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## ELATE HOLDINGS LIMITED

### 誼礫控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 076)

## ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the “Board”) of Elate Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 together with the comparative figures in 2019 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
Revenue	3	<b>94,713</b>	93,659
Cost of sales		<b>(80,063)</b>	(86,513)
Gross profit		<b>14,650</b>	7,146
Other income		<b>4,690</b>	3,437
General and administrative expenses		<b>(12,640)</b>	(17,632)
Impairment loss on financial assets, net	4	<b>(2,383)</b>	(1,604)
Fair value (loss)/gain on financial assets at fair value through profit or loss		<b>(72)</b>	6
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>	4	<b>4,245</b>	(8,647)
Finance costs		<b>(58)</b>	(42)
Loss on disposal of subsidiaries, net	14	<b>(563)</b>	–
Share of losses in a joint venture, net of tax		<b>–</b>	–
<b>PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE</b>		<b>3,624</b>	(8,689)
Income tax expense	5	<b>(650)</b>	(645)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>2,974</b>	(9,334)

	<i>Note</i>	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>2,974</b>	(9,334)
Non-controlling interests		<u>—</u>	<u>—</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b><u>2,974</u></b>	<b><u>(9,334)</u></b>
<b>Earnings/(loss) per share</b>			
Basic	<i>6</i>	<i>US cents</i> <b><u>0.05</u></b>	<i>US cents</i> <b><u>(0.17)</u></b>
Diluted		<b><u>0.05</u></b>	<b><u>(0.17)</u></b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Note</i>	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>Profit/(loss) for the year</b>		<u>2,974</u>	<u>(9,334)</u>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations		2,023	2,421
Reclassification upon disposal of subsidiaries	14	593	–
<b>Item that will not be reclassified to profit or loss:</b>			
Gain on revaluation of land and buildings		<u>–</u>	<u>295</u>
Other comprehensive income for the year		<u>2,616</u>	<u>2,716</u>
<b>Total comprehensive income for the year</b>		<u><b>5,590</b></u>	<u><b>(6,618)</b></u>
<b>Attributable to:</b>			
Owners of the Company		5,590	(6,618)
Non-controlling interests		<u>–</u>	<u>–</u>
<b>Total comprehensive income for the year</b>		<u><b>5,590</b></u>	<u><b>(6,618)</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>27,093</b>	26,956
Investment properties		<b>8,565</b>	8,798
Right-of-use assets		<b>1,076</b>	3,634
Intangible assets		<b>416</b>	1,268
Interest in a joint venture		<b>1,992</b>	–
Deferred tax assets		<b>–</b>	202
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>39,142</b>	40,858
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>314,981</b>	316,487
Trade receivables	<i>8</i>	<b>20,783</b>	12,445
Other receivables, deposits and prepayments	<i>9</i>	<b>2,624</b>	12,033
Amount due from a joint venture		<b>–</b>	684
Financial assets at fair value through profit or loss		<b>164</b>	236
Cash and bank balances		<b>21,373</b>	11,518
		<hr/>	<hr/>
		<b>359,925</b>	353,403
		<hr/>	<hr/>
Assets of a disposal group classified as held-for-sale		<b>–</b>	18,079
		<hr/>	<hr/>
<b>Total current assets</b>		<b>359,925</b>	371,482
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	<i>10</i>	<b>7,232</b>	7,815
Other payables and accruals	<i>11</i>	<b>7,626</b>	12,920
Contract liabilities		<b>90</b>	3,508
Lease liabilities		<b>429</b>	384
Tax payable		<b>428</b>	249
		<hr/>	<hr/>
		<b>15,805</b>	24,876
		<hr/>	<hr/>
Liabilities of a disposal group classified as held-for-sale		<b>–</b>	17,300
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>15,805</b>	42,176
		<hr/>	<hr/>

	<i>Note</i>	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>Net current assets</b>		<u>344,120</u>	<u>329,306</u>
<b>Total assets less current liabilities</b>		<u>383,262</u>	<u>370,164</u>
<b>Non-current liabilities</b>			
Lease liabilities		507	725
Deferred tax liabilities		<u>330</u>	<u>62</u>
<b>Total non-current liabilities</b>		<u>837</u>	<u>787</u>
<b>NET ASSETS</b>		<u><b>382,425</b></u>	<u><b>369,377</b></u>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	<i>13</i>	607,060	599,596
Reserves		<u>(224,635)</u>	<u>(230,225)</u>
Total equity attributable to owners of the Company		382,425	369,371
<b>Non-controlling interests</b>		<u>–</u>	<u>6</u>
<b>TOTAL EQUITY</b>		<u><b>382,425</b></u>	<u><b>369,377</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation and adoption of new or revised Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis in the preparation of the consolidated financial statements is historical cost, except for the measurement of land and buildings, and certain financial instruments, which are measured at revalued amount or fair values.

