB21,455,000 were pledged as the security for banking facilities granted to the Group (2023: RMB22,759,000) (Note 24).

Accounting policies on mining rights

Mining rights are stated at cost less accumulated amortisation and accumulated impairment losses and are amortised on the units of production method based on the total proven and probable reserves of the mine.

16 Interest in an associate

Amount recognised in the consolidated statement of financial position

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
At 1 January	**7,536**	–
Capital injection	**–**	8,000
Share of loss	**(49)**	(464)
Derecognition (Note 29(b))	**(7,487)**	–
At 31 December	**–**	7,536

Amount recognised in the consolidated statement of comprehensive income

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Share of loss of an associate	**(49)**	(464)

16 Interest in an associate *(Continued)*

Amount recognised in the consolidated statement of comprehensive income *(Continued)*

Note:

Set out below is the associate of the Group as at 31 December 2023 which, in the opinion of the directors, is material to the Group.

Name of entity	Place of business/ country of incorporation	Percentage of ownership interest 2023	Nature of the relationship and principal activities	Measurement method
Shandong Ruisheng Carbon Material Technology Co., Limited ("**Shandong Ruisheng**")	PRC	**40%**	The associate will be engaged in the manufacturing and trading of electronic materials, graphite and carbon products	Equity

Summarised financial information of an associate as at 31 December 2023

	As at 31 December 2023 RMB'000
Assets and liabilities as at 31 December	
Non-current assets	12,040
Current assets	30,828
Total assets	42,868
Non-current liabilities	(24,028)
Net assets	18,840

Reconciliation of summarised consolidated financial information as at 31 December 2023

	As at 31 December 2023 RMB'000
Opening net assets as at beginning of the year	–
Capital injection made/committed by shareholders	20,000
Loss for the year	(1,160)
Closing net assets at end of the year	18,840
Interest in an associate	7,536

17 Financial instruments by category

The Group's financial instruments include the following:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Financial assets at amortised cost		
Loans to an associate	–	22,598
Trade and bills receivables	**147,823**	193,828
Deposits and other receivables	**1,650**	888
Cash and cash equivalents	**32,484**	111,918
Financial assets at fair value through profit or loss		
Listed securities	**192**	90
	182,149	329,322

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Financial liabilities at amortised cost		
Trade payables	**21,930**	29,990
Accruals and other payables	**10,101**	12,949
Borrowings	**80,000**	66,428
Lease liabilities	**1,223**	509
	113,254	109,876

18 Inventories

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Raw materials	**5,217**	5,662
Work in progress	**5,617**	19,400
Finished goods	**20,102**	13,529
	30,936	38,591
Provision for inventories	**(2,571)**	(1,879)
Total	**28,365**	36,712

The cost of inventories recognised as expenses and included in cost of sales in the consolidated statement of comprehensive income for the years ended 31 December 2024 and 2023 were RMB33,356,000 and RMB15,143,000, respectively.

Provision for impairment of inventories amounted to RMB692,000 (2023: RMB1,696,000) arising from a decrease in net realisable value was included in cost of sales in the consolidated statement of comprehensive income.

19 Trade and bills receivables

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Trade receivables	**76,342**	119,725
Bills receivables	**82,105**	83,654
Trade and bills receivables	**158,447**	203,379
Less: loss allowance	**(10,624)**	(9,551)
Total	**147,823**	193,828

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

As at 31 December 2024, trade receivables of three customers with the aggregate carrying amount of RMB12,755,000 were pledged as the security for banking facilities granted to the Group (2023: RMB27,656,000) (Note 24).

As at 31 December 2024 and 2023, the ageing analysis of the third-party trade receivables, based on invoice date, are as follows:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Up to 90 days	**44,446**	83,593
91–180 days	**5,447**	22,277
181–270 days	**1,711**	4,807
271–365 days	**249**	297
Over 1 year	**24,489**	8,751
	76,342	119,725

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

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
At the beginning of the year	**9,511**	6,704
Provision for impairment of trade receivables	**1,008**	2,807
At the end of the year	**10,519**	9,511

19 Trade and bills receivables *(Continued)*

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

The Group's bills receivables generally have maturity period of 6 to 12 months. As at 31 December 2024 and 2023, the ageing analysis of the bills receivables, based on the bills receiving date, are as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Up to 90 days	**60,552**	64,286
91–180 days	**21,553**	19,184
181–270 days	**–**	184
	82,105	83,654

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

	As at 31 December	
	2024 RMB'000	2023 RMB'000
At the beginning of the year	**40**	–
Provision for impairment of bills receivables	**65**	40
At the end of the year	**105**	40

(a) Discounted bill financing

The Group endorsed certain of its bills receivables with full recourse to the creditors. In the event of default by the debtors, the Group is obliged to pay the creditors the amount in default. The Group is therefore exposed to the risks of credit losses and late payment in respect of its endorsed bills receivables. As at 31 December 2023, discounted bill financing of RMB29,464,000 was secured by bills receivables of RMB30,000,000 (Note 24). There is no such arrangement as at 31 December 2024.

