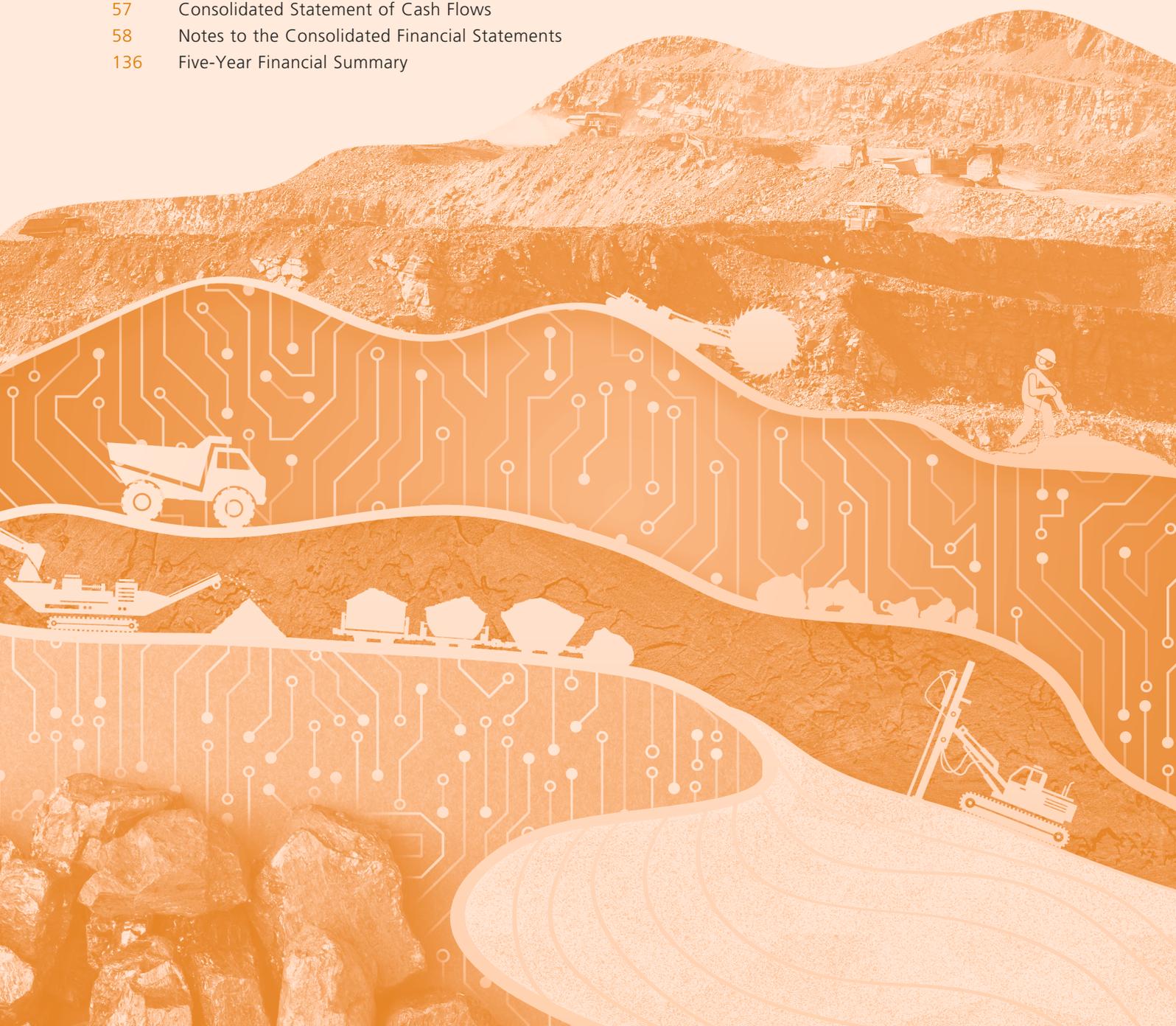




CONTENTS

2	Corporate Information
3	Financial Highlights
4	Management's Discussion and Analysis of Financial Condition and Results of Operations
12	Report of the Directors
20	Corporate Governance Report
38	Environmental, Social and Governance Report
47	Independent Auditor's Report
52	Consolidated Statement of Profit or Loss
53	Consolidated Statement of Profit or Loss and Other Comprehensive Income
54	Consolidated Statement of Financial Position
56	Consolidated Statement of Changes in Equity
57	Consolidated Statement of Cash Flows
58	Notes to the Consolidated Financial Statements
136	Five-Year Financial Summary





CORPORATE INFORMATION

DIRECTORS

Feng Zhong Yun, *Executive Director and Managing Director*

Zhang Xue, *Executive Director*

Chai Woon Chew, *Independent Non-Executive Director*

Ng Lai Po, *Independent Non-Executive Director*

Ye Yi Fan, *Independent Non-Executive Director*

COMPANY SECRETARY

Lam Lee Yu

REGISTERED OFFICE

Unit 1002, 10/F., Euro Trade Centre

13-14 Connaught Road Central and 21-23 Des Voeux Road Central

Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKER

DBS Bank Ltd.

AUDITOR

BDO Limited

STOCK CODE

76



FINANCIAL HIGHLIGHTS

	2021 US\$'000	2020 US\$'000
Revenue	101,259	94,713
Profit from Operating Activities	6,058	4,245
Profit Attributable to Owners of the Company	4,803	2,974
Total Equity Attributable to Owners of the Company	387,870	382,425
Earnings Per Share (US Cents)		
– Basic and Diluted	0.07	0.05



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

(In this report, the "\$" refers to the legal currency of the United States of America, unless otherwise specified)

For the year ended 31 December 2021, the turnover of the Group was approximately \$101.3 million, an increase of \$6.5 million, or 6.9%, as compared to \$94.7 million for the prior year. The net profit attributable to owners of the Company was approximately \$4.8 million, or \$0.07 cents earnings per share, as compared to net profit of \$3.0 million, or \$0.05 cent per share, for the year of 2020. On the balance sheets, as at 31 December 2021 the total assets of the Group were approximately \$407.9 million, as compared to approximately \$399.1 million as at 31 December 2020, and the net assets of the Group were approximately \$387.9 million as at 31 December 2021, as compared to approximately \$382.4 million as 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. 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. 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.

Results of Operations

For the year ended 31 December 2021, the Group's turnover was approximately \$101.3 million, an increase of approximately \$6.5 million, or 6.9%, as compared to approximately \$94.7 million for the same period of the last year.

The turnover of the Group's graphite operations for the year was \$23.9 million as compared to \$10.9 million for the same period of the last year, an increase of 118.9%. The increase in sales of the Company's graphite products was primarily due to (1) increased demand and selling price of our graphite products as the world economy gradually recovered 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 graphite products.



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

(In this report, the "\$" refers to the legal currency of the United States of America, unless otherwise specified)

For the year ended 31 December 2021, the turnover of the Group's electronics manufacturing service operation in UK was \$76.0 million, a decrease of approximately \$7.1 million, or 8.6%, as compared to approximately \$83.1 million for the year of 2020. However, this was entirely down to the fact that the UK Government Ventilator Challenge business that was undertaken in 2020 did not repeat (and was not expected to repeat) in 2021. The underlying UK businesses continued to grow during 2021, despite the economic conditions that were influenced by Covid-19, Brexit and global supply chain issues in the semiconductor sector. Although the turnover in the second half of the year was \$0.49 million higher than that of the first half, it was slightly disappointing, as the impact of supply chain issues limited further growth of the business. Profitability held up well in comparison to the prior year, despite the three areas highlighted above combined with increasing costs driven by the labor market and energy prices.

The pleasing performance during the year continued to strengthen the balance sheet, however working capital requirements increased during the year due to the increase in inventory. This is a direct result of the global supply chain issues and the increased lead times being quoted by our key suppliers who in turn source components from the original manufacturers. The businesses also continue to invest in capital equipment and the latest technology, as this will give greater manufacturing capacity, capability and service offering moving forward. Foreign exchange rates such as the US dollar were not as volatile during the year compared to what had been seen in the previous two years, the business continually monitors this, to protect its position and that of its customer base from the risk.

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. The spread of Covid-19 has caused us to make modifications to our construction timeframe of graphite production lines in Madagascar. Nevertheless, our UK electronic manufacturing services business has seen overall growth in 2020, mainly due to its participation in the UK Government's Covid-19 Ventilator Challenge, which saw demand from an existing customer increase significantly in 2020. For the year ended 31 December 2021, thanks 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. More revenues were generated from our graphite business in 2021.

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.



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

(In this report, the "\$" refers to the legal currency of the United States of America, unless otherwise specified)

OUTLOOK

In the Covid-19 challenging and dynamic circumstances, from an operational perspective, our businesses, including our graphite operations and electronic manufacturing services, remain open. There are no current 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 possible 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/Omicron variants 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, our financial positions, and results of operations.

Management believes that the revenues from our graphite operations are going to be, most likely, steadily increased in the near future. First of all, there are increased demand and selling price for our graphite products due to worldwide gradually economic recovery from the Covid-19 pandemic; and secondly, we will have a larger production capacity because the Company continues to expand its graphite production capacity in Madagascar.