Except as describe below, the consolidated financial statements have been prepared in accordance with the same accounting policies and the method of the computation adopted by the Group in the consolidated financial statements for the year ended 31 December 2019.

#### **Adoption of new or revised HKFRSs – effective 1 January 2020**

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 16, Covid-19-Related Rent Concessions (early adopted)
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions. Impact on the applications of these amended HKFRSs are summarised below.

#### ***Amendments to HKFRS 3, Definition of a Business***

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

#### ***Amendment to HKFRS 16, Covid-19-Related Rent Concessions (early adopted)***

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

#### ***Amendments to HKAS 1 and HKAS 8, Definition of Material***

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendments did not have any significant impact on the financial position and performance of the Group.

#### ***Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform***

Amendments to HKAS 39, HKFRS 7 and HKFRS 9 address the effects of interbank offered rate reform on issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

### 3. Revenue and segment information

Revenue mainly represents revenue from manufacture and sales of graphite products and manufacture and sales of electronic products.

During the year, the chief operating decision-makers consider that the Group's trading securities operation did not constitute a business segment as at 31 December 2020 and for the year then ended for the purpose of segment reporting. Accordingly, the segment information below for the prior year is represented to conform the year then ended presentation.

An analysis of the Group's revenue and results for the year by operating segments is as follows:

#### For the year ended 31 December 2020

	Manufacture and sales of graphite products <i>US\$'000</i>	Manufacture and sales of electronic products <i>US\$'000</i>	Film production <i>US\$'000</i>	Design and manufacturing <i>US\$'000</i>	Total <i>US\$'000</i>
Revenue from external customers	10,913	83,088	-	712	94,713
Segment results	(1,249)	7,542	(754)	6	5,545
Unallocated income:					
Interest from amount due from a joint venture					123
Unallocated expenses:					
Unallocated depreciation					(269)
Impairment of amount due from a joint venture					(713)
Staff costs					(144)
Corporate overhead					(297)
Profit from operating activities					4,245
Finance costs					(58)
Loss on disposal of subsidiaries, net					(563)
Income tax expense					(650)
Profit for the year					2,974
Segment assets	337,409	31,390	-	735	369,534
Reconciliation of segment assets:					
Unallocated corporate assets					29,533
Total assets					399,067
Segment liabilities	(531)	(15,001)	-	(208)	(15,740)
Reconciliation of segment liabilities:					
Unallocated corporate liabilities					(902)
Total liabilities					(16,642)
Depreciation	1,843	1,308	-	9	3,160
Significant non-cash expenses	1,670	208	-	-	1,878
Capital expenditure additions	3,235	1,735	-	47	5,017



**For the year ended 31 December 2019**

	Manufacture and sales of graphite products <i>US\$'000</i>	Manufacture and sales of electronic products <i>US\$'000</i>	Film production <i>US\$'000</i>	Design and manufacturing <i>US\$'000</i>	Total <i>US\$'000</i>
Revenue from external customers	28,380	64,791	–	488	93,659
Segment results	(2,294)	3,279	(3,975)	(70)	(3,060)
Unallocated expense:					
Unallocated depreciation					(285)
Impairment of amount due from a joint venture					(684)
Staff costs					(201)
Corporate overhead					(4,417)
Loss from operating activities					(8,647)
Finance costs					(42)
Income tax expense					(645)
Loss for the year					(9,334)
Segment assets	346,971	29,559	769	361	377,660
Reconciliation of segment assets:					
Unallocated corporate assets					34,680
Total assets					412,340
Segment liabilities	(17,542)	(14,065)	–	(252)	(31,859)
Reconciliation of segment liabilities:					
Unallocated corporate liabilities					(11,104)
Total liabilities					(42,963)
Depreciation	1,499	1,143	–	3	2,645
Significant non-cash expenses	1,714	–	3,975	–	5,689
Capital expenditure additions	7,057	2,284	–	17	9,358