19 Trade and bills receivables *(Continued)*

(b) Bills receivables in relation to endorsement transactions

The endorsement transactions do not meet the requirements for derecognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the endorsed bills receivables. As at 31 December 2024 and 2023, bills receivables and the corresponding trade and other payables of RMB7,276,000 and RMB7,992,000 continue to be recognised in the Group's consolidated financial statements although they have been legally transferred to the creditors. The proceeds of the endorsement transactions are included in trade and other payables until the related bills receivables are collected or the Group settles any losses suffered by the creditors. As these bills receivables have been legally transferred to the creditors, the Group does not have the authority to determine the disposition of the bills receivables.

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

Accounting policies on trade and bills receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group assesses on a forward-looking basis the expected credit losses associated with its trade and bills receivables. The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

20 Deposits, prepayments and other receivables

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Deposits	**1,521**	114
Prepayments for property, plant and equipment	**–**	2,447
Prepayments for raw materials	**533**	302
Prepayments for leased land	**101,250**	7,724
Interest receivable from loans to an associate (Note 27(a))	**–**	748
Other receivables	**129**	26
	103,433	11,361
Less: non-current portion	**(101,347)**	(10,919)
Current portion	**2,086**	442

As at 31 December 2024 and 2023, the carrying amounts of deposits, prepayments and other receivables approximate their fair values and are denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	**103,336**	11,267
HK$	**97**	94
	103,433	11,361

21 Cash and cash equivalents

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Cash at banks	**32,482**	111,917
Cash on hand	**2**	1
	32,484	111,918
Maximum exposure to credit risk	**32,482**	111,917

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

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
RMB	**30,081**	102,816
HK$	**2,403**	9,102
	32,484	111,918

As at 31 December 2024 and 2023, cash and cash equivalents of approximately RMB30,081,000 and RMB102,816,000, respectively, of the Group were denominated in RMB and deposited with banks in the PRC. The conversion of the RMB denominated balance into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2024 and 2023, cash and cash equivalents of approximately RMB2,582,000 and RMB2,210,000, respectively, were deposited with a bank in the PRC for mine and land reclamation purpose. The withdrawal of funds from the account is subject to the approval of the local authority. The approval procedures are administrative and the Group expected it would take a short period of time to make the funds readily available to meet its cash commitments.

22 Trade payables

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

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Up to 90 days	**8,683**	19,580
91–180 days	**4,391**	8,267
181–365 days	**5,702**	1,845
Over 1 year	**3,154**	298
	21,930	29,990

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

23 Accruals and other payables and provision for reclamation and mine closure

(a) Accruals and other payables

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Accrued staff expense	**1,874**	1,904
Accrued construction cost	**3,659**	4,412
Other tax payable	**4,588**	4,457
Rent payable	**2,150**	3,762
Interest payable	**–**	362
Others	**4,292**	4,413
	16,563	19,310
Less: Non-current rent payable	**–**	(2,150)
	16,563	17,160

23 Accruals and other payables and provision for reclamation and mine closure *(Continued)*

(a) Accruals and other payables *(Continued)*

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	**15,914**	18,140
HK$	**649**	1,170
	16,563	19,310

(b) Provisions for reclamation and mine closure

Provisions for the Group's obligations for reclamation and mine closure are based on estimates of required expenditure at the mines in accordance with the rules and regulations in the PRC. The obligation generally arises when the asset is installed or the ground environment is disturbed at the mining operation's location. The Group estimates its liabilities for reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The present value of the estimated cost is recognised in cost of sales in the period of relevant ground environment being disturbed.

24 Borrowings

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Bank borrowings		
— Bank loans (Note (a))	**80,000**	36,964
— Discounted bill financing (Note (b))	**–**	29,464
	80,000	66,428

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	**80,000**	66,428

The weighted effective interest rates as at 31 December 2024 and 2023 were follows:

	As at 31 December	
	2024	2023
Bank borrowings		
— Bank loans	**2.77%**	3.85%
— Discounted bill financing	**N/A**	3.50%

Notes:

(a) During the years ended 31 December 2024 and 2023, the Group's bank facilities, pursuant to which a total facility of RMB140,000,000 were granted to the Group for 3 years from the date of the respective facility letters, were secured by:

(i) the guarantee provided by the controlling shareholder of the Group;

(ii) property, plant and equipment with carrying amount of RMB19,706,000 (2023: RMB23,349,000) (Note 13);

(iii) land use rights of the Group with the carrying amount of RMB3,139,000 (2023: RMB3,394,000) (Note 14);

(iv) mining rights of the Group with carrying amount of RMB21,455,000 (2023: RMB22,759,000) (Note 15); and

(v) trade receivables of three customers with the aggregate carrying amount of RMB12,755,000 (2023: RMB27,656,000) (Note 19).

