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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)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Board of Directors (the “Board”) of Elate Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended	
		30 June	30 June
		2021	2020
	<i>Notes</i>	Unaudited	Unaudited
		US\$'000	US\$'000
Revenue	3	54,324	45,157
Cost of sales		<u>(41,423)</u>	<u>(33,678)</u>
Gross profit		12,901	11,479
Other income		3,027	599
General and administrative expenses		(10,531)	(9,469)
Impairment loss on financial assets, net		(93)	–
Fair value gain on financial assets at fair value through profit or loss		<u>(1)</u>	<u>1</u>
PROFIT FROM OPERATING ACTIVITIES	4	5,303	2,610
Finance costs		<u>(8)</u>	<u>(16)</u>
PROFIT BEFORE INCOME TAX EXPENSE		5,295	2,594
Income tax expense	5	<u>(1,480)</u>	<u>(1,004)</u>
PROFIT FOR THE PERIOD AND PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>3,815</u>	<u>1,590</u>
		<i>US cents</i>	<i>US cents</i>
Earnings per share	7		
Basic		0.054	0.023
Diluted		<u>0.054</u>	<u>0.023</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended	
	30 June	30 June
	2021	2020
	Unaudited	Unaudited
	US\$'000	US\$'000
PROFIT FOR THE PERIOD	3,815	1,590
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>509</u>	<u>(3,126)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>4,324</u>	<u>(1,536)</u>
Attributable to:		
Owners of the Company	4,324	(1,536)
Non-controlling interests	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>4,324</u>	<u>(1,536)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	<i>Notes</i>	30 June 2021 Unaudited US\$'000	31 December 2020 Audited US\$'000
Non-current assets			
Property, plant and equipment	8	25,649	27,093
Investment properties		9,323	8,565
Right-of-use assets		977	1,076
Intangible assets		420	416
Interest in a joint venture		2,073	1,992
Total non-current assets		38,442	39,142
Current assets			
Inventories		315,950	314,981
Trade receivables	9	25,173	20,783
Other receivables, deposits and prepayments	10	875	2,624
Financial assets at fair value through profit or loss	11	163	164
Cash and bank balances		28,087	21,373
Total current assets		370,248	359,925
Current liabilities			
Trade payables	12	8,525	7,232
Other payables and accruals	13	9,298	7,626
Contract liabilities		378	90
Lease liabilities		374	429
Tax payable		2,831	428
Total current liabilities		21,406	15,805
Net current assets		348,842	344,120
Total assets less current liabilities		387,284	383,262
Non-current liabilities			
Leases liabilities		357	507
Deferred tax liabilities		178	330
Total non-current liabilities		535	837
NET ASSETS		386,749	382,425

		30 June 2021 Unaudited US\$'000	31 December 2020 Audited US\$'000
	<i>Note</i>		
Capital and reserves attributable to owners of the Company			
Share capital	<i>15</i>	607,060	607,060
Reserves		(220,311)	(224,635)
TOTAL EQUITY		<u>386,749</u>	<u>382,425</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)*For the six months ended 30 June 2021**(Expressed in US\$'000)*

	Attributable to owners of the Company					Non-	Total
	Share	Translation	Revaluation	Accumulated	Total	controlling	equity
	capital	reserve	reserve	losses		interests	
At 1 January 2021	<u>607,060</u>	<u>2,393</u>	<u>5,184</u>	<u>(232,212)</u>	<u>382,425</u>	<u>-</u>	<u>382,425</u>
Total comprehensive income for the period	<u>-</u>	<u>509</u>	<u>-</u>	<u>3,815</u>	<u>4,324</u>	<u>-</u>	<u>4,324</u>
At 30 June 2021	<u>607,060</u>	<u>2,902</u>	<u>5,184</u>	<u>(228,397)</u>	<u>386,749</u>	<u>-</u>	<u>386,749</u>
	Attributable to owners of the Company					Non-	Total
	Share	Translation	Revaluation	Accumulated	Total	controlling	equity
	capital	reserve	reserve	losses		interests	
At 1 January 2020	<u>599,596</u>	<u>(223)</u>	<u>5,184</u>	<u>(235,186)</u>	<u>369,371</u>	<u>6</u>	<u>369,377</u>
Total comprehensive income for the period	<u>-</u>	<u>(3,126)</u>	<u>-</u>	<u>1,590</u>	<u>(1,536)</u>	<u>-</u>	<u>(1,536)</u>
Issue of shares upon conversion of convertible debentures	<u>7,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,464</u>	<u>-</u>	<u>7,464</u>
At 30 June 2020	<u>607,060</u>	<u>(3,349)</u>	<u>5,184</u>	<u>(233,596)</u>	<u>375,299</u>	<u>6</u>	<u>375,305</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation

The condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The condensed consolidated financial statements for the six months ended 30 June 2021 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

2. Changes in Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

During the period ended 30 June 2021, the Group had no interest-bearing bank or other borrowings as at 30 June 2021, therefore no gain or loss has arisen as a result of applying the amendments to these changes.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (“COVID-19”) pandemic by 12 months.

Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

During the period ended 30 June 2021, the Group received no rent concession arising as a direct consequence of the COVID-19 pandemic, therefore no impact on financial information of the Group has arisen as a result of applying the amendments to these changes.

3. Revenue and segment information

Revenue represents revenue from manufacture and sales of graphite products, manufacture and sales of electronic products and design and manufacturing services.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment performance for the six months ended 30 June 2021 and 2020 is set out below:

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

For the six months ended 30 June 2021

(Expressed in US\$'000)

	Manufacture and sales of graphite products	Manufacture and sales of electronic products	Design and manufacturing services	Total
Revenue from external customers	<u>15,697</u>	<u>37,732</u>	<u>895</u>	<u>54,324</u>
Segment results	2,678	3,852	216	6,746
Unallocated income and expenses				<u>(1,443)</u>
Profit from operating activities				5,303
Finance costs				(8)
Income tax expense				<u>(1,480)</u>
Profit for the period				<u><u>3,815</u></u>

For the six months ended 30 June 2020 (represented)

(Expressed in US\$'000)

	Manufacture and sales of graphite products	Manufacture and sales of electronic products	Design and manufacturing services	Total
Revenue from external customers	<u>4,501</u>	<u>40,249</u>	<u>407</u>	<u>45,157</u>
Segment results	(1,446)	5,166	129	3,849
Unallocated income and expenses				<u>(1,239)</u>
Profit from operating activities				2,610
Finance costs				(16)
Income tax expense				<u>(1,004)</u>
Profit for the period				<u><u>1,590</u></u>

4. Profit from operating activities

Profit from operating activities is arrived at after charging/(crediting):

	Six months ended	
	30 June	30 June
	2021	2020
	Unaudited	Unaudited
	US\$'000	US\$'000
Depreciation on		
– owned property, plant and equipment and investment properties	1,444	1,566
– right-of-use assets	109	190
Interest from amount due from a joint venture	(81)	(27)
Gain on disposal of subsidiaries (<i>Note 6</i>)	–	(8)
	<u> </u>	<u> </u>

5. Income tax expense

For the six months ended 30 June 2021, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, 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%.

For the six months ended 30 June 2020, no provision for Hong Kong profits tax has been made as, in the opinion of the Company's directors, the Group did not have any estimated assessable profits in Hong Kong.

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

6. Disposal of subsidiaries

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 Global Select Limited and its subsidiaries (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 US\$8,000 was recognised in profit or loss.

7. Earnings per share

The calculation of basic and diluted earnings per share is based on the net profit attributable to the owners of the Company for the six months ended 30 June 2021 of US\$3,815,000 (2020: US\$1,590,000), and 7,006,631,478 (2020: 6,865,645,214) weighted average ordinary shares in issue during the period.

Diluted earnings per share is of the same amount as the basic earnings per share as there was no potential dilutive ordinary shares outstanding as at 30 June 2021 and 2020.

8. Property, plant and equipment

During the six months ended 30 June 2021 the Group acquired approximately US\$710,000 (2020: US\$644,000) of property, plant and equipment.

9. Trade receivables

The ageing analysis of the Group's trade receivables (net of impairment losses) is as follows:

	30 June 2021 Unaudited US\$'000	31 December 2020 Audited US\$'000
0-30 days	10,972	8,803
31-60 days	5,220	5,434
61-90 days	1,632	2,355
Over 90 days	7,349	4,191
	<u>25,173</u>	<u>20,783</u>

10. Other receivables, deposits and prepayments

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

	30 June 2021 Unaudited US\$'000	31 December 2020 Audited US\$'000
Purchase deposits	55	–
Other deposits and prepayments	818	957
Other receivables	2	1,667
	<u>875</u>	<u>2,624</u>

11. Financial assets at fair value through profit or loss

	30 June 2021 Unaudited US\$'000	31 December 2020 Audited US\$'000
Hong Kong listed shares	<u>163</u>	<u>164</u>

The Group is exposed to equity price risk through its investment in those equity securities.