The outlook for our UK businesses, management believes, remains positive, with the open order book at the start of 2022 is at its highest level, and because of this management does not expect turnover to decline during the year, in addition it has secured inventory to meet this customer demand. Also, customers are already placing orders for demand to be satisfied in 2023 and 2024. The UK cash position is strong with no significant debt, and the expected performance of the business in 2022 will further improve this. The Group will continue to increase the size of its customer base, across a range of market sectors to further reduce the risks associated with a downturn in one sector. The business will also invest in the latest capital equipment, and invest in research and development, to further enhance its manufacturing capacity and increase its service offering. Management will continue to monitor recent trends that have driven inflation in the UK such as global energy costs and the employment market.

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. As at 31 December 2021, the Group's cash and cash equivalents were approximately \$18.4 million as compared to approximately \$21.4 million as at 31 December 2020. As at 31 December 2021, the Group recorded net current assets of approximately \$351.0 million (2020: \$344.1 million). The Group had no bank borrowings as at 31 December 2021. As at 31 December 2021, the Group's gearing ratio, calculated as the lease liabilities divided by the amount of total equity, was 0.1% (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.

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

(In this report, the "\$" refers to the legal currency of the United States of America, unless otherwise specified)

By 31 December 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)
Total	HK\$73,494,000	(US\$9,422,400)

The unutilized proceeds of approximately HK\$495,506,000 (of which HK\$466,884,500 not yet received) are planned to be used in 2022-2025. 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)
Total	HK\$495,506,000	(US\$63,526,410)

The outbreak of Covid-19 has significantly increased economic and demand uncertainty across the world, and the emergence and spread of the Delta/Omicron coronavirus variants 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.



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

(In this report, the "\$" refers to the legal currency of the United States of America, unless otherwise specified)

INDEBTEDNESS

As at 31 December 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 31 December 2021 and up to the date of this report, there has been no material adverse change to the indebtedness of the Group.

CAPITAL COMMITMENTS

As at 31 December 2021, there were no capital commitments to the Group related to the purchase of fixed assets (2020: Nil).

SIGNIFICANT INVESTMENTS HELD

As at 31 December 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 year ended 31 December 2021.

CAPITAL STRUCTURE

For the year ended 31 December 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 31 December 2021, the Group had 310 (2020: 322) employees in Hong Kong, U.K., and Macau. 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, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. The Group manages its currency risk by closely monitoring the foreign exchange exposure in order to keep the net exposure to an acceptable level, and may consider hedging significant foreign currency exposure should the need arise.



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

(In this report, the "\$" refers to the legal currency of the United States of America, unless otherwise specified)

DIVIDEND

The Directors have decided not to declare any dividend for the year ended 31 December 2021 (2020: Nil).

SHARE CAPITAL

During the year ended 31 December 2021, there were no changes in the total number of shares and the issued share capital of the Company.

MATERIAL UNCERTAINTIES

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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 CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the then prevailing Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited for the year ended 31 December 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 officer in Mr. Feng provides the Group with strong and consistent leadership, allows for more effective planning and execution of long-term business strategies and enhances efficiency in decision-making. As all major decisions are made in consultation with members of the Board and relevant Board committees, and there are independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company. The Board will continue to review and consider the separation of the duties of the Chairman and Chief Executive if and when appropriate.



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

(In this report, the "\$" refers to the legal currency of the United States of America, unless otherwise specified)

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 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 Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed that they have complied with the standards as set out in the Model Code throughout the year ended 31 December 2021.

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

During the year ended 31 December 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

As at 31 December 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 year ended 31 December 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.



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

(In this report, the "\$" refers to the legal currency of the United States of America, unless otherwise specified)

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTEREST IN SHARES

As at 31 December 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 RESULTS BY AUDIT COMMITTEE AND EXTERNAL AUDITORS

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal control system.

The Audit Committee of the Company consists of the following three independent non-executive directors: Mr. Ng Lai Po (Chairman), Mr. Chai Woon Chew and Ms. Ye Yi Fan. The Audit Committee has adopted the terms of reference which are in line with Corporate Governance Code 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 2021.

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, 30 March 2022



REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021, which were approved by the Board of Directors on 30 March 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacture and sales of graphite products worldwide, manufacture and sales of electronic products in the United Kingdom, and development of multi-media production and movie making.

The details of the principal activities of the subsidiaries are set out in Note 18 the consolidated financial statements.

RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2021 and the state of affairs of the Company and the Group as at that date are set out in the audited consolidated financial statements on pages 52 to 55.

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and financial position of the Group for the last five financial years is set out on page 136.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2021 and a discussion on the Group’s future business development are provided in the “Management’s Discussion and Analysis” on pages 4 to 11.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to various risks and uncertainties which are specific to the Group and/or the industries in which the Group operates. These risks may materially affect the Group’s business operations, financial condition, results of operations and business prospects. The Group has identified the key risks and uncertainties as follows:

Covid-19

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. 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. 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.

Supply Chain

The global marketplace is seeing supply chain issues across many sectors, with this being reported widely in the press. The impact of this has been increased lead times which can in turn delay the manufacturing process. To mitigate this risk management have increased the inventory/working capital of the business, whilst this has not had a major impact on the business to date, management consider that supply chain issues will remain during 2022 but that it will have a limited impact on the business.

Brexit

The economic climate of the UK has been impacted for several years by the decision taken by the UK in June 2016 to leave the EU (European Union). The UK formally left the EU on 31 January 2020, with the transitional period ending on 31 December 2020. Management continues to monitor the situation and the risks associated with this moving forward, and at the time of writing the management currently consider that this will have minimal impact on the business.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the Group's purchases from the five largest suppliers accounted for approximately 55.9% of the Group's total purchases and purchases from the largest supplier included therein accounted for approximately 18.3% of the Group's total purchases.

During the year, the Group's sales to the five largest customers accounted for approximately 63.8% of the Group's total turnover and sales to the largest customer included therein accounted for approximately 18.7% of the Group's total sales.

None of the directors of the Company, their associates, nor any shareholders which to the best knowledge of the directors own more than 5% of the Company's issued share capital, had any beneficial interests in the Group's five largest customers and suppliers in 2021 and 2020.

Throughout the years, the Group maintained uninterrupted communications and a good relationship with its customers and suppliers without any major disputes.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group emphasises on maintaining good relationship with its stakeholders and considers it a key element to sustainable business growth.

Employees

We have been people-oriented and have attached great importance to human resource management. We attract excellent talents through fair recruitment policy and provide employees with training opportunities, good career development prospect and growth opportunities. From time to time, we offer our employees remuneration packages that are comprehensive and attractive. We also value our employee's physical and mental development. Diverse events and activities are organised for the employees for fostering work-life balance and personal growth.



REPORT OF THE DIRECTORS

Customers

We are committed to offering our customers products and services to the best of our ability. We highly value comments and suggestions of our customers and have always maintained effective communications with the customers. We continue to reach out for current and prospective customers through, inter-alia, on-site visits and major customer satisfaction surveys. We believe that customers' feedback would help us to identify areas of improvement and advance us to achieve excellence.

Suppliers

Maintaining good relationship with suppliers is essential to our business performance and growth because suppliers can have direct influence over the quality of our products and services and customer satisfaction. We value the partnership with our suppliers and works together to promote sustainable development of the industries they operate. We are committed to establishing a close and long-term cooperation relationship with our suppliers and business partners.

DIVIDEND POLICY

The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors including our operation and financial performance profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our shareholders as well as any applicable laws.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's Property, Plant and Equipment decreased to approximately US\$24.5 million as at 31 December 2021 from approximately US\$27.1 million at the end of 2020.

Details of the movements in the Property, Plant and Equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2021 are set out in Note 18 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and in Note 30(a) to the consolidated financial statements.

SHARE OPTIONS

As of 31 December 2021, there were no share options outstanding.



REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 29 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Detail information on the environmental, social and governance practices of the Group is set out in the Environment, Social and Governance Report. Please refer to pages 38 to 46.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group seeks to uphold high standard of integrity in all aspects of business and is committed to ensure that its affairs are conducted in accordance with applicable laws and regulatory requirements and has formulated and adopted various internal control measures, approval procedures and training within all business units at all levels of the Group. During the year, there has been no violation or breach of relevant laws and regulations that had a significant impact on the Group.

DIRECTORS

The members of the Board during the year ended 31 December 2021 and up to the date of this report are:

Executive Directors:

Feng Zhong Yun, *Managing Director*

Zhang Xue

Independent Non-Executive Directors:

Ng Lai Po

Chai Woon Chew

Xu Jia Yin (*appointed on 28 December 2020 and resigned on 8 January 2021*)

Ye Yi Fan (*appointed on 8 January 2021*)

A full list of the name of the directors of the Group's subsidiaries can be found in the Company's website at www.elate.hk under Corporate Information.

Directors' Biographical Details

Feng Zhong Yun, age of 54, has been the Company's Executive Director and Managing Director since 31 December 2012. Prior to that, he was the Company's independent non-executive director from 15 November 2012 to 31 December 2012. Mr. Feng graduated from China Central Academy of Fine Arts and obtained his Bachelor of Arts degree in 1991.

Zhang Xue, age of 44, has been the Company's Executive Director since 2009. She held a bachelor's degree in Accountancy from Qingdao University. From 2001 to 2007, Ms. Zhang served as Accounting Manager in Beifang Mining Group Limited.