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

The Group had unutilised facilities of RMB110,000,000 as at 31 December 2024 (2023: RMB93,572,000). Subsequent to 31 December 2024 and up to the date of the issuance of these consolidated financial statements, the Group has further drawn down bank facilities of approximately RMB11,000,000 in aggregate.

24 Borrowings *(Continued)*

Notes: *(Continued)*

(b) Bank advances for discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bank's acceptance bills and the related proceeds of the same amount are included in the Group's trade and bills receivables and borrowings respectively at the end of the year end dates.

The carrying amounts of borrowings are denominated in RMB.

25 Deferred income tax

As at 31 December 2024 and 2023, deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% for Hong Kong and 15% for the PRC.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Deferred income tax assets	**1,899**	2,277
Deferred income tax liabilities	**(93)**	(2,167)
	1,806	110

The analysis of deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Deferred income tax assets (to be recovered within 12 months)	**470**	850
Deferred income tax assets (to be recovered after more than 12 months)	**7,286**	4,037
Deferred income tax liabilities (to be settled after more than 12 months)	**(5,950)**	(4,777)
Total	**1,806**	110

25 Deferred income tax *(Continued)*

The movement in gross deferred income tax assets and liabilities during the years ended 31 December 2024 and 2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision for impairment of trade receivables RMB'000	Tax losses RMB'000	Unrealised profits RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	1,005	–	371	389	1,765
Credited/(charged) to the consolidated statement of comprehensive income	421	2,611	148	(58)	3,122
At 31 December 2023 and 1 January 2024	**1,426**	**2,611**	**519**	**331**	**4,887**
Credited/(charged) to the consolidated statement of comprehensive income	**151**	**3,098**	**(467)**	**87**	**2,869**
At 31 December 2024	**1,577**	**5,709**	**52**	**418**	**7,756**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of RMB7,672,000 (2023: RMB159,000) that can be carried forward against future taxable income. These tax losses have not been recognised due to uncertainty of future realisation and will be expired within 5 years.

Deferred income tax liabilities

	Accelerated tax depreciation RMB'000
At 1 January 2023	1,854
Charged to the consolidated statement of comprehensive income	2,923
At 31 December 2023 and 1 January 2024	**4,777**
Charged to the consolidated statement of comprehensive income	**1,173**
At 31 December 2024	**5,950**

As at 31 December 2024, the Group's subsidiaries in the PRC has unremitted earnings of RMB292,506,000 (2023: RMB297,663,000). The Group did not recognise deferred income tax liabilities in respect of temporary differences relating to the withholding tax on the unremitted profits of subsidiaries that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future. Therefore, the related temporary difference will not be reversed and will not be taxable in the foreseeable future.

26 Share capital and reserves

(a) Share capital

	Number of shares	HK$'000
Authorised share capital		
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	2,000,000,000	2,000

	Number of shares	HK$'000	RMB'000
Issued and fully paid share capital			
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	1,600,000,000	1,600	1,375

(b) Reserves

	Share premium (Note (i)) RMB'000	Statutory reserve (Note (ii)) RMB'000	Capital reserve (Note (iii)) RMB'000	Other reserve (Note (iv)) RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2023	326,853	15,193	(148,670)	3,251	252,513	449,140
Comprehensive income						
Profit for the year	–	–	–	–	21,318	21,318
Total comprehensive income	–	–	–	–	21,318	21,318
Transactions with owners						
Dividends for the year ended 31 December 2022 (Note 12)	(23,024)	–	–	–	–	(23,024)
Appropriation to other reserve	–	–	–	2,923	(2,923)	–
	(23,024)	–	–	2,923	(2,923)	(23,024)
At 31 December 2023	303,829	15,193	(148,670)	6,174	270,908	447,434

26 Share capital and reserves *(Continued)*

(b) Reserves *(Continued)*

	Share premium (Note (i)) RMB'000	Statutory reserve (Note (ii)) RMB'000	Capital reserve (Note (iii)) RMB'000	Other reserve (Note (iv)) RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2024	303,829	15,193	(148,670)	6,174	270,908	447,434
Comprehensive loss						
Loss for the year	–	–	–	–	(12,501)	(12,501)
Total comprehensive loss	–	–	–	–	(12,501)	(12,501)
Transactions with owners						
Appropriation to other reserve	–	–	–	(632)	632	–
	–	–	–	(632)	632	–
At 31 December 2024	303,829	15,193	(148,670)	5,542	259,039	434,933

Notes:

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

(ii) In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

(iii) Capital reserve represents the combined share capital of the subsidiaries comprising the Group before the completion of the reorganisation on 30 December 2020, and contributed surplus after the completion such reorganisation.