12. Trade payables

The ageing analysis of the Group's trade payables is as follows:

	30 June 2021 Unaudited US\$'000	31 December 2020 Audited US\$'000
0-30 days	4,539	4,815
31-60 days	2,689	1,720
61-90 days	918	605
Over 90 days	379	92
	<u>8,525</u>	<u>7,232</u>

13. Other payables and accruals

The analysis of the Group's other payables and accruals is as follows:

	30 June 2021 Unaudited US\$'000	31 December 2020 Audited US\$'000
Other payables	4,315	833
Accruals	4,512	5,515
Other tax payable	471	1,278
	<u>9,298</u>	<u>7,626</u>

14. Dividend

The Directors have decided not to declare any interim dividend for the six months ended 30 June 2021 (2020: Nil).

15. Share capital

	Number of ordinary shares	Amount US\$'000
Issued and fully paid:		
At 1 January 2020	5,985,131,478	599,596
Issues of shares upon conversion of the convertible debenture (note)	1,021,500,000	7,464
	<u>7,006,631,478</u>	<u>607,060</u>

Note:

During the year ended 31 December 2020, 1,021,500,000 ordinary shares were issued by exercising the convertible debentures for an aggregate principal amount, net of expenses, of approximately HK\$58,225,500 (equivalent to approximately US\$7,464,000).

16. Fair value measurement of financial instruments

Fair value of financial instruments

The carrying amounts of the Group's financial instruments are as follows:

- (i) The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- (ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.
- (iii) The carrying value of bank and cash balances, trade and other receivables, trade and other payables are assumed to approximate their fair values due to the short term maturities of these assets and liabilities.

Fair value measurement recognised in the consolidated financial statements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable:

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

	Level 1	Level 2	Level 3	30 June 2021 Total Unaudited US\$'000
	US\$'000	US\$'000	US\$'000	US\$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss	<u>163</u>	<u>-</u>	<u>-</u>	<u>163</u>
	Level 1	Level 2	Level 3	31 December 2020 Total Audited US\$'000
	US\$'000	US\$'000	US\$'000	US\$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss	<u>164</u>	<u>-</u>	<u>-</u>	<u>164</u>

During the period, the Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

17. Related party transactions

Saved as disclosed elsewhere in the condensed consolidated financial statement, the Group has not entered into other material related party transaction for the six months ended 30 June 2021 and 2020.

18. Approval of the Condensed Consolidated Interim Financial Statements

The Board of Directors of the Company approved the condensed consolidated interim financial statements on 30 August 2021.

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

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

For the six months ended 30 June 2021, the revenue of the Group was approximately \$54.3 million, an increase of approximately \$9.1 million, or 20.1%, as compared to approximately \$45.2 million for the same period of prior year. The net profit attributable to owners was approximately \$3.8 million, as compared to net profit of approximately \$1.6 million, for the same period of the prior year. As at 30 June 2021, the total assets of the Group were approximately \$408.7 million, as compared to approximately \$399.1 million at 31 December 2020, and the net assets of the Group were approximately \$386.7 million at 30 June 2021, as compared to approximately \$382.4 million at 31 December 2020.

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 (the “UK”), 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 UK (“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.

Graphite Operations

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 graphite production lines of the Company are fully in operation.

Disposal of Subsidiaries

In order to strategically restructure its companies in the Group and to make it operate more effectively, in April 2020, the Company disposed of the entire equity interest in 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 \$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 \$111,900.

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 \$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 \$8,000. After the completion of the disposal, each of the subsidiaries of the GS Group was ceased as a subsidiary of the Company.

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 2020 financial year, 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.

For the six months ended 30 June 2021, due to more and more people getting the Covid-19 vaccine, the easing of the epidemic, and gradually economy recovery from the Covid-19 pandemic, we have seen some recovery recently in demand for our graphite products. We generated more revenue from our graphite production for the six months ended 30 June 2021 but earned less from our electronics manufacturing service operation because during this period there were no special orders for ventilators for the UK's battle against the Covid-19 pandemic.

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. Considering the continually evolving nature of the Covid-19 outbreak, we are not able currently 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 six months ended 30 June 2021, the Group's turnover was approximately \$54.3 million, an increase of approximately \$9.1 million, or 20.1%, as compared to approximately \$45.2 million for the same period of the last year.

The turnover of the Group's graphite operations for the six months ended 30 June 2021 was approximately \$15.7 million as compared to approximately \$4.5 million for the same period of the last year, an increase of 248.9%. The increase in sales of our graphite products was primarily attributable to the following two reasons: (1) increased demand and selling price of our graphite products due to worldwide gradually economic recovery from the Covid-19 pandemic; and (2) the Company's increased production capacity because the production lines the Company built in the last two years has started to produce the products.