## Disaggregation of revenue from contracts with customers

	Revenue		Total assets		Capital expenditure	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
United Kingdom	83,800	65,279	58,096	49,133	1,782	2,301
America	–	–	–	985	–	–
Hong Kong	–	–	13,695	25,816	–	–
China	860	19,389	–	13,383	–	28
Macau	–	–	2,783	10,535	1	–
Madagascar	10,053	8,991	324,493	312,488	3,235	7,029
	<b>94,713</b>	<b>93,659</b>	<b>399,067</b>	<b>412,340</b>	<b>5,018</b>	<b>9,358</b>

## Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020 US\$'000	2019 US\$'000
Customer A	23,269	17,584
Customer B (note)	17,224	N/A
Customer C	13,905	14,095

Note: The customer contributed less than 10% of the Group's revenue for the year ended 31 December 2019.

	2020 US\$'000	2019 US\$'000
<b>Revenue from contracts with customers</b>		
Manufacture and sales of graphite products	10,913	28,380
Manufacture and sales of electronic products	83,088	64,791
Others	712	488
	<b>94,713</b>	<b>93,659</b>

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2020 US\$'000	2019 US\$'000
Trade receivables	20,783	12,445
Contract liabilities	90	3,508

#### 4. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	<b>2020</b>	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Depreciation:		
– owned property, plant and equipment and investment properties	<b>3,061</b>	2,358
– right-of-use assets included within:		
– leasehold land	<b>4</b>	36
– properties	<b>208</b>	226
– plant and machinery	<b>156</b>	310
Costs of inventories sold	<b>80,063</b>	86,513
Staff costs (including directors' remuneration)	<b>17,829</b>	13,746
Auditor's remuneration		
– audit fee	<b>463</b>	576
– other services	<b>10</b>	14
Impairment loss on inventories	<b>208</b>	161
Impairment loss/(reversal of impairment loss) on financial assets, net:		
– trade receivables	<b>1,680</b>	802
– other receivables	<b>(10)</b>	118
– amount due from a joint venture	<b>713</b>	684
Impairment loss on intangible assets	<b>–</b>	3,975
Loss on disposal of intangible assets	<b>754</b>	–
Loss on disposal of subsidiaries, net	<b>563</b>	–
Short-term lease expenses	<b>93</b>	51
Foreign exchange (gain)/loss, net	<b>(2,716)</b>	472

## 5. Income tax expense

Income tax expense in the consolidated statement of profit or loss represents:

	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
Hong Kong profits tax charge		
– Current	15	43
Overseas tax charge		
– Current	169	199
Deferred tax	<u>466</u>	<u>403</u>
Tax charge for the year	<u><u>650</u></u>	<u><u>645</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Deferred tax charge for the year represents deferred tax provided in the United Kingdom subsidiaries.

## 6. Earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share	<u>2,974</u>	<u>(9,334)</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	<u><u>6,422,982,500</u></u>	<u><u>5,422,588,600</u></u>

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

Diluted earnings/(loss) per share is of the same amount as the basic earnings per share as there was no potential dilutive ordinary shares outstanding as at 31 December 2020 and 2019.

## 7. Dividend

The directors of the Company have decided not to declare any dividend for the year ended 31 December 2020 (2019: Nil).

## 8. Trade receivables

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
0 – 30 days	<b>8,803</b>	6,885
31 – 60 days	<b>5,434</b>	4,020
61 – 90 days	<b>2,355</b>	1,438
Over 90 days	<b>4,191</b>	102
	<hr/> <b>20,783</b> <hr/>	<hr/> 12,445 <hr/>

## 9. Other receivables, deposits and prepayments

The analysis of the other receivables, deposits and prepayments is as follows:

	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
Purchase deposits	–	4,011
Other deposits and prepayments	<b>957</b>	294
Other receivables	<b>1,667</b>	7,728
	<hr/> <b>2,624</b> <hr/>	<hr/> 12,033 <hr/>

## 10. Trade payables

The ageing analysis of the trade payables is as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
0 – 30 days	4,815	3,593
31 – 60 days	1,720	2,475
61 – 90 days	605	1,279
Over 90 days	92	468
	<u>7,232</u>	<u>7,815</u>

## 11. Other payables and accruals

The analysis of other payables and accruals is as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Other payables	833	7,454
Accruals	5,515	3,579
Other tax payable	1,278	1,887
	<u>7,626</u>	<u>12,920</u>

## 12. Convertible debentures

During the year ended 31 December 2020, the Company issued convertible debentures in the aggregate principal amount, net of expenses, of approximately HK\$58,225,000 (equivalent to US\$7,464,000). Immediately following the issue of the convertible debentures, 1,021,500,000 shares of the Company were issued.