(iv) Pursuant to the relevant PRC regulations, the Group is required to transfer safety fund at fixed rates based on the production volume, to a specific reserve account. The fund could be utilised when expenses or capital expenditures on safety measures are incurred. The amount of safety fund utilised would be transferred from the specific reserve account to retained earnings.

27 Related party transactions

(a) Balances with related parties

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

The directors are of the view that the following individuals were related parties that had transactions or balances with the Group during the years ended 31 December 2024 and 2023:

Name	Relationship with the Group
Mr. Zhao Liang	Shareholder and executive director
Mr. Zhao Changshan	Former shareholder and close family member of Mr. Zhao Liang
Mr. Zhao Changhai	Close family member of Mr. Zhao Liang
Ms. Zhang Yuqin	Close family member of Mr. Zhao Liang
Ms. Sun Yao	Close family member of Mr. Zhao Liang
Shandong Ruisheng	Subsidiary of the Company (formerly as associate up to February 2024)

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-trade balances		
Loans to an associate (Note)	–	22,598
Interest receivable from loans to an associate (Note 20)	–	748

Note:

Loans to an associate with principal of RMB31,140,000 was made, which are interest-bearing at 5.0% per annum, secured by all land certificates that will be owned by the associate subject to the completion of land acquisition by May 2024, and repayable between March and July 2026. During the year ended 31 December 2023, RMB8,000,000 of the loan principal has been capitalised as Yixiang New Energy's investment in Shandong Ruisheng (Note 29(b)).

As at 31 December 2023, provision for impairment of RMB542,000 on loans to an associate was recognised in the consolidated statement of financial position.

27 Related party transactions *(Continued)*

(b) Transactions with related parties

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Employee benefit expenses received as employees of the Group (Note)		
Mr. Zhao Changshan	**690**	720
Mr. Zhao Changhai	**163**	175
Ms. Zhang Yuqin	**690**	720
Ms. Sun Yao	**725**	756
Interest income from loans to an associate		
Shandong Ruisheng (Note 9)	**–**	748

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

(c) Key management personnel compensation

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

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Wages, salaries, bonuses and allowances	**4,185**	4,583
Pension costs — defined contribution plans	**33**	32
	4,218	4,615

28 Notes to the consolidated statement of cash flows

(a) Reconciliation of (loss)/profit before income tax to cash generated from operations:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cash flows from operating activities		
(Loss)/profit before income tax	**(13,503)**	24,074
Adjustments for:		
Depreciation of property, plant and equipment	**17,373**	17,909
Depreciation of right-of-use assets	**2,834**	1,947
Amortisation of mining rights	**1,304**	1,304
Amortisation of other intangible assets	**53**	51
Gains on disposal of property, plant and equipment	**(217)**	(167)
Exchange gains	**(180)**	(1,886)
Provision for impairment of financial assets	**1,073**	3,389
Provision for impairment of inventories	**692**	1,696
Provision for impairment of property, plant and equipment	**–**	701
Share of losses of an associate	**49**	464
Fair value (gain)/loss of financial assets at fair value through profit or loss	**(102)**	310
Finance costs	**4,501**	1,656
Finance income	**(431)**	(2,582)
Operating profit before working capital changes	**13,446**	48,866
Changes in working capital		
Trade and bills receivables	**44,932**	5,030
Deposits, prepayments and other receivables	**(1,979)**	748
Inventories	**7,655**	(19,366)
Trade payables	**(8,060)**	2,751
Accruals and other payables	**(2,012)**	(261)
Contract liabilities	**724**	(1,183)
Deferred income	**(257)**	1,936
Net cash generated from operations	**54,449**	38,521

28 Notes to the consolidated statement of cash flows *(Continued)*

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Net book amount	**187**	159
Gains on disposal of property, plant and equipment	**217**	167
Proceeds from disposal of property, plant and equipment	**404**	326

(c) The reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	**Leases liabilities** RMB'000	**Total** RMB'000
At 1 January 2023	10,000	1,432	11,432
Proceeds from bank borrowings	56,428	–	56,428
Repayments of principal elements of lease liabilities	–	(934)	(934)
Interest paid	(1,510)	(19)	(1,529)
Non-cash items			
Interest expense	1,510	19	1,529
Exchange difference	–	11	11
At 31 December 2023 and 1 January 2024	**66,428**	**509**	**66,937**
Proceeds from bank borrowings	**140,500**	**–**	**140,500**
Repayment of bank borrowings	**(126,928)**	**–**	**(126,928)**
Repayments of principal elements of lease liabilities	**–**	**(882)**	**(882)**
Interest paid	**(3,252)**	**(24)**	**(3,276)**
Non-cash items			
Addition of lease liabilities	**–**	**1,584**	**1,584**
Interest expense	**3,252**	**24**	**3,276**
Exchange difference	**–**	**12**	**12**
At 31 December 2024	**80,000**	**1,223**	**81,223**

Major non-cash transaction:

During the year ended 31 December 2023, RMB8,000,000 of the loans to an associate was capitalised as investment cost in the associate.