REPORT OF THE DIRECTORS

Ng Lai Po, age of 54, has been the Independent Non-executive Director of the Company since December 2012. Mr. Ng obtained his Bachelor of Social Sciences from the University of Hong Kong in 1990. Mr. Ng is a fellow member of the Association of Chartered Certified Accountants since 1999. Mr. Ng has over 27 years of experience in finance, accounting and management. Mr. Ng was the Internal Audit Controller of Kader Holdings Company Limited (HK listed stock code 180); the Head of Finance – China of Hong Kong G2000 Group; the Head of Group Financial Control of Chow Sang Sang Holdings International Limited (HK listed stock code 116); the Chief Financial Officer of A&H Manufacturing Group – Asia Region; the Financial Controller of Shenzhen Wanji Pharmaceutical Co., Ltd./Hong Kong Wanji Group Limited; the Financial Controller of Brightway Petroleum Group (Holdings) Ltd. Mr. Ng is currently an executive director of M&L Engineering & Materials Ltd.

Chai Woon Chew, age of 64, has been the Company's Independent Non-executive Director since 2002. From 1994 to present, Mr. Chai has been a partner at Michael Chai & Co., a law firm in Kuala Lumpur, Malaysia. From 1991 to 1994, he was a legal associate with Shook Lin & Bok, a law firm in Kuala Lumpur, Malaysia. Mr. Chai holds a Bachelor of Laws (Hons) degree from the University of Buckingham and a Bachelor of Science (Hons) degree in Chemistry from University of Surrey, UK. Mr. Chai is qualified as Barrister at Law from Lincoln's Inn, England.

Ye Yi Fan, age of 39, has been the Company's Independent Non-executive Director since 8 January 2021. Ms. Ye graduated from Beijing Film Academy in China, and participated in movies and TV shows shooting. Ms. Ye also taught performing arts.

There are no relationships (including financial, business, family or other material/relevant relationship(s)), if any, between Board members and in particular, between the chairman and the chief executive of the Company.

Under the Articles of Association of the Company, all of the directors are subject to retirement by rotation and re-election at the annual general meeting. In accordance with Articles of Association of the Company, Ms. Zhang Xue and Mr. Ng Lai Po will retire by rotation and, being eligible, offer themselves for re-election at the coming annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, directors and officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto, provided that such indemnity provisions in the Company's Articles of Association shall only have effect in so far they are not avoided by the Hong Kong Companies Ordinance. Such provisions were in force during the year ended 31 December 2021 and remained in force as of the date of this Report.



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year under review, 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 year 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2021, none of the Company's Directors are considered to have interests in the business which compete or are likely to compete with the business of the Group pursuant to the Listing Rules.

DIRECTORS' REMUNERATION

The emoluments of the Directors are determined by the Board, as authorised by shareholders at the Annual General Meeting, with reference to directors' duties, responsibilities and performance and the results of the Group.

The emoluments of the Directors of the Company (including Executive Directors and Independent Non-executive Directors) on a named basis are set out in Note 10 to the consolidated financial statements for the year ended 31 December 2021.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Group has not entered into any material connected transactions.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and Chief Executives' Interests in Shares or Debentures" below, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2021, none of the Directors and Chief Executive of the Company had interest in the shares, underlying shares and debentures of the Company and its associated companies, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors or the Chief Executive were deemed or taken to have under such provisions of the SFO, which are required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers ("Model Code") contained in the Listing Rules.



REPORT OF THE DIRECTORS

All Directors have confirmed that they complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules throughout the review period.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTEREST IN SHARES

As at 31 December 2021, no person had registered an interest or short position in the shares or underlying shares or debentures of the Company that was required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Company's Directors or Chief Executives to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

During the period under review, neither the Company, nor its subsidiaries, purchased, sold, or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 20 to 37 of this annual report. In the opinion of the Directors, the Company has complied with the Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2021.

DEFINED CONTRIBUTION RETIREMENT PLAN

The Company and its subsidiaries in Hong Kong have sponsored their employees to join the Mandatory Provident Fund Scheme established under the Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, each of the Group (the "employer") and its employees makes monthly contributions to the Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from employer and each of the employees respectively are subject to a cap of HK\$1,500 per month and thereafter contributions are voluntary. The assets of the MPF Scheme are held separately from those of the Group and managed by an independent trustee.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.



REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this annual report as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2021 and up to the date of this annual report.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021 have been audited by BDO Limited, who are eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Feng Zhong Yun
Managing Director

Hong Kong, 30 March 2022



CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present this Corporate Governance Report for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code contained in the Appendix 14 (version up to 31 December 2021) (the "CG Code") to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong.

The Board periodically reviews and monitors the Company's policies and practices on corporate governance or compliance with legal and regulatory requirements to ensure that the Group's operations are conducted in accordance with the standards of the CG Code and applicable disclosure requirements. The Board is of the view that throughout the year ended 31 December 2021, the Company has complied with all the applicable CG Code with the exception of 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 officer in Mr. Feng provides the Group with strong and consistent leadership, allows for more effective planning and execution of long-term business strategies and enhances efficiency in decision-making. As all major decisions are made in consultation with members of the Board and relevant Board committees, and there are independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company. 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 4 June 2021, Mr. Chai Woon Chew and Ms. Ye Yi Fan were re-elected as Independent Non-executive Directors, respectively.



CORPORATE GOVERNANCE REPORT

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.

MODE 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 Company’s code of conduct regarding Directors’ securities transactions. Upon specific enquiries, all Directors confirmed that they have complied with the standards as set out in the Mode Code throughout the year ended 31 December 2021.

As at 31 December 2021, none of the Directors and Executive Officers of the Company and their respective associates had any interest or short position 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 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.

THE BOARD OF DIRECTORS

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element in the Board, which can effectively exercise independent judgement. As at the date of this annual report, the Board consists of five members, of which three are independent non-executive directors. Details of their composition by category are as below. More than one-third of the Board is represented by independent non-executive directors with one of whom being a chartered certified accountant.

There are no relationships (including financial, business, family or other material/relevant relationship(s)), if any, between Board members and in particular, between the chairman and the chief executive of the Company.

Executive Directors:

Feng Zhong Yun, *Managing Director*

Zhang Xue

Independent Non-Executive Directors:

Ng Lai Po

Chai Woon Chew

Xu Jia Yin (*appointed on 28 December 2020 and resigned on 8 January 2021*)

Ye Yi Fan (*appointed on 8 January 2021*)

The biographical information of the Directors and their relationships between the members of the Board are set out in the “Report of the Directors” of this annual report. A list of the Directors identifying their roles and functions are available on the websites of the Company and the Stock Exchange of Hong Kong Limited (the “Stock exchange”).



CORPORATE GOVERNANCE REPORT

Responsibilities of the Board

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Directors, individually and collectively, have a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to the Company and shareholders in respect of the manner in which the affairs of the Company are being controlled and managed.

Directors are requested to make declaration of their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board. If a director has a potential conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

Appointment and Re-election of Directors

In accordance with the Company's Articles of Association, a person may be appointed as a Director either by shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by shareholders. In addition, all the Directors are required to retire by rotation at least once every three years at the annual general meeting, and are eligible for re-election by shareholders.

At present, no Directors are appointed for specific tenures but they are subject to retirement by rotation at least once three years and are eligible for re-election at the annual general meeting by the shareholders.



CORPORATE GOVERNANCE REPORT

Independent Non-Executive Directors

The role of the independent non-executive directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views.

During the year ended 31 December 2021, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of Independent Non-executive Directors representing at least one-third of the Board.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the Independent Non-executive Directors of the Company has not been appointed for a specific term, as they were subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Appointment of a New Independent Non-Executive Director

On 8 January 2021, following the resignation of Mr. Han Zhi Jun as an Independent Non-executive Director, Ms. Ye Yi Fan was appointed as an Independent Non-executive Director, the Chairman of the Board's Nomination Committee, and a member of Audit Committee and Remuneration Committee.

There is no service contract between the Company and Ms. Ye. She was not appointed for a specific term and shall hold office until the next general meeting of the Company and shall then be eligible for re-election at that meeting. Ms. Ye will be entitled to receive a director's fee of HK\$120,000 per annum which was determined by the Board with reference to her duties and responsibilities within the Company as well as prevailing market rates.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this report, Ms. Ye did not (i) have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) have any other interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); (iii) hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) hold other positions with other members of the Company or its subsidiaries.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there is no information in relation to the appointment of Ms. Ye that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and there is no other matter that needs to be brought to the attention of shareholders of the Company.



CORPORATE GOVERNANCE REPORT

Directors' Continuous Training and Professional Development

Under the code provision A.6.5 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the board remains informed and relevant. All Directors are provided with updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to the Board during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices. The Company also, at its expense, arranges and provided suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.

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

For the year ended 31 December 2021, all Directors participated in continuous professional training by attending external training or seminars on various topics, to develop and refresh their knowledge and skills, which ensure that they have comprehensive and required information to make contributions to the Board. All Directors have provided their records of training to the Company.

Board Meetings and Directors' Attendance

Pursuant to the code provisions of the CG Code, meetings of the Board should be held at least four times a year at approximately quarterly intervals and notice of at least 14 days should be given for a regular board meeting. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meeting to ensure that the Directors are given sufficient time to review the documents.