## 13. Share capital

	The Company			
	2020		2019	
	Number of ordinary shares	Amount <i>US\$'000</i>	Number of ordinary shares	Amount <i>US\$'000</i>
<b>Issued and fully paid:</b>				
At 1 January	5,985,131,478	599,596	4,982,709,078	590,430
Issue of shares upon conversion of the convertible debentures ( <i>note</i> )	<u>1,021,500,000</u>	<u>7,464</u>	<u>1,002,422,400</u>	<u>9,166</u>
At 31 December	<u>7,006,631,478</u>	<u>607,060</u>	<u>5,985,131,478</u>	<u>599,596</u>

*Note:* During the year ended 31 December 2020, 1,021,500,000 (2019: 1,002,422,400) ordinary shares were issued by exercising the convertible debentures for an aggregate principal amount, net of expenses, of approximately HK\$58,225,000 (equivalent to US\$7,464,000) (2019: approximately HK\$71,490,000 (equivalent to US\$9,166,000)).

## 14. Disposal of subsidiaries

- (i) During the year of 2019, the Company decided to strategically restructure the companies in the Group and to make it operate more effective. The directors of the Company resolved to dispose of the entire equity interest in Global Select Limited and its seven subsidiaries (the “GS Group”). The companies in the GS Group were wholly-owned subsidiaries of the Company. Some of them have been dormant for a period of time and others were previously involved in certain graphite business in Liaoning Province and Heilongjiang Province in China, which has little operations now. In this connection, the Board resolved to dispose of the entire equity interest of the GS Group and classified them as held-for-sale at 31 December 2019, as reported in the 2019 Annual Report of the Company.

On 23 April 2020, the Company and China Graphite Limited (the “Purchaser”) entered into an agreement, pursuant to which, the Purchaser agreed to acquire the entire share of the GS Group at a consideration of US\$120,000, which was determined after arm’s length negotiations between the Company and the Purchaser, with reference to the net asset value of the GS Group as at 31 March 2020. On 28 April 2020, the disposal of the GS Group was completed and a gain on disposal of subsidiaries of approximately US\$8,000 was recognised in profit or loss.

The net assets of the GS Group at the date of disposal were as follows:

	<i>US\$’000</i>
Property, plant and equipment	2,539
Right-of-use assets	2,390
Inventories	133
Trade receivables	3,716
Other receivables, deposits and prepayments	14,094
Cash and bank balances	107
Trade payables	(36)
Other payables and accruals	(107)
Contract liabilities	(5,424)
Tax payable	(17,300)
	<hr/>
Net assets disposed of	112
	<hr/> <hr/>
Cash consideration	120
Less: Net assets disposed of	(112)
	<hr/>
Gain on disposal	8
	<hr/> <hr/>

- (ii) During the year, the Company entered into another agreement with an independent third party, pursuant to which, to dispose of the entire shares of three inactive subsidiaries, namely Comp Hotel International Limited, Comp Property International Limited and South Sea Properties (Global) Ltd. at an aggregate consideration of US\$3. In addition, the Company also dissolved certain inactive subsidiaries in the United States of America and Hong Kong.

The net liabilities of these inactive subsidiaries at the respective date of disposal were as follows:

	<i>US\$'000</i>
Other payables and accruals	(16)
Net liabilities disposed of	<u>(16)</u>
Cash consideration	–
Less: Net liabilities disposed of	(16)
Non-controlling interests	(6)
Exchange reserves reclassified from other comprehensive income to profit or loss	<u>593</u>
Loss on disposal	<u>(571)</u>



## **MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*(In this announcement, all the “\$” refers to the legal currency of the United States of America, unless otherwise specified)*

For the year ended 31 December 2020, the turnover of the Group was approximately \$94.7 million, an increase of \$1.0 million, or 1.1%, as compared to \$93.7 million for the prior year. The net profit attributable to owners of the Company was approximately \$3.0 million, or \$0.05 cents earnings per share, as compared to net loss of \$9.3 million, or \$0.17 cent loss per share, for the year of 2019. On the balance sheets, at 31 December 2020 the total assets of the Group were approximately \$399.1 million, as compared to approximately \$412.3 million at 31 December 2019, and the net assets of the Group were approximately \$382.4 million at 31 December 2020, as compared to approximately \$369.4 million at 31 December 2019.