During the year ended 31 December 2024, major non-cash transaction arose from the acquisition of a subsidiary (Note 29(b)).

29 Subsidiaries

(a) Principal subsidiaries

The following is a list of principal subsidiaries as at 31 December 2024 and 2023:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid up/ registered capital	Ownership interest held by the Group	
				2024	2023
Directly held:					
Noah Energy Limited	The British Virgin Islands, limited liability	Investment holding in Hong Kong	US$50,000 (50,000 ordinary shares)	**100%**	100%
Indirectly held:					
China Graphite Holdings Group (HK) Limited	Hong Kong, limited liability	Investment holding in Hong Kong	HK$10,000 (10,000 ordinary shares)	**100%**	100%
Beijing Yixiang Olefinic Carbon Technology Co., Ltd.*	The PRC, limited liability	Investment holding in the PRC	Registered capital of RMB10,000,000	**100%**	100%
Heilongjiang Baoquanling Agricultural Reclamation Yixiang Graphite Co., Ltd.*	The PRC, limited liability	Manufacturing and sale of graphite products in the PRC	Registered capital of RMB5,263,158	**100%**	100%
Heilongjiang Baoquanling Agricultural Reclamation Yixiang New Energy Materials Co., Ltd.*	The PRC, limited liability	Manufacturing and sale of graphite products in the PRC	Registered capital of RMB5,263,158	**100%**	100%
Shandong Ruisheng Carbon Material Technology Co., Limited*	The PRC, limited liability	The associate will be engaged in the manufacturing and trading of electronic materials, graphite and carbon products	Registered capital of RMB8,000,000	**100%**	40%

* English translation is for identification purpose only. The English names of the group companies incorporated in the PRC represent the best effort by the management of the Group in translating its Chinese name as they do not have official English names.

29 Subsidiaries *(Continued)*

(b) Acquisition of a subsidiary

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

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Equipment (Note 13)	40
Prepayment of land (Note 14)	31,740
Cash and cash equivalents	335
Amounts due to the Group	(24,628)
Net assets acquired	7,487

As a result of the acquisition, RMB7,487,000 of investment in an associate (Note 16) has been derecognised in exchange for the addition of equipment, prepayment of land and cash and cash equivalents.

30 Commitments

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

31 Contingencies

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

32 Subsequent events

Save as disclosed above and elsewhere in the consolidated financial statements, there are no other events subsequent to 31 December 2024 for which HKFRSs require adjustment or disclosure in these consolidated financial statements.

33 Statement of financial position and reserve movement of the Company

(a) Statement of financial position of the Company

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Assets		
Non-current assets		
Right-of-use assets	**473**	168
Investment in a subsidiary	**159,038**	159,038
Deposit	**97**	–
	159,608	159,206
Current assets		
Deposit	**–**	94
Amounts due from subsidiaries	**111,518**	111,355
Short-term bank deposit	**–**	–
Cash and cash equivalents	**2,365**	9,067
	113,883	120,516
Total assets	**273,491**	279,722
Equity		
Equity attributable to owners of the Company		
Share capital	**1,375**	1,375
Share premium (Note (b))	**303,829**	303,829
Other reserves (Note (b))	**(41,001)**	(35,903)
Total equity	**264,203**	269,301
Liabilities		
Non-current liability		
Lease liabilities	**182**	–
Current liabilities		
Accrued expenses	**649**	2,085
Amounts due to subsidiaries	**8,161**	8,161
Lease liabilities	**296**	175
	9,106	10,421
Total liabilities	**9,288**	10,421
Total equity and liabilities	**273,491**	279,722

33 Statement of financial position and reserve movement of the Company *(Continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2023	326,853	(29,709)	297,144
Comprehensive loss			
Loss for the year	–	(6,194)	(6,194)
Total comprehensive loss	–	(6,194)	(6,194)
Transactions with owners			
Dividends for the year ended 31 December 2022 (Note 12)	(23,024)	–	(23,024)
	(23,024)	–	(23,024)
Balance at 31 December 2023	303,829	(35,903)	267,926
Balance at 1 January 2024	303,829	(35,903)	267,926
Comprehensive loss			
Loss for the year	–	(5,098)	(5,098)
Total comprehensive loss	–	(5,098)	(5,098)
Balance at 31 December 2024	303,829	(41,001)	262,828

34 Summary of other potentially material accounting policies

34.1 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

34 Summary of other potentially material accounting policies *(Continued)*

34.1 Principles of consolidation and equity accounting *(Continued)*

(ii) Associate

Associate is all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

34.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

34 Summary of other potentially material accounting policies *(Continued)*

34.2 Business combinations *(Continued)*

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

34 Summary of other potentially material accounting policies *(Continued)*

34.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

34.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company that make strategic decisions.