During the year ended 31 December 2021, four board meetings and one annual general meeting were held. Details of the attendance of the meetings of the Board are as follows:

Directors	Board Meeting	Audit Committee Meeting	AGM	EGM
Mr. Feng Zhong Yun	4/4	N/A	0/1	N/A
Ms. Zhang Xue	4/4	N/A	0/1	N/A
Mr. Ng Lai Po	2/4	3/3	1/1	N/A
Mr. Chai Woon Chew	2/4	3/3	0/1	N/A
Ms. Ye Yi Fan	4/4	3/3	0/1	N/A



CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

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 officer in Mr. Feng provides the Group with strong and consistent leadership, allows for more effective planning and execution of long-term business strategies and enhances efficiency in decision-making. As all major decisions are made in consultation with members of the Board and relevant Board committees, and there are independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company. The Board will continue to review and consider the separation of the duties of the Chairman and Chief Executive if and when appropriate.

Board Diversity Policy

The Board has adopted a board diversity policy to comply with the code provision on board diversity. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on the Board's nomination policy and a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets and distribution channels.

The Board considered that Independent Non-executive Directors can enhance the effectiveness and decision-making of the Board by providing independent view, objective judgement and constructive challenge to the Board and management of the Group.

The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

Our diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group. As of 31 December 2021, 60% of Directors and 49% of our total workforce were male.

COMPANY SECRETARY

Ms. Lam Lee Yu, the Company Secretary, is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. All Directors of the Company have access to her advice and services. She reports to the Managing Director on board governance matters, and is responsible for ensuring that board procedures are followed and for facilitating communications among directors as well as with shareholders and management. As the Company Secretary, she is also responsible for the Company's compliance with the continuing obligations of the Listing Rules, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations.



CORPORATE GOVERNANCE REPORT

All Directors have full access to the services of the company secretary and are provided with adequate, reliable and timely information about the operations and latest development of the Group to enable them to discharge their responsibilities and make timely decision. Through the company secretary, independent professional advice could be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request.

During the year ended 31 December 2021, the Company Secretary complied with the relevant professional training requirement under Rule 3.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Nomination Committee, and Remuneration Committee, for overseeing particular aspects of the Company's affairs. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange and are available to shareholders upon request.

The Board and the Board committees are provided with all necessary resources including the advice of external auditor, external legal advisers and other independent professional advisors as needed.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the respective chairman and members of each board committee is set out below:

Audit Committee

As of the date of this report, the Audit Committee comprises three Independent Non-executive Directors, namely:

- Mr. Ng Lai Po (*Chairman*)
- Mr. Chai Woon Chew
- Ms. Ye Yi Fan

All members of Audit Committee are Independent Non-executive Directors. The Audit Committee is chaired by Mr. Ng Lai Po, who possesses appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The principal responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, and relationship with external auditors of the Group, overseeing the audit process and performing other duties and such responsibilities as assigned by the Board. The Audit Committee meets with the Company's external auditors, and reviews their audit plans, the results of their examinations as well as their evaluations of the system of risk management and internal control.



CORPORATE GOVERNANCE REPORT

Summary of Work

- (a) reviewed the Group's annual report, interim financial information and annual financial statements;
- (b) reviewed significant accounting and audit issues;
- (c) reviewed the external auditor's qualifications, independence and performance;
- (d) assisted the Board to evaluate on the effectiveness of financial reporting procedures and internal control systems;
- (e) reviewed the adequacy and effectiveness of the Group's system of internal control and risk management;
- (f) advised on material event or drawing the attention of the management on related risks;
- (g) reviewed connected transactions entered into by the Group or subsisting, if any;
- (h) reviewed the effectiveness of the Group's risk management and internal control systems in respect of the previous fiscal year, and
- (i) Approved the 2021 external audit engagement and fees.

The Audit Committee held three meetings during the year ended 31 December 2021. The attendance record of these meetings is set out below:

Name of committee members	Number of Meetings Attended/Held	Attendance Rate
Mr. Ng Lai Po	3/3	100%
Mr. Chai Woon Chew	3/3	100%
Ms. Ye Yi Fan	3/3	100%

Nomination Committee

As of the date of this report, the Nomination Committee comprises the following three Independent Non-executive Directors:

- Ms. Ye Yi Fan (*Chairman*)
- Mr. Chai Woon Chew
- Mr. Ng Lai Po



CORPORATE GOVERNANCE REPORT

Terms of reference of the Nomination Committee set out the Committee's authorities and duties, which follow closely the guidelines of the code provisions of the CG Code. The principal duties of the Nomination Committee are as follows:

- (a) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) To assess the independence of independent non-executive Directors; and
- (d) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

The Board's nomination policy is to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Company and its shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Candidates also will be assessed in the context of the then-current composition of the Board, the operating requirements of the Company. In conducting this assessment, the Nomination Committee will, in connection with its assessment and recommendation of candidates for director, consider diversity (including, but not limited to, gender, race, ethnicity, age, experience and skills) and such other factors as it deems appropriate given the then-current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

The Nomination Committee held one meeting during the year ended 31 December 2021. Among other things, the major work completed by the Nominate Committee during the year includes: nominated a new Independent Non-executive Director for the board approval, reviewed the structure, size and composition of the Board, assessed the independence of the Independent Non-executive Directors and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming annual general meeting of the Company. The attendance record of these meetings is set out below:

Name of committee members	Number of Meetings Attended/Held	Attendance Rate
Ms. Ye Yi Fan	1/1	100%
Mr. Chai Woon Chew	1/1	100%
Mr. Ng Lai Po	1/1	100%



CORPORATE GOVERNANCE REPORT

Remuneration Committee

As of the date of this report, the Remuneration Committee comprises the following three Independent Non-executive Directors:

- Mr. Chai Woon Chew (*Chairman*)
- Mr. Ng Lai Po
- Ms. Ye Yi Fan

Terms of reference of the Remuneration Committee set out the committee's authorities and duties, which follow closely the guidelines of the code provisions of the CG Code. The principal duties of the Remuneration Committee are as follows:

The principal duties of the Remuneration Committee are to provide advices and recommendations to the Board on:

- (a) To make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) To make recommendations to the board on the remuneration packages of individual Executive Directors and senior management;
- (d) To make recommendations to the Board on the remuneration of Non-executive Directors;
- (e) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (f) To review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) To ensure that no Director or any of his/her associates is involved in deciding that Director's own remuneration.

No Director takes part in any discussion on his/her own remuneration.



CORPORATE GOVERNANCE REPORT

The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

The remuneration policy for the Directors and our senior management members is based on their experience, level of responsibility, length of service and general market conditions. Any discretionary bonus and other merit payments are linked to the financial results of the Group and the individual performance of the directors and senior management members.

During the year ended 31 December 2021, the Remuneration Committee held one meeting. Major work completed by the Remuneration Committee during the year includes:

- (a) reviewed the remuneration policy and structure relating to the Directors and senior management of the Company; and
- (b) Made a recommendation to the Board on the remuneration of a Non-executive Director.

The attendance record of these meetings is set out below:

Name of committee members	Number of Meetings Attended/Held	Attendance Rate
Mr. Chai Woon Chew	1/1	100%
Mr. Ng Lai Po	1/1	100%
Ms. Ye Yi Fan	1/1	100%

Executive Directors' Remuneration

The remuneration paid to the Executive Directors of the Company in 2021 was as below:

Name of Executive Directors	Compensation Per Annum (US\$'000)
Mr. Feng Zhong Yun	15
Ms. Zhang Xue	33



CORPORATE GOVERNANCE REPORT

No Executive Director has a service contract with the Company or any of its subsidiaries with a notice period in excess of one year or with provisions for predetermined compensation on termination that exceeds one year's salary and benefits in kind.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Notes 10 and 11 to the financial statements.

Remuneration of Non-Executive Directors

The role of non-executive Directors has become more complex and demanding due to regulatory changes and the increasing part they play in the governance of listed companies. The Company believes that the level of remuneration for any particular Non-executive Directors should reflect the likely workload, the scale and complexity of the business and the responsibility involved.

Non-executive Directors of the Company are paid fees in line with market practice. Executive Directors serving on the Board and board committees are not entitled to any Directors' fees. The Non-Executive Directors of the Company received no other compensation from the Company except for the fees disclosed in this annual report.

Directors' and Officers' Insurance

Pursuant to the Articles of Association of the Company, directors and officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto, provided that such indemnity provisions in the Company's Articles of Association shall only have effect in so far they are not avoided by the Hong Kong Companies Ordinance. Such provisions were in force during the year ended 31 December 2021 and remained in force as of the date of this Report. For the year ended 31 December 2021, no claims under the insurance policy were made.

DIRECTORS' RESPONSIBILITY IN PREPARING FINANCIAL STATEMENTS

The Board acknowledges its responsibility for preparing all information and representations contained in the financial statements of the Company for the year under review. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the board and management with an appropriate consideration to materiality. As at 31 December 2021, the Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The Board also ensures timely publication of the Group's financial statements and aims to present a clear, balanced and understandable assessment of the Group's performance and position through all its publications and communications to the public. The Board is also aware of the requirements under the applicable rules and regulations about timely disclosure of inside information.

The report from BDO Limited, the independent auditor of the Company, regarding their responsibilities and opinion on the financial statements of the Group for the year ended 31 December 2021 is set out in the "Independent Auditor's Report" in this annual report.



CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS

BDO Limited has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by BDO Limited and considered that such services have no adverse effect on the independence of the external auditor.