### **BUSINESS REVIEW**

The Group’s businesses primarily consist of (i) manufacture and sales of graphite products worldwide, (ii) manufacture and sales of electronic products in the United Kingdom, and (iii) development of multi-media production and movie making.

The Company has been engaged in the manufacture and sales of graphite products worldwide for more than a decade. The graphite business operations are considered as the Company’s main path for profit growth. The customers include steel mills, lithium battery companies, refractory material companies and users of graphite products in China and around the world.

The Company’s electronic manufacturing services are operated by its wholly-owned subsidiary Axiom Manufacturing Services Limited in the United Kingdom (“Axiom”). Axiom offers comprehensive contract manufacturing services, from design of electronic products to manufacturing, to the medical, national defense, transportation, aerospace, security, maritime and natural gas industries and other sectors. The electronic products of contract manufacturing and design are usually labeled with customers’ brand names. Axiom’s customers are mainly located in the UK.

The Company’s cultural and multi-media business operations include motion picture production, television and online programming, and introduction of valuable foreign movies to Mainland China, etc. The production of the Company’s first movie, “Pegasus”, a black-humor feature film with an anti-war and anti-nuclear weapons theme, was completed in 2018.

### **Recent Developments**

The Company has been engaged in graphite business for more than a decade. Graphite is widely used in aerospace, steel, automobile, electric vehicle, battery and lubricant industries. On the one hand, as a nonrenewable mineral resource, graphite deposits in the world are limited and diminishing. On the other hand, since Andre Geim and Konstantin Novoselov received their Nobel Prize in 2010 for their discovery of the unique properties of graphene, the demand for graphite as a strategic material has been increased. Fourteen materials including graphite and rare earth elements are viewed as key materials.

The Company considers the graphite business as its main development focus for profit growth. In 2017, the Company began to build its graphite production lines and a warehouse in Madagascar, Africa, where the Company holds a large amount of graphite ore inventory. The built graphite production lines started to produce graphite products in January 2018. Currently, the Company is in the process of building additional graphite production lines in Madagascar, Africa. Upon its completion, it is anticipated that the Company's graphite production will increase.

### **Disposal of Subsidiaries**

In order to strategically restructure its companies in the Group and to make it operate more effective, in April 2020, the Company disposed of the entire equity interest in Global Select Limited and its subsidiaries (the "GS Group"). The companies in the GS Group were wholly-owned subsidiaries of the Company. Some of them have been dormant for a period of time and others were previously involved in certain graphite business in Liaoning Province and Heilongjiang Province in China, which has little operations now. The consideration was US\$120,000, which was determined after arm's length negotiations between the Company and the Purchaser, with reference to the net asset value of the GS Group as at 31 March 2020. As at 31 March 2020, the unaudited consolidated net assets of the GS Group were approximately US\$111,900. The Board believed the consideration was fair and reasonable.

The disposal did not constitute a discontinued operation as it did not represent a separate major line of business or a geographical area of the Group, and would not have any significant impact on overall business operations of the Group. On one hand, the companies in the GS Group were either without businesses or whose business, if any, were transferred to other business entity of the Group; on the other hand, pursuant to the agreement, the purchaser shall purchase assets and assume, be responsible for and pay, perform and discharge when due to assume, any and all of the liabilities of the GS Group.

The sale proceeds of approximately US\$120,000 were used as general working capital of the Company. As a result of this disposal, the Group recorded a gain on disposal of approximately US\$8,100. Such gain was based on the consideration receivable from the disposal, i.e. US\$120,000, less approximately US\$111,900, being the unaudited net asset value of the GS Group as at 31 March 2020. Since the completion of the disposal, each of the subsidiaries of the GS Group was ceased as a subsidiary of the Company.

During the year, the Company also entered into another agreement with an independent third party, pursuant to which, to dispose of the entire shares of three inactive subsidiaries, namely Comp Hotel International Limited, Comp Property International Limited and South Sea Properties (Global) Ltd. at an aggregate consideration of US\$3. In addition, the Company also dissolved certain inactive subsidiaries in the United States of America and Hong Kong. As a result of this disposal, the Group record a loss on disposal of approximately US\$571,000.