34.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other income and other gains/(losses), net.

34 Summary of other potentially material accounting policies *(Continued)*

34.5 Foreign currency translation *(Continued)*

(b) Transactions and balances *(Continued)*

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for- sale financial assets are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

34 Summary of other potentially material accounting policies *(Continued)*

34.5 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owner of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

34.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("**CIP**"), are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

34.7 Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses and are amortised using the straight-line method over the expected useful life of respective intangible asset ranged from 2 to 20 years.

34 Summary of other potentially material accounting policies *(Continued)*

34.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

34.9 Financial assets

(a) Classification

The Group classifies its financial assets as those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss) and at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

34 Summary of other potentially material accounting policies *(Continued)*

34.9 Financial assets *(Continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other income and other gains/(losses), net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses) net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net and impairment expenses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss ("**FVPL**"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

34 Summary of other potentially material accounting policies *(Continued)*

34.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future assets and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

34.11 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

34.12 Other receivables

Other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

34.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

34.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

34.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

34 Summary of other potentially material accounting policies *(Continued)*

34.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

34 Summary of other potentially material accounting policies *(Continued)*

34.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Offsetting
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

34 Summary of other potentially material accounting policies *(Continued)*

34.18 Employee benefits

(a) Short-term obligations

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled within twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the consolidated statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Post-employment obligations

The Group operates various pension schemes.

The Group participates in a mandatory provident fund scheme and another defined contribution plan for its staff in Hong Kong. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group also participated in a central pension scheme operated by the local municipal government in Mainland China. Contributions are made by the Group on a monthly basis to the retirement plan based on a percentage of the relevant income of the relevant employees. The Group has no further obligations for the actual payment of pensions beyond its contributions.

Contributions made are recognised as employee benefits expenses when they are due and are not reduced by contribution forfeited by those relevant employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plan

The Group recognises a liability and an expense for bonuses, based on performance and takes into consideration the profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

34 Summary of other potentially material accounting policies *(Continued)*

34.18 Employee benefits *(Continued)*

(d) Share-based payments

Share-based compensation benefits are provided to employees and non-executive director via the share option scheme. The fair value of options granted under the share option scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (e.g. the entity's share price)

— excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

— including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

34.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

34 Summary of other potentially material accounting policies *(Continued)*

34.20 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Contracts may contain both lease and non-lease components.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable;

— variable lease payments that are based on an index or a rate;

— amounts expected to be payable by the lessee under residual value guarantees;

— the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

— payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

34 Summary of other potentially material accounting policies *(Continued)*

34.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

34.22 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

34.23 Research and development expenses

Costs associated with the enhancement of production process are recognised as an expense as incurred. Only development costs that are directly attributable to the design and testing of identifiable and unique production process controlled by the Group are recognised as intangible assets where the capitalisation criteria stated under HKAS 38 are met.

Research expenditure and development expenditure that do not meet the capitalisation criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

34.24 Related parties

For the purpose of these consolidated financial statements, related party includes a person and entity as defined below:

(1) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control of the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

34 Summary of other potentially material accounting policies *(Continued)*

34.24 Related parties *(Continued)*

(2) An entity is related to the company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the Company.

(vi) the entity is controlled or jointly controlled by a person identified in (1).

(vii) a person identified in (l)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

34.25 Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

34.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

FINANCIAL SUMMARY

Consolidated Results

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**142,371**	201,994	273,595	198,365	168,749
Gross Profit	**41,576**	73,660	135,897	93,043	83,247
(Loss)/profit before income tax	**(13,503)**	24,074	93,948	60,839	48,445
Income tax credit/(expense)	**1,002**	(2,756)	(14,966)	(7,514)	(10,586)
(Loss)/profit for the year	**(12,501)**	21,318	78,982	53,325	37,859

Consolidated Assets and Liabilities

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Total non-current assets	**351,442**	232,635	171,785	125,090	107,563
Total current assets	**210,950**	342,990	358,964	208,986	201,428
Total assets	**562,392**	575,625	530,749	334,076	308,991
Liabilities					
Total non-current liabilities	**5,261**	8,926	3,961	4,648	4,752
Total current liabilities	**120,823**	117,890	76,273	127,430	155,566
Total liabilities	**126,084**	126,816	80,234	132,078	160,318
Net assets	**436,308**	448,809	450,515	201,998	148,673
Equity	**436,308**	448,809	450,515	201,998	148,673