For the six months ended 30 June 2021, the turnover of the Group's electronics manufacturing service operation was approximately \$37.7 million, representing a decrease of approximately \$2.5 million, or 6.2%, as compared to approximately \$40.2 million for the same period of the last year. The decrease in electronics manufacturing service revenue was primarily because there was a large special order in the first half 2020 for ventilators produced to support the UK government in its battle against the Covid-19 pandemic. Excluding this, for the six months ended 30 June 2021, Group's electronics manufacturing service operation performed well.

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 because of the Covid-19 pandemic. However, due to the Covid-19 pandemic, we have taken preventative measures 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 recent surging cases of the highly contagious Delta variant of the Covid-19, the speed with which the coronavirus 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. While some sectors have seen an uplift other have slowed, with the main growth being seen in the medical sector which has resulted in turnover increasing by more than 20% in 2020 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 is 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 30 June 2021, the Group's cash and bank balances were approximately \$28.1 million as compared to approximately \$21.4 million as at 31 December 2020. As at 30 June 2021, the Group recorded net current assets of approximately \$348.8 million (31 December 2020: \$344.1 million). The Group had no bank borrowings as at 30 June 2021. As at 30 June 2021, the Group's gearing ratio, calculated as the lease liabilities divided by the amount of total equity, was 0.2% (31 December 2020: 0.2%).

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.

By 30 June 2021, the Company has utilized approximately HK\$73,494,000 (approximately US\$9,422,400). The detailed breakdown and description of the proceeds that were used are as below:

Plant and Warehouse	HK\$21,796,600	US\$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
	<hr/>	<hr/>
Total	<u>HK\$73,494,000</u>	<u>US\$9,422,400</u>

The unutilized proceeds of approximately HK\$495,506,000 (approximately US\$63,526,410) 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	US\$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
	<hr/>	<hr/>
Total	<u>HK\$495,506,000</u>	<u>US\$63,526,410</u>

The outbreak of Covid-19 has significantly increased economic and demand uncertainty across the world, and the spread of the Delta coronavirus variant continued to cloud the outlook for the economy. Consequently, 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 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 for the use of proceeds.

Indebtedness

As at 30 June 2021:

- 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 30 June 2021 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 30 June 2021, the Group did not have any significant contingent liabilities.

COMMITMENTS

As at 30 June 2021, there were no capital commitments to the Group related to the purchase of fixed assets (2020: Nil).

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2021, the Group has no significant investment held.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

CAPITAL STRUCTURE

For the six months ended 30 June 2021, there were no change in capital structure of the Company. The capital of the Company comprises ordinary shares and other reserves.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 322 (2020: 339) employees in the UK, Macau 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 six months ended 30 June 2021, 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.

INTERIM DIVIDEND

The Directors have decided not to declare any dividend for the six months ended 30 June 2021 (2020: 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.

ADDITIONAL INFORMATION

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

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 for the six months ended 30 June 2021, 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 2021, Mr. Chai Woon Chew and Ms. Ye Yi Fan were re-elected as an independent non-executive director, respectively.

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 Ms. Ye Yi Fan were not able to attend the annual general meeting of the Company held on 4 June 2021 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 six months ended 30 June 2021.

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

During the six months ended 30 June 2021, 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 30 June 2021, 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 six months ended 30 June 2021, 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTEREST IN SHARES

As at 30 June 2021, no person had registered an interest, short position, or lending pool in the shares or underlying shares or debentures of the Company that was required to be kept by the Company pursuant to Section 336 of the SFO.

REVIEW OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Audit Committee of the Company consists of three members: Mr. Ng Lai Po, Mr. Chai Woon Chew, and Ms. Ye Yi Fan, all of whom are independent non-executive Directors. Mr. Ng Lai Po is the chairman of the Audit Committee. The Audit Committee has reviewed with the management this interim announcement including the unaudited consolidated financial statements of the Company for the six months ended 30 June 2021 and the accounting principles and practices adopted by the Company and discussed auditing, internal controls and financial reporting matters.

PUBLICATION OF RESULTS

The Interim Report will be published in due course on website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and website of the Company (<http://www.elate.hk>), and will be dispatched to shareholders who selected to receive the printed version of the Company's corporate communication on or before 30 September 2021.

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

Hong Kong, 30 August 2021

As at the date of this announcement, the board of directors comprises 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.