### **Impact of Covid-19 Pandemic**

The global pandemic of Covid-19 has created significant disruption and uncertainty to the business operations throughout the world. The pandemic has resulted in government authorities and businesses around the world implementing numerous measures intended to contain and limit the spread of Covid-19, including travel restrictions, border closures, quarantines, shelter-in-place and lock-down orders, mask and social distancing requirements, and business limitations and shutdowns. These measures have negatively impacted consumer and business spending and payments activity generally, and have significantly contributed to deteriorating macroeconomic conditions.

The outbreak of Covid-19 has had a mixed-impact on our businesses during the financial year ended 31 December 2020. In response to the impact of the Covid-19 pandemic, some of our graphite product customers have curtailed or modified their business activities, which resulted in weakened customer demand for our products along with lower product prices. The spread of Covid-19 has also caused us to make modifications to our construction timeframe of graphite production lines in Madagascar. Nevertheless, our electronic manufacturing services business in the United Kingdom, Axiom, has seen overall growth during 2020, mainly due to its participation in the UK Government's Covid-19 Ventilator Challenge, which saw demand from an existing customer increase significantly during the middle of 2020. The positive financial results of our Axiom operations partially offset the negative impacts of Covid-19 on our graphite operation results for the financial year of 2020.

The extent of the impact of the Covid-19 pandemic on our business will depend largely on further developments, including the duration, spread and severity of the outbreak, the distribution, public acceptance and widespread use and effectiveness of vaccines against Covid-19 and the actions taken to contain the spread of the disease or mitigate its impact. We will continue to monitor this dynamic situation, including guidance and regulations issued by the governmental authorities around the world. In light of the continually evolving nature of the Covid-19 outbreak, we are not able at this time to estimate the ultimate effect of the pandemic on our business, results of operations or financial condition in the future.

## **RESULTS OF OPERATIONS**

For the year ended 31 December 2020, the outbreak of Covid-19 has had a mixed-impact on our results of operations. For the year, the Group's turnover was approximately \$94.7 million, an increase of \$1.0 million, or 1.1%, as compared to approximately \$93.7 million for the year of 2019.

Of which, the Group's turnover of graphite operations was approximately \$10.9 million, a decrease of 61.5%, as compared to approximately \$28.4 million in 2019. The decrease in sales of our graphite products was primarily due to the global outbreak of the Covid-19 pandemic and the disposal of the GS Group. In response to the impact of the Covid-19 pandemic, some of our graphite product customers have curtailed or modified their business activities, which resulted in a lower customer demand for our graphite products, as well as lower selling prices.

For the year ended 31 December 2020, the turnover of the Group's electronics manufacturing service operation was approximately \$83.1 million, representing an increase of \$18.3 million, or 28.2%, as compared to \$64.8 million for the prior year. The increase in electronics manufacturing service revenue was primarily due to an increase in its product sales, plus urgent demand for ventilators produced to support the UK government in its battle against the Covid-19 pandemic.

For the year ended 31 December 2020, the Company's cultural and multi-media operations generated no revenues. The production of the Company's first movie, "Pegasus", a black-humor feature film with an anti-war and anti-nuclear weapons theme, was completed in 2018. As the likelihood of receiving the government's approval for the film release was impossible in current circumstances, in December 2020, the Company sold all the film rights of the Pegasus for HK\$120,000 (equivalent to approximately US\$15,000), in which the Company recorded an loss on disposal of film right \$754,000 of the film rights in profit or loss for the year ended 31 December 2020.

## **OUTLOOK**

In the Covid-19 challenging and dynamic circumstances, from an operational perspective, our businesses, including our graphite operations and electronic manufacturing services, have remained open and currently we do not have any plans to close any of our business operations as a result of the Covid-19 pandemic. However, due to the Covid-19 pandemic, we have taken preventative measures during 2020 related to graphite market due to weakened customer demand. We will continue to work to protect our employees and the public, maintain business continuity and sustain our operations.

While we have seen some recovery recently in demand for graphite products, due to the speed with which the Covid-19 situation is developing and evolving and the uncertainty of its duration and the timing of recovery, we are not able at this time to predict the extent to which the Covid-19 pandemic may have a material effect on our graphite business, its financial positions, and results of operations.