The following table sets forth the fees paid and payable to BDO Limited during the financial years ended 31 December 2021 and 2020:

Fee Category	2021 US\$'000	2020 US\$'000
Audit fees	359	387
Other services	80	10

The Board's policy is to pre-approve all audit services and all permitted non-audit services as set forth by the Listing Rules of the Hong Kong Stock Exchange to be provided by the Company's independent auditor.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment.

The Group's risk management framework includes the following elements:

- identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business;
- develop necessary measures to manage those risks;
- monitor and review the effectiveness of such measures; and
- review the effectiveness of the Group's risk management and internal control systems in respect of the previous fiscal year annually.



CORPORATE GOVERNANCE REPORT

The Group's system of internal control which includes a defined management structure with limit of authority is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for external publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in the operational systems and achievement of the Group's objectives. These are on-going processes and our Audit Committee reviews periodically the Group's risk management systems.

Under Code Provision C.2.5, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal department. Given the Group's operating structure it is decided that the Board would directly responsible for risk management and internal control systems of the Group. The Board through the Audit Committee had conducted an annual review on the risk management and internal control systems of the Group. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to management the risks. No major issues were raised for improvement. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

Audit Committee reported to the Board the implementation of the Group's risk management and internal control policy which, among other things, included the determination of risk factors, evaluation of risk level the Group could take and effectiveness of risk management measures. Based on the reports from the Audit Committee, the Board considers the Group's risk management and internal control system is adequate and effective and the Group has complied with the provisions on risk management and internal controls as set out in the CG Code throughout the year ended 31 December 2021.

The Company recognises that the release of inside information to place anyone in a privileged dealing position is strictly prohibited. Prior to the announcement of the inside information, all directors and senior management are requested to take all reasonable steps to maintain strict confidentiality and where it is reasonably likely that confidentiality may have been lost in respect of the inside information, the Company shall as soon as reasonably practicable, apply to the Stock Exchange for a trading suspension of its shares.



CORPORATE GOVERNANCE REPORT

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision.

The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Company conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the “Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Company has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company’s website;
- the Company has strictly prohibited unauthorized use of confidential or inside information;
- the Company has established and implemented procedures for responding to external enquiries about the Company’s affairs, so that only the executive Directors, and the company secretary are authorized to communicate with parties outside the Company; and
- inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange and the Company in due course.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS’ RIGHTS

The Company aims to, via its corporate governance structure, enable all its shareholders an equal opportunity to exercise their rights in an informed manner and allow all shareholders to engage actively with the Company. Under the Company’s Articles of Association, the shareholder communication policy and other relevant internal procedures of the Company, shareholders of the Company enjoy, among others, the following rights:



CORPORATE GOVERNANCE REPORT

(a) Rights and procedures for shareholders to convene extraordinary general meetings

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than 5% of the total voting rights of all the shareholder(s) having a right to vote at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting of the Company.

The requests must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is/are intended to be moved at the meeting. The request must be signed by the requisitionists and deposited at the registered office of the Company for the attention of the Company Secretary in hard copy form.

(b) Rights and procedures for shareholders to make proposals at general meetings

- (i) Rights and procedures for a shareholder to propose a person for election as a director

Pursuant to Article 97 of the Company's Articles of Association, shareholder(s) may send a notice in writing of the intention to propose a person for election as a director and notice in writing by that person of his willingness to be elected shall have been delivered to the Company's registered office provided that the minimum length of the period during which such notices are given, shall be at least seven days and that the period for lodgement of the notices shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

- (ii) Rights and procedures for proposing resolution to be put forward at a general meeting

Shareholder(s) can submit a written requisition to move a resolution at the annual general meeting. The number of shareholders shall represent not less than 2.5% of the total voting rights of all shareholders having, at the date of the requisition, a right to vote at the annual general meeting, or who are no less than 50 shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the annual general meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's registered office in Hong Kong at Unit 1002, 10/F, Euro Trade Centre, 13-14 Connaught Road Central and 21-23 Des Voeux Road Central, Hong Kong, for the attention of the Company Secretary.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.



CORPORATE GOVERNANCE REPORT

(c) Shareholders' Enquiries

Shareholders may direct their questions about their shareholdings to the Company's share registrars: Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Elate Holdings Limited
Attn: Company Secretary
Unit 1002, 10/F., Euro Trade Centre
13-14 Connaught Road Central and 21-23 Des Voeux Road Central, Hong Kong
Email: info@elate.hk

Shareholders may also make enquiries with the Board at the general meetings of the Company.

SHAREHOLDERS' COMMUNICATION POLICY

The Company considers that effective communication with its shareholders and stakeholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies.

The Company is committed to enhancing long-term shareholder value through regular communication with its shareholders, and strives to ensure that all shareholders have ready, equal and timely access to all publicly available information of the Company that is accurate and informative. The Company's shareholders' communication policy sets out the framework in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meetings, annual reports, interim reports, various notices, announcements and circulars. All corporate communication documents, including annual report, interim report, notice of meeting, circular and proxy form, would be provided to shareholders in plain language and in both English and Chinese versions to facilitate shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).



CORPORATE GOVERNANCE REPORT

The Company endeavors to maintain an ongoing dialogue with shareholders and in particular, through annual general meeting and extraordinary general meeting. In respect of each matter to be considered at the annual general meeting and the extraordinary general meeting, including the re-election of Directors, a separate resolution will be proposed by the managing director of the Board. The managing director of the Board and the chairmen of the Board Committees and, in their absence, other members of the respective committees, will be available at the annual general meeting and the extraordinary general meeting to meet with shareholders and answer their enquiries. The Company will also invite representatives of the auditor of the Company to attend the annual general meeting of the Company to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

The Company also communicates other information to shareholders on a need basis by way of announcement which will be posted on the websites of Hong Kong Exchanges and Clearing Limited and the Company. Other than annual general meeting, extraordinary general meeting shall be held pursuant to relevant rules and regulations if required. Shareholders shall receive explanatory circulars and proxy forms relating to the extraordinary general meetings. Proxy arrangements for general meetings are in place for shareholders who are unable to attend the meetings in person.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend general meetings to have personal communication with shareholders. The external auditor is required to be present to assist the Directors in addressing any relevant queries by shareholders.

During the year ended 31 December 2021, the Company complied with the requirements of the Listing Rules and the Articles of Association in respect of voting by poll and other related matters.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the year ended 31 December 2021.

On Behalf of the Board

Feng Zhong Yun
Managing Director

Hong Kong, 30 March 2022



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is pleased to present its Environmental, Social and Governance Report (“ESG”) for the year ended 31 December 2021.

The Company commits, not only to achieving strong financial results, but also to promoting environmental protection, social responsibility and effective corporate governance. In 2021, the Company continued its management efforts on the protection of environment, the quality management of products, the management of supply chains, the management of administration and personnel, public health and the utilization of resources. In order to create long-term value for its key stakeholders, including employees, customers, shareholders, suppliers and the community as a whole, the Company also communicates with them on an on-going basis and comprehensively evaluates and identifies the relevant matters relating to the ESG.

A. ENVIRONMENTAL PROTECTION

The Company undertakes environmental protection as part of its corporate responsibilities, and the Company is fully aware of the importance of sustainable environmental development in achieving sustainability in its operations. The Company has implemented a number of measures such as reducing carbon emission, hazardous and non-hazardous waste, increasing energy efficiency and conserving water resources in order to deliver its commitment to environmental protection. For the year ended 31 December 2021, the Company is not aware of any material non-compliance with applicable standards, rules and regulations relating to the aspects discussed in this report.

A.1. Emissions

The Company has enhanced its management of emissions through technological and recycling solutions that seek to reduce the emission of relevant pollutants and greenhouse gases, waste and water management. When conducting its businesses, the Company makes every effort to minimise its impact to the environment and make sure that all related emissions standards are met. Regular assessments are conducted on the Company’s air and greenhouse gas emissions as well as the generation and disposal of hazardous and non-hazardous waste.

Our wholly-owned subsidiary Axiom Manufacturing Services Limited is accredited to ISO140001, and sets year on year targets to the reduction in the use of natural resources.

- Air conditioning is controlled.
- All waste paper, cardboard, and soft plastics are recycled.
- Energy saving light bulbs is used in the factory, car parks and for road lighting.
- Monitor water usage; however, water is not used in the production process.
- No smoking is permitted within the building.
- Recycling of plastic bottles, aluminium cans, cardboard bales, batteries take place.
- Electronic equipment is disposed of by specialist recycling companies.
- The company complies with the Control of Pollution Act and Environmental Protection Act in the UK.
- The company will also identify opportunities where new technology can be introduced to reduce energy consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



A1.1 Type of Emissions

A1.2 Greenhouse Gas Emissions:

Energy Type	Consumption	CO ₂ Emissions	CO ₂ Emissions/Person
Electricity	1,957,026 kWh	456.3 tonnes CO ₂ equivalent	1.506 tonnes CO ₂ equivalent
Gas	1,611,612 kWh	296.7 tonnes CO ₂ equivalent	0.979 tonne CO ₂ equivalent
Diesel	9,878 litres	25.7 tonnes CO ₂ equivalent	0.085 tonne CO ₂ equivalent
Total		778.7 tonnes CO ₂ equivalent	2.570 tonnes CO ₂ equivalent

A1.3 Hazardous Waste Produced

A1.4 Non-Hazardous Waste Produced

A1.5 Measures to Mitigate Emissions:

Type	Quantity	Quantity/Person	Reduction Measure
Hazardous	11 tonnes	0.036 tonne	Move to using unleaded solder paste in the manufacturing process
Non-Hazardous	76 tonnes	0.251 tonne	This is all the material that cannot currently be recycled. Move to recycling more and more waste
Cardboard	20 tonnes	0.066 tonne	Encourage customers to use returnable packaging
Soft Plastics	2 tonnes	0.007 tonne	Request supplier to use reusable packaging and move away from shrink wrapping and bubble wrapping raw material
Wood/Pallets	7 tonnes	0.023 tonne	Rebate scheme in place for the return of good pallets

The effectiveness of the reduction in waste materials is measured and reviewed annually as part of the companies accreditation to ISO14001.