Table 1, JORC Code (2012), Ore Reserve estimation

Criteria	JORC Code explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	• Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. • Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.	• The graphite Ore Reserves estimate was based on the Mineral Resource model developed by the SRK team as at December 2024 and excluded Inferred Mineral Resources. • The marble Ore Reserves estimate was based on the Mineral Resource model developed by the SRK team as at December 2024. • Mineral Resources are inclusive of potential Ore Reserves.
Site visits	• Comment on any site visits undertaken by the Competent Person and the outcome of those visits. • If no site visits have been undertaken indicate why this is the case.	• SRK consultants visited the site in April 2024.
Study status	• The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves. • The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.	• Two studies had been completed for Beishan graphite mine by third parties: 1). Feasibility Study Report on Beishan Graphite Mine as 500ktpa Ore Mining Capacity, compiled by Suzhou Sinoma Design and Research Institute of Non-metallic Minerals Industry Co., Ltd. dated December 2017 (2017 FS) and 2). Preliminary Engineering Design for Beishan Graphite Mine at 500ktpa Ore Mining Capacity, compiled by Heilongjiang Province Metallurgical Design and Planning Institute, dated January 2019 and modified slightly in December the same year (2019 FS). • The level of both studies is considered by SRK to be similar to a pre-feasibility study (PFS) which allows for a Ore Reserve estimate. • Operational statistics including operating costs, sale prices and processing recovery rates from 2021 to 2024 were provided to SRK. • The key inputs of the optimisation is based on the latest operation data.

Criteria	JORC Code explanation	Commentary
Cut-off parameters	• The basis of the cut-off grade(s) or quality parameters applied.	• The marginal cut-off grade (MCOG) is applied for graphite feed ore, within the pit design, to define ore and waste. • The MCOG is estimated as 7.2% TGC. • Considering the actual operating costs between 2021 and 2024, the total cost of non-mining is RMB180.2/t ore. • The processing recovery of graphite is assumed to be 88.1%, which is an average of recovery rates achieved between 2021 and 2024. • The product of the mine is considered as graphite concentrate with 95% TGC, with an average sale price of RMB2,565/t excluding value added tax (VAT). • The by-product of marble material is credited during MCOG estimates, but the
Mining factors or assumptions	• The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design). • The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc. • The assumptions made regarding geotechnical parameters (e.g. pit slopes, stope sizes, etc.), grade control and pre-production drilling. • The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate). • The mining dilution factors used.	• Conventional open pit mining method is employed, including drilling, blasting, loading and haulage. • Conversion of Mineral Resources to Ore Reserves is based on pit optimisation which considers Measured and Indicated Mineral Resources only. • The main inputs for pit optimisation are similar to the MCOG estimate, which are derived from the actual operational records: – Mining cost is RMB7.3 per tonne of material moved; – Processing cost is RMB148/t per tonne of feed ore; – General and administration cost is RMB19.1 per tonne of ore; – Transportation cost is RMB13.1 per tonne of ore; – Graphite concentrate (95% TGC) sale price is RMB/t 2,565 (VAT exclusive);

Criteria	JORC Code explanation	Commentary
	• The mining recovery factors used. • Any minimum mining widths used. • The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion. • The infrastructure requirements of the selected mining methods.	– Marble sale price is RMB/t 6 (VAT exclusive); – Marble recovery rate (utilisation ratio) is 97%; – Mining dilution is 10%; and – Mining loss rate is 5%. • The developed pit design is based on the optimisation shell with the revenue factor of 1.0: – Bench height is 15 m; – Bench face angle is 65°; – Catch berm is 8 m wide; – The ramp is 13 m wide for dual-lane; – The road gradient is 10%; and – The overall stope is approximately 43°. • The LoM plan is developed based on the parameters and mining sequence proposed in the 2019 FS. This is imposed upon SRK's Mineral Resource estimate and open pit design, and the annual production target of 0.5Mtpa by China Graphite.

Criteria	JORC Code explanation	Commentary
Metallurgical factors or assumptions	• The metallurgical process proposed and the appropriateness of that process to the style of mineralisation. • Whether the metallurgical process is well-tested technology or novel in nature. • The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied. • Any assumptions or allowances made for deleterious elements. • The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole. • For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications.	• Graphite ore is crushed and grinded prior to being processed by flotation at the beneficiation plant, which involves a single-stage rougher, single-stage scavenger, 10- stage regrinding on primary (rougher) concentrate followed by 11-stage cleaning and collective middlings recycling. The product is a flake graphite concentrate with grades ranges between 94% and 95% TGC. The actual graphite recovery reached between 2021 and 2024 was approximately 88.1%. • The processing plant uses the flake graphite concentrate as raw material, upgrading the flake graphite concentrate through a flowsheet of 'pulverising-rounding- classifying-purifying-drying-iron removal', producing spherical graphite and the by- products, micro graphite powder and high-purity graphite powder. • The beneficiation and spherical graphite plants are existing operations that commenced in 2006 and 2013, respectively. The processing flowsheets applied are considered appropriate. • Additional testwork was conducted by Suzhou Sinoma Design and Research Institute of Non-metallic Minerals Industry Co., Ltd. in 2016. • The metallurgical samples taken for the testwork in 2016 are considered representative.
Environmental	• The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.	• The Project has been covered by Environmental Impact Assessments and granted Environmental, Social, Health and Safety approvals.