As the Axiom business supplies electronics to many different market sectors, it has meant that the business has not been adversely impacted by the worldwide Covid-19 pandemic and has seen overall growth during 2020. While some sectors have seen an uplift others have slowed, with the main growth being seen in the medical sector which has resulted in turnover increasing by in excess of 20% due to its participation in the UK Government's Covid-19 Ventilator Challenge, which saw demand from an existing customer increase significantly during the middle of 2020. Axiom did however see some medium and smaller size customers request that the manufacture of product ordered in 2020 be delayed until 2021, the impact of this along with increased demand across a range of sectors from existing customers in 2021 will mean that Axiom will start 2021 with its strongest open order book to date. Management therefore are not expecting a significant downturn due to the ongoing Covid-19 pandemic, and believe the levels seen in 2020 will continue into 2021.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's operations are primarily funded by cash flows from its operations and from issuance of convertible debentures of the Company. At 31 December 2020, the Group's cash and cash equivalents were approximately \$21.4 million as compared to approximately \$11.5 million as at 31 December 2019. As at 31 December 2020, the Group recorded net current assets of approximately \$344.1 million (2019: \$329.3 million). The Group had no bank borrowings as at 31 December 2020. As at 31 December 2020, the Group's gearing ratio, calculated as the lease liabilities divided by the amount of total equity, was 0.2% (2019: 0.3%).

On 25 April 2018, the Company entered into a subscription agreement with China Minerals International Limited for an aggregate amount of HK\$600 million (net HK\$569 million after expenses) 0% interest convertible debentures due on 25 April 2028 for the purpose of building graphite production lines in Madagascar.

The Company began to use the proceeds in 2019. During the financial years ended 31 December 2019 and 2020, the Company used approximately HK\$73,494,000 (\$9,422,400). The detailed breakdown and description of the proceeds that were used in 2019 and 2020 financial years are as below:

Plant and Warehouse	HK\$21,796,600	\$2,794,700
Production lines	32,227,000	4,131,600
Pipeline, transport and loading tools	12,383,000	1,588,000
Wages	1,560,000	200,000
Others	5,527,400	708,100
	<u>HK\$73,494,000</u>	<u>\$9,422,400</u>
Total	<u>HK\$73,494,000</u>	<u>\$9,422,400</u>

Of which, HK\$29,604,000 were used in fiscal 2020 for the following matters:

Plant and Warehouse	HK\$9,006,600	\$1,154,700
Production lines	14,107,000	1,808,600
Wages	1,560,000	200,000
Others	4,930,400	632,100
	<u>HK\$29,604,000</u>	<u>\$3,795,400</u>
Total	<u>HK\$29,604,000</u>	<u>\$3,795,400</u>

The unutilized proceeds (approximately HK\$495,506,000) are planned to be used in 2021-2024. A detailed breakdown and description of the intended use of the unutilized proceeds are as below:

Plant and Warehouse	HK\$72,503,400	\$9,295,300
Production lines	194,153,000	24,891,400
Pipeline, transport and loading tools	131,820,000	16,900,000
Road building	31,200,000	4,000,000
Wages	33,540,000	4,300,000
Others	32,289,600	4,139,710
	<u>HK\$495,506,000</u>	<u>\$63,526,410</u>
Total	<u>HK\$495,506,000</u>	<u>\$63,526,410</u>

The outbreak of Covid-19 has significantly increased economic and demand uncertainty across the world. As disclosed above, during the financial year ended 31 December 2020, the Company has taken certain measures to help mitigate the effects of Covid-19, including modifying its construction timeframe of graphite production lines in Madagascar. As a result, the Company did not use up its production line construction funds in 2020 as previously planned. The Company will continue closely to monitor the economic impacts of the current global Covid-19 pandemic and other factors, and aim to remain flexible and to optimize and grow our business operations as appropriate. Except the modified timeframe due to the outbreak of Covid-19, there were no material changes in the use of proceeds from the Company's HK\$600 million 0% interest convertible debentures.

## **INDEBTEDNESS**

As at 31 December 2020:

- The Company did not have any bank borrowings or committed bank facilities;
- The Company did not have any borrowing from any related parties; and
- The Company did not have any bank overdrafts.

As at 31 December 2020 and up to the date of this announcement, there has been no material adverse change to the indebtedness of the Group.

## **CONTINGENT LIABILITIES**

As at 31 December 2020, the Group did not have any significant contingent liabilities.

## **COMMITMENTS**

As at 31 December 2020, there were no capital commitments to the Group related to the purchase of fixed assets (2019: Nil).

## **SIGNIFICANT INVESTMENTS HELD**

As at 31 December 2020, the Group has no significant investment held.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the year ended 31 December 2020, the Group had no material acquisitions or disposals of subsidiaries and associated companies, except that have been disclosed on the note 14 to the consolidated financial statements.