A1.6 How are hazardous and non-hazardous waste handled

All different types of waste are segregated, and kept in secure areas until collected by the specialist waste disposal companies.

For the year under review, the Company complied with all the laws and regulations of environmental protection and emission of the locations the Company operates.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A.2. Use of Resources

The Company advocates the use of high-efficiency equipment, and strive to streamline the operational procedures, thereby reduce the consumption of fuel, electricity and water and improve the resource efficiency in its operations. The Company also applies energy saving measures in its workplaces including installation of an energy-saving lighting system, setting optimal temperature on the air-conditioning, and switching off the lighting and air-conditioning after office hours. The Company encourages its employees to switch off their computers and other office equipment when not utilized, and reduce the use of papers by assessing the necessity of printing and where appropriate to use duplex printing and reuse any single-side printed papers. The Company is committed to continue to reduce our paper, electric consumption and reduction of waste.

At our subsidiary Axiom Manufacturing Services Limited ("Axiom"):

- No toxic or harmful materials are produced
- No water is used in the production process therefore nothing is discharged into the waste water system
- No harmful gases are produced by production or emitted from the factory
- Fume hoods are used when employees work with adhesives
- Documents are sent electronically wherever possible

A2.1 Direct & Indirect energy consumption

Type	Consumption	Consumption/Person
Electricity	1,957,026 kWh	6,458.8 kWh
Gas	1,611,612 kWh	5,318.9 kWh
Water	5,002m ³	16.5m ³

A2.2 Water consumption:

- Water is not used in the manufacturing process, and only used by employees in the washroom areas and in the canteen

A2.3 Energy use efficiency initiatives:

- LED lighting – with motion detection sensors
- Temperature control systems have been updated to reduce energy consumption

A2.4 Sourcing of water, and efficiency initiatives

- Water is source from the local regulatory authority



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2.5 Total packaging material used for finished products

- Only cardboard that can be recycled is used with finished products
- Some customers use returnable packaging

A.3. Environment and Natural Resources

The Company encourages its employees to identify and adopt advanced technologies, if any, that are suitable for each stage of the production process so as to minimize the impact of the business on the environment. By regular environmental monitoring, the Company ensures that it strictly complies with relevant environmental laws and regulations in its daily operations and closely monitors and timely identifies, controls and manages important environmental matters.

The Company is committed to ensuring that its employees have clear understanding in the relevant policies and the specific requirements of the Company and to encouraging its business partners to align with the Company's policies to operate in a sustainable manner and achieve continuous improvement.

- All production equipment is CE marked to comply with European Union regulations
- Environmental guidelines are issued to all contractors
- The company also takes into consideration local guidelines from Natural Resources Wales

A3.1 Significant impacts of the environment

- Axiom has accreditation to ISO14001
- Axiom supports local Bee keeping allowing Beehives to be kept in the garden and wooded area of the site
- All employees undertake environmental awareness at induction
- The company has installed bird boxes on trees surrounding the building

A4. Climate Change

Axiom considers the guidelines of the Climate Control Act 2008 in the UK, which aims to reduce carbon dioxide emissions in the UK.

A4.1 Significant impacts of climate-related issues

The company aims to reduce its carbon footprint year on year, by the introduction of technology to reduce CO₂ emission. For example, by moving from away from diesel vehicles to electric wherever possible. The company has also acquired eight acres of woodland adjacent to the business, in order to preserve the area.

The company has planted one hundred cherry blossom trees around the main building.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL COMMITMENT

B.1. Employment and Labour Practices

To ensure that the Company is able to operate according to professional and ethical labour practices, the Company has developed clear work processes with control mechanisms which have been clearly communicated to all employees. Certain policies to govern employees' affairs such as payroll, attendance and termination are clearly set out in staff appointment letters in compliance with Hong Kong Employment Ordinance. All of the Company's subsidiaries are in compliance with the relevant labour laws and regulations in the countries or areas they operate.

The Company also aims to promote the diversity of workforce, including in terms of age, gender and nationality, as well as a culture of equal opportunity. The management regularly reviews the Company's remuneration policy in relation to relevant market standards.

B.2. Health and Safety

The Company has adopted a set of policies which is focused on maintaining a healthy and safe working environment, and which includes the following requirements:

- The facilities operated by employees should meet safety and health standards;
- Expert advice should be obtained to identify health and safety risk in the operations and the corresponding mitigating actions that should be taken; and
- Relevant information and training should be provided to employees in respect of risks to their health and safety which may arise out of their work.

The Company continues to monitor occupational health and safety, as well as procedures for dealing with related risks. The Company engages employees in the determination of appropriate occupational health and safety precautionary measures. Accident reporting and investigation procedures have also been adopted for the follow-up of any health and safety incidents.

Regular inspections and management review of health and safety have been performed to ensure the effectiveness of the policies and measures.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following occupational health & safety measures were adopted by our subsidiary Axiom Manufacturing Services Limited:

- Risk assessments are conducted on all equipment purchased by the company
- COSHH data available to all employees
- Fire Alarm testing every week and evacuations twice a year
- Accident and incident report every month
- First aiders trained on site
- The company provides an Occupation Health for all employees
- Visual acuity testing is conducted annually on all manufacturing employees
- Health and Safety awareness is provided to all employees on induction
- Annual Private Medical cover is provided for all employees
- Employee consultation group every month, where improvement suggestions are collated
- Health & Safety group meet monthly to identify improvements

For the year ended 31 December 2021, the Company had no safety accidents, and no casualties relating to occupational diseases and work-related injuries.

B.3. Development and Trainings

The Company strives to promote the long-term development of its employees by providing learning opportunities that broaden their skills and make them valuable assets to the Company.

To encourage employee development, the Company provides human resource trainings to help equip employees with the knowledge and relevant skills to help them develop managerial knowledge and other professional skills that help advance their careers. New employees are provided with on-board trainings to help them familiarize themselves with the culture, business and operations of the Company. In addition, for technical posts, every newly-hired employee will be provided with pre-job technical training to enhance the professional skills necessary for the job.

B.4. Labour Standards

The Company strictly prohibits the use of child and forced labour, and the Company is totally committed to creating a work environment which respects human rights.

The Company also complies with the relevant local labour regulations relating to working hours, minimum wage, rest and holidays to ensure the physical and mental health of all employees. Employees are not be forced to work beyond working hours and are entitled to overtime pay in accordance with local regulations.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At Axiom, there are certain measures to review employment practices to avoid child and forced labor:

- Anti-Slavery and Human Trafficking Policy
- Employees must have a National Insurance Number which is issued by the UK Government when the age of 16 is reached
- Comply with European Union Working Time Directive
- Comply with UK legislation in relation to the "Living Wage" and "Minimum Wage"
- Two Employee references are required prior to the commencement of employment
- A base line information check is performed on all employees upon employment, which covers age and nationality

B.5. Supply Chain Management

The Company manages its supply chain effectively. The Company values the partnership with suppliers and works together to promote sustainable development of the industries they operate. The Company continuously optimizes and improves the supplier management system, regulates the access, supervision, evaluation and departure of suppliers, and constantly increase specialization and transparency of supply chain management. The evaluation of a supplier mainly includes background, qualification, quality control of service, financial status, past performance in similar service, fulfilment of contract, professionalism of project team, operation in good integrity, social responsibilities are evaluated. Whether the supplier is qualified is determined based on the evaluation results, and those suppliers failed to meet the requirements ultimately will be disqualified. The Company values communication with suppliers, including continuous communication with suppliers in routine work and establishing strategic cooperation with suppliers through technical support and unique competitive advantage, which can achieve win-win situation and strengthen the cooperation with each other.

At Axiom, the Company manages its supply chain effectively and participates in regular weekly and monthly meetings with our major suppliers of electronic components. The Company will also conduct supplier quality audits (sometimes in conjunction with our customer) on other suppliers to assess their capability, and ensure they meet quality and safety requirements. The Company aim to have all its suppliers accredited to ISO9001 or an equivalent quality management system standard.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.6. Product Responsibility

The Company aims to achieve the highest possible standard with all the products and services provided. The Company has established relevant policies which cover product or service quality guarantee, safety, fair advertising and after-sale service in order to ensure relevant measures comply with the laws and regulations.

The Company pays highly attention to the quality and safety of its products and services. The Company sets up relevant quality and safety inspection procedures for different type of products and services, communicates and confirms the working plans with customers before the productions or services start and actively coordinate the process of the productions or projects with customers.

At Axiom, the company manufactures product to its customers design and specification. Therefore, the company ensures that all quality, safety and testing specifications that are agreed with the customer are met prior to the despatch of the product. The company's quality management system is accredited to ISO 9001:2015, AS9100, ISO13485.