Criteria	JORC Code explanation	Commentary
Infrastructure	• The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.	• The mining operation does not require a significant supply of fresh water. Water is only used for watering the roads and mining benches. The water is sourced from a tributary of Yadan River. • A 10 kV/0.4 kV substation is located on the mine site and is connected to the national electricity grid. • The beneficiation and spherical graphite processing plants are connected with a well- maintained road system. Access to the Project area from Luobei, the closet town, is through a series of paved roads via the village of Yanjun Farm.
Costs	• The derivation of, or assumptions made, regarding projected capital costs in the study. • The methodology used to estimate operating costs. • Allowances made for the content of deleterious elements. • The source of exchange rates used in the study. • Derivation of transportation charges. • The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc. • The allowances made for royalties payable, both Government and private.	• The capital cost forecast was provided by China Graphite and reviewed by SRK as being reasonable. • The operating cost forecast was based on historical operating costs and reviewed by SRK as being reasonable. • The marble ore is sold at the mine gate, whereas other products are sold at delivered price (transportation cost is borne by China Graphite). • All non-income taxes have been factored in the cost estimate.
Revenue factors	• The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc. • The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.	• Revenue forecast were based on sales of marble, flake graphite concentrate, spherical graphite and micro graphite powder and high- purity graphite by-products. • Sales contracts of previous years were reviewed, and similar terms have been negotiated. The forecast assumes similar conditions will continue. • All products are contracted for delivered prices, whereas the marble is contracted as ex-works price.

Criteria	JORC Code explanation	Commentary
Market assessment	• The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. • A customer and competitor analysis along with the identification of likely market windows for the product. • Price and volume forecasts and the basis for these forecasts. • For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.	• The products selling price forecast was based on the Company's forecast, and the existing and historical sales contracts with customers provided by China Graphite. • Sales volume has been forecast to be similar tonnages to recent forecast. • Specifications based on current contracts and previous records. The major flake graphite concentrate products are -193, -194, -195 and -196, indicating the mesh size of these products is below 100 mesh and grades are between 93% and 96% TGC.
Economic	• The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc. • NPV ranges and sensitivity to variations in the significant assumptions and inputs.	• The capital and operating cost forecasts were provided by China Graphite and reviewed by SRK as being reasonable. • The product selling prices are based on forecast made by the Company, substantiated by historical sales prices. • An economic viability shows that after tax (25% corporate income tax) NPV over the LoM at a discount rate of 10% returned a positive NPV as at 31 December 2024. The positive NPV suggests the Ore Reserve defined is economically viable.
Social	• The status of agreements with key stakeholders and matters leading to social licence to operate.	• The land surrounding the Project area generally comprises forest and farmland. • The Environmental Impact Assessments for the Project provided public participation survey for the Mine site and processing plant construction. The survey results showed 100% support for the Project's construction. The EIA reports also state the local residents believe the Project will improve the development of local economy. The local residents did raise water, air and noise pollution as the key environmental concerns for the Project's development.

Criteria	JORC Code explanation	Commentary
Other	• To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves: • Any identified material naturally occurring risks. • The status of material legal agreements and marketing arrangements. • The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.	• The Project has been operating successfully. • No material risk has been identified.
Classification	• The basis for the classification of the Ore Reserves into varying confidence categories. • Whether the result appropriately reflects the Competent Person's view of the deposit. • The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).	• The Probable Ore Reserves was based on estimated Indicated Mineral Resource, while the Proven Ore Reserve was based on the estimated Measured Mineral Resource. • The classification of Ore Reserves appropriately reflects the Competent Person's view of the deposit.
Audits or reviews	• The results of any audits or reviews of Ore Reserve estimates.	• No external audits of the Ore Reserve have been undertaken. SRK has completed an internal audit review as part of the Ore Reserve derivation process.

Criteria	JORC Code explanation	Commentary
Discussion of relative accuracy/ confidence	• Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. • The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. • Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage. • It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	• All mining estimates are based on current operation conditions, or the FS. • There are no unforeseen Modifying Factors at the time of this Report that will have material impact on the Ore Reserve estimate.

Notes: FS — feasibility study; LoM — life of mine; NPV — net present value.