## **CAPITAL STRUCTURE**

There has been no change in capital structure of the Company in 2020. The capital of the Company comprises ordinary shares and other reserves.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had 322 (2019: 339) employees in the United Kingdom, China, Madagascar and Hong Kong. The Group believes that its relationship with its employees is satisfactory.

The remuneration policy of the Group employees is set by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The emoluments of the Directors of the Company are decided by the Remuneration Committee. No share option scheme is in operation.



## **FOREIGN EXCHANGE EXPOSURE**

The Group's principal operating subsidiaries earn revenues and incur costs in Hong Kong Dollars, US dollars, Chinese Renminbi and British pounds, respectively. For the year ended 31 December 2020, the Group did not enter into any foreign currency forward contracts or use any derivative contracts to hedge against the risk incurred from its currency exposure. The Group manages its currency risk by closely monitoring the movement of foreign currency rates and may consider hedging significant foreign currency exposure should the need arise.

## **DIVIDENDS**

The Directors have decided not to declare any dividend for the year ended 31 December 2020 (2019: Nil).

## **LEGAL PROCEEDINGS**

The Group is not aware of any pending or threatened legal proceeding that, if determined in a manner adverse to us, could have a material adverse effect on the business and operations of the Group.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the reporting period. The Group will closely monitor the development of the Covid-19 epidemic and assess its impact on its operations.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2020, except for three deviations as below:

### ***Code provision A.2.1: The roles of chairman and chief executive should be separate***

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive and Mr. Feng Zhong Yun currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Group to make and implement decisions promptly and effectively. After taking into account the overall circumstances of the Group, the Board will continue to review and consider the separation of the duties of the chairman and chief executive if and when appropriate.

### ***Code Provision A.4.1: Non-executive directors should be appointed for a specific term***

Under the code provision A.4.1 of the Code, non-executive Directors (including independent non-executive directors) shall be appointed for a specific term and subject to re-election. None of the Company's existing independent non-executive Directors was appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, the Company's Articles of Association stipulate that all independent non-executive directors shall retire and be re-elected at least once every three years, which is an adequate measure to ensure that the Company's corporate governance complies with the same level to that required under the Code on Governance Practices and Corporate Governance Code.

On 4 June 2020, Mr. Han Zhi Jun was re-elected as an independent non-executive director.

### ***Code Provision A.6.7: Independent non-executive directors and non-executive directors should attend general meeting***

Two independent non-executive directors, Mr. Chai Woon Chew and Mr. Han Zhi Jun, were not able to attend the annual general meeting of the Company held on 4 June 2020 in person due to other business engagements.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiries with all the Directors, the Company confirms that all the Directors have complied with the required standards as set out in the Model Code during the year ended 31 December 2020.

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

During the year ended 31 December 2020, neither the Company, nor any of its subsidiaries, purchased, sold, or redeemed any of the Company's securities.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES**

At 31 December 2020, none of the Directors and executive officers of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations that were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register referred to therein or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

## **DIRECTORS' INTERESTS IN CONTRACTS**

During the year ended 31 December 2020, none of the Company's Directors had a material interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party.

At no time during the period under the review was the Company or any of the Company's subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares, or debentures of, the Company or any other body corporate.



## **AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL INFORMATION**

The Audit Committee consists of the following independent non-executive directors: Mr. Ng Lai Po (Chairman), Mr. Chai Woon Chew and Ms. Ye Yi Fan (Mr. Han Zhi Jun resigned on 28 December 2020). The Audit Committee has adopted the terms of reference which are in line with Corporate Governance as set forth in Appendix 14 to the Listing Rules.

The Audit Committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters, including the review of the annual results of the Group for the year ended 31 December 2020.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December, 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained at all times during the year sufficient public float as prescribed by the Listing Rules.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

The annual report of the Company will be dispatched to its shareholders who elected to receive the printed version of the corporate communication of the Company and published on the Hong Kong Stock Exchanges and Clearing Limited's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.elate.hk>) in due course.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the board of directors is comprised of Mr. Feng Zhong Yun and Ms. Zhang Xue being executive directors, Mr. Chai Woon Chew, Mr. Ng Lai Po and Ms. Ye Yi Fan being independent non-executive directors.

On behalf of the Board of  
**Elate Holdings Limited**  
**Feng Zhong Yun**  
*Managing Director*

Hong Kong, 29 March, 2021