The Company and its subsidiaries have close connection with their customers. If the customers do not satisfy the quality and the safety of the products or services, the Company will arrange sufficient channels and staffs for customers to communicate and provide the solutions to the problems as soon as possible.

The Company may involve the intellectual property rights of customers, suppliers and the Company in its business operations from time to time, therefore protection of intellectual property rights is extremely important. The Company adds protective clauses to the contracts entered into with customers and suppliers to safeguard the intellectual property rights whenever it is applicable.

With respect to fair advertising, the Company requires that accurate and true information on the Company's products or services have to be provided with the customers. Hotline and e-mail are also available for customers' enquiries on products and service details in order to provide better before-and-after-sale services.

For the year ended 31 December 2021, the Company had not received any complaints from the regulatory body or consumers regarding product safety, intellectual property rights, and data privacy, nor had it recalled any product due to product safety or health issues.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.7. Anti-Corruption, Bribery, Extortion, Fraud and Money Laundering

The Company promotes integrity and prevents unethical pursuits throughout its operations and tolerates no corruption or bribery in any form. The Company complies with laws or regulations relating to anti-corruption, bribery, extortion, fraudulent behaviour and money-laundering. The Company encourages the reporting of suspected business irregularities and provides clear channels specifically for this purpose. When suspected wrongdoings are identified, such as breach of duty, abuse of power, receiving bribes, staff should report to the Board of the Directors for investigation and verification, and report to the regulator and or to law enforcement authority when necessary.

For the year ended 31 December 2021, the Company had not been involved in any litigation related to corruption, and there had been no complaints about the involvement of its employees in corruption cases.

B.8. Community Investment

With social responsibility in mind, the Company and its subsidiaries have been supporting education, arts and culture, sports, and other charitable activities in many ways. The Company strives to promote social development and progress by contributing to education, charity and other areas. For example, at Axiom:

- Due to the continuing situation with Covid-19 community investment has been impacted during the year.
- Support local Primary Education Schools – with day visits to the manufacturing facility to encourage children to study Engineering – this was suspended due to Covid-19 but will hopefully restart in 2022.
- Supporting a local school with its environmental activities.
- Linked with local colleges – via our Apprenticeship Scheme, with new apprentices employed every year.
- Support Local Universities – through Graduate intern placements.
- Sponsorship of local Sports teams (Football and Rugby).

The Company also encourages and supports its employees to contribute to charities locally and nationally through donations or volunteering. In addition, the Company also created job opportunities in the areas where it operates to help local people develop their careers and enhance the local workforce as a whole. The Company conducts assessment from time to time on how its business activities relate to the interests of the communities where it locates, and to see if certain measures need to be taken to accelerate social progress by pushing forward education, sports, charity and other undertakings, as part of the to be responsible citizens.

On Behalf of the Board

Feng Zhong Yun
Managing Director

Hong Kong, 30 March 2022



INDEPENDENT AUDITOR'S REPORT



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TO THE MEMBERS OF ELATE HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Elate Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 135, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Impairment assessment on inventories in Madagascar

(refer to notes 4(m), 5(b)(v) and 21 to the consolidated financial statements)

As at 31 December 2021 the Group had inventories with carrying amount of US\$317,392,000, of which US\$297,304,000 represented graphite ores in Madagascar.

Management of the Group reviewed the net realisable values of the inventories at the end of the reporting period in accordance with the Group's accounting policies and concluded that there was no impairment of the inventories in Madagascar.

We consider this a key audit matter because the amount of inventories is significant to the consolidated financial statements and judgement is involved in determining whether the carrying amounts of the inventories are recoverable based on the current market conditions, and estimates for cost of completion and costs to make the sale for the products.

Our response:

Our key procedures in relation to the management's impairment assessment included:

- Inspecting the graphite ores held in Madagascar and estimate the quantities held carrying amount of US\$297,304,000 at 31 December 2021;
- Understanding management's assessment in estimating the net realisable values of the inventories and the internal procedures for making provision to write off or write down inventories to their net realisable values;
- Evaluating, according to the reasonableness of management's estimates with independent valuer for costs of completion and costs necessary to make the sale for the products subsequent to the end of the reporting period, and tracing to the source documents; and
- Evaluating the historical accuracy of the provision assessment of management by comparing the historical estimates to actual selling prices, and cost of completion and cost necessary to make the sale for the products in current year, and tracing, on a sample basis, to the source documents.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITOR'S REPORT

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

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

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

BDO Limited

Certified Public Accountants

Chan Tsz Hung

Practising Certificate no. P06693

Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 US\$'000	2020 US\$'000
Revenue	<i>6,7</i>	101,259	94,713
Cost of sales		(83,385)	(80,063)
Gross profit		17,874	14,650
Other income	<i>7</i>	3,975	4,690
General and administrative expenses		(14,690)	(12,640)
Impairment loss on financial assets, net		(800)	(2,383)
Deficit on revaluation of land and buildings	<i>14</i>	(299)	–
Fair value loss on financial assets at fair value through profit or loss	<i>24</i>	(2)	(72)
Profit from operating activities	<i>8</i>	6,058	4,245
Finance costs	<i>9</i>	(34)	(58)
Loss on disposal of subsidiaries, net		–	(563)
Share of results of a joint venture, net of tax	<i>19</i>	–	–
Profit before income tax expense		6,024	3,624
Income tax expense	<i>12</i>	(1,221)	(650)
Profit for the year		4,803	2,974
Attributable to:			
Owners of the Company		4,803	2,974
Non-controlling interests		–	–
Profit for the year		4,803	2,974
Earnings per share	<i>13</i>	US cents	US cents
Basic		0.07	0.05
Diluted		0.07	0.05

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 US\$'000	2020 US\$'000
Profit for the year		4,803	2,974
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		(340)	2,023
– Reclassification upon disposal of subsidiaries	<i>35</i>	–	593
Item that will not be reclassified to profit or loss:			
Gain on revaluation of land and buildings	<i>14</i>	982	–
Other comprehensive income for the year		642	2,616
Total comprehensive income for the year		5,445	5,590
Attributable to:			
Owners of the Company		5,445	5,590
Non-controlling interests		–	–
Total comprehensive income for the year		5,445	5,590

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
Non-current assets			
Property, plant and equipment	14	24,468	27,093
Investment properties	15	9,867	8,565
Right-of-use assets	16(a)	694	1,076
Intangible assets	17	320	416
Interest in a joint venture	19	2,133	1,992
Total non-current assets		37,482	39,142
Current assets			
Inventories	21	317,392	314,981
Trade receivables	22	26,297	20,783
Other receivables, deposits and prepayments	23	8,141	2,624
Financial assets at fair value through profit or loss	24	162	164
Cash and bank balances		18,380	21,373
Total current assets		370,372	359,925
Current liabilities			
Trade payables	25	9,197	7,232
Other payables and accruals	26	7,226	7,626
Contract liabilities	27	1,129	90
Lease liabilities	16(b)	276	429
Tax payable		1,538	428
Total current liabilities		19,366	15,805
Net current assets		351,006	344,120
Total assets less current liabilities		388,488	383,262

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 US\$'000	2020 US\$'000
Non-current liabilities			
Lease liabilities	<i>16(b)</i>	231	507
Deferred tax liabilities	<i>20</i>	387	330
Total non-current liabilities		618	837
NET ASSETS		387,870	382,425
Capital and reserves attributable to owners of the Company			
Share capital	<i>29</i>	607,060	607,060
Reserves		(219,190)	(224,635)
TOTAL EQUITY		387,870	382,425

On behalf of the board of directors

Feng Zhong Yun
Managing Director

Zhang Xue
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company				Total US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Translation reserve US\$'000	Revaluation reserve US\$'000	Accumulated losses US\$'000			
At 1 January 2021	607,060	2,393	5,184	(232,212)	382,425	–	382,425
Profit for the year	–	–	–	4,803	4,803	–	4,803
Other comprehensive income for the year	–	(340)	982	–	642	–	642
Total comprehensive income for the year	–	(340)	982	4,803	5,445	–	5,445
At 31 December 2021	607,060	2,053	6,166	(227,409)	387,870	–	387,870

	Attributable to owners of the Company				Total US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Translation reserve US\$'000	Revaluation reserve US\$'000	Accumulated losses US\$'000			
At 1 January 2020	599,596	(223)	5,184	(235,186)	369,371	6	369,377
Profit for the year	–	–	–	2,974	2,974	–	2,974
Other comprehensive income for the year	–	2,616	–	–	2,616	–	2,616
Total comprehensive income for the year	–	2,616	–	2,974	5,590	–	5,590
Disposal of subsidiaries (<i>note 35</i>)	–	–	–	–	–	(6)	(6)
Issue of shares upon conversion of convertible debentures	7,464	–	–	–	7,464	–	7,464
At 31 December 2020	607,060	2,393	5,184	(232,212)	382,425	–	382,425

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	<i>Note</i>	2021 US\$'000	2020 US\$'000
Net cash (used in)/generated from operating activities	<i>31(a)</i>	(957)	10,962
Cash flows from investing activities			
Additions of property, plant and equipment		(1,351)	(5,018)
Dividend income received		7	5
Disposal of subsidiaries, net of cash		–	13
Proceeds from disposal of intangible assets		–	15
Interest received		1	316
Net cash used in investing activities		(1,343)	(4,669)
Cash flows from financing activities			
Net proceeds from issue of shares upon conversion of convertible debentures		–	1,237
Payment of interest on lease liabilities		(34)	(58)
Payment of principal portion of lease liabilities		(428)	(401)
Net cash (used in)/from financing activities		(462)	778
Net (decrease)/increase in cash and cash equivalents		(2,762)	7,071
Cash and cash equivalents at beginning of the year		21,373	12,794
Effect of changes in foreign exchange rates		(231)	1,508
Cash and cash equivalents at end of the year		18,380	21,373
Analysis of cash and cash equivalents			
Cash and bank balances		18,380	21,373



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE INFORMATION

The Company is incorporated in Hong Kong with limited liability. Its principal place of business is situated at Unit 1002, 10/F, Euro Trade Centre, 13-14 Connaught Road Central and 21-23 Des Voeux Road Central, Hong Kong. The Company's securities are listed on The Stock Exchange of Hong Kong Limited for trading (Stock Code: 76).

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

2. BASIS OF PREPARATION

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, as explained in the accounting policies set out below.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 to the consolidated financial statements.

The consolidated financial statements are presented in United States dollars ("US\$"), which is the same as the functional currency of the Company.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.



2. BASIS OF PREPARATION (Continued)

Fair value measurement (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group measures the following items at fair value:

- Revalued land and buildings – Property, plant and equipment (note 14); and
- Financial assets at fair value through profit or loss (“FVTPL”) (note 24).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”). The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2. BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. ADOPTION OF HKFRSs

(a) **Adoption of new or revised HKFRSs**

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

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 beyond 30 June 2021. Impact on the adoption of the amended HKFRSs are discussed below.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021 (“2021 amendment”)

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 4(l)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021



3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs (Continued)

Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021 ("2021 amendment") (Continued)

The Group has early adopted the 2021 amendment in this year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

In accordance with the transitional requirements, the 2021 amendment has been applied retrospectively, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 January 2021.

The Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

(b) New or amended HKFRSs that have been issued but are not yet effective

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts ^{2,5}
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ^{2,4}
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

3. ADOPTION OF HKFRSs (Continued)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

HKFRS 17 and Amendments to HKFRS 17, Insurance Contracts

HKFRS 17 was issued as replacement for HKFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under HKFRS 9.



3. ADOPTION OF HKFRSs (Continued)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 17 and Amendments to HKFRS 17, Insurance Contracts (Continued)

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments clarify that entities are required to disclose their “material” rather than “significant” account policy. The amendments define what is “material accounting policy information” and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

3. ADOPTION OF HKFRSs (Continued)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.



3. ADOPTION OF HKFRSs (Continued)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2018-2020 Cycle

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another HKFRS.



4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(c) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- *Joint ventures*: where the Group has rights to only the net assets of the joint arrangement; or
- *Joint operations*: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangements (Continued)

Joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the joint ventures' net assets except that losses in excess of the Group's interest in the joint venture are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint venture. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Group's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Group on the basis of dividends received and receivable.

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination.

A CGUs to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGUs to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGUs is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Land and buildings

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed by qualified valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of reporting period.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset.

(f) Property, plant and equipment

Property, plant and equipment other than freehold land and buildings are stated at cost less accumulated depreciation and impairment loss, if applicable. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Nil
Buildings	10 to 36 years
Plant and machinery	10% – 20%
Furniture, fixtures and computers	14% – 50%
Motor vehicles	10% – 30%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year in which the item is derecognised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Construction in progress

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended uses.

(h) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. They are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment, if any.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rate used for this purpose is as follows:

Investment properties	10 to 36 years
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(i) Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

(i) Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Customer contract	7 years
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(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(t)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Film rights

Film rights are rights acquired or licensed from outsiders for exhibition and other exploitation of the films.

Film rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of film over their estimated useful lives which are determined based on individual title basis for two years after the showing of the respective film.

(k) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.



4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) *Impairment loss on financial assets (Continued)*

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless reasonable and supportable information demonstrate the otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless reasonable and supportable information demonstrate the otherwise.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(iv) *Convertible debentures*

The component of convertible debentures that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible debentures, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debentures; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible debentures based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the profit or loss.

(v) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.



4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Leasing

(i) *Accounting as a lessee*

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be initially recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at depreciated cost and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at depreciated cost.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at depreciated cost. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at revalued amount. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leasing (Continued)

(i) *Accounting as a lessee (Continued)*

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the Covid-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

(ii) *Accounting as a lessor*

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(m) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method/ first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

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

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) *Manufacture and sales of graphite products*

Customers obtain control of the minerals products when the goods are delivered to and have been accepted based on the shipping terms. Revenue is recognised upon when the customers accepted the minerals products. There is generally only one performance obligation. Invoices are usually payable within 90-120 days.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (Continued)

(ii) *Manufacture and sales of electronic products*

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 90 days.

Some of the Group's contracts with customers from the sale of products provide customers a right of return (a right to exchange another product). These rights of return do not allow the returned goods to be refunded in cash. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. In the comparative period, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provide that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made. As a result of the change in accounting policy, the adoption of HKFRS 15 does not result in significant impact on the Group's accounting policies, as an exchange by customers of one product for another of the same type, quality, condition and price is not considered a return for the purposes of applying HKFRS 15.

(iii) *Other income*

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income is recognised when the right to receive the dividend is established.

(o) Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

For a single contract with the customer, a net contract liability is presented. For multiple contracts, contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Government grants

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the profit or loss as revenue on a systematic basis over the useful life of the asset.

(q) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.



4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

The Group has arranged in Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. Under the MPF Scheme, each of the Group (the "employer") and its employees makes monthly contributions to the Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Ordinance. The contributions from employer and each of the employees respectively are subject to a cap of HK\$1,500 per month and thereafter contributions are voluntary. The assets of the MPF Scheme are held separately from those of the Group and managed by an independent trustee.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The subsidiary in the United Kingdom operates a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the subsidiary. Contributions to defined contribution retirement schemes are charged to the profit or loss as incurred.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount (i.e. the greater of the fair value less cost of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU (see note 4(d)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Company or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting that are used to make strategic decision provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

The Group has identified the following reportable operating segments:

Manufacture and sales of graphite products

Through a wholly-owned subsidiary, Elate Graphite Limited, the Company is engaged in the business of manufacture and sales of graphite products worldwide.

Manufacture and sales of electronic products

Through its wholly-owned subsidiary, Axiom Manufacturing Services Limited in the United Kingdom, the Company is engaged in the business of manufacture and sales of electronic products. Most of Axiom's customers are located within the United Kingdom.

Film production

Through its wholly-owned subsidiary, Elate Graphite Limited, the Company developed a cultural industry business and multi-media products, including making movies, TV shows and Internet programs.

Design and manufacturing

Through its wholly-owned subsidiary Greeve Limited, the Company is engaged in design and manufacturing business.



5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Given Covid-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

(i) *Determination of functional currency*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) *Impairment of goodwill and intangible assets*

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill and the intangible assets have been allocated. Value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(ii) *Income taxes*

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which the final tax outcome is determined.

Deferred tax assets relating to certain tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact, where applicable and appropriate, the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

Deferred tax liabilities arise when the carrying amounts of the identifiable assets acquired in a business combination are recognised at their fair values at the acquisition date but the tax bases of the assets remain at cost to the previous owner, therefore a taxable temporary difference arises.

(iii) *Estimated useful lives and impairment of property, plant and equipment and land use rights*

In accordance with HKAS 16 "Property, Plant and Equipment", the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a CGU is determined based on value in use calculations which require the use of assumptions and estimates.

(iv) *Depreciation of property, plant and equipment*

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.



5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(v) *Estimation of provision of inventories*

The management of the Group reviews the net realisable values of inventories at the end of the reporting periods based primarily on the latest contracted price and current market conditions, less the estimated costs of completion and costs to make the sale of the products (if any), to determine if any provision to write off or write down inventories to their net realisable values is necessary. Where the actual net realisable value of the inventories are less than expected, a material provision may arise.

(vi) *Impairment loss on trade and other receivables*

As disclosed in note 37(d), the measurement of impairment loss under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment loss and the assessment if a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(vii) *Impairment of joint ventures*

The impairment of joint ventures are based on 12-months ECLs in accordance with accounting policy stated in note 4(k)(ii). The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At the reporting date, the Company assess whether there has been a maximum exposure to credit risk on the carrying amount as at 31 December 2021.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

6. SEGMENT REPORTING

The Group has four reportable operating segments, as described in note 4(w).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before income tax expense. The adjusted profit/(loss) before income tax expense is measured consistently with the Group's profit/(loss) before income tax expense except that interest income, finance costs, dividend income, as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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 years ended 31 December 2021 and 2020 is set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

6. SEGMENT REPORTING (Continued)

(a) Business segments

For the year ended 31 December 2021

	Manufacture and sales of graphite products US\$'000	Manufacture and sales of electronic products US\$'000	Film production US\$'000	Design and manufacturing US\$'000	Total US\$'000
Revenue from external customers	23,894	75,956	–	1,409	101,259
Segment results	3,018	6,414	–	240	9,672
Unallocated income: Interest from amount due from a joint venture					164
Unallocated expense: Unallocated depreciation					(282)
Impairment loss on amount due from a joint venture					(23)
Staff costs					(476)
Corporate overhead					(2,997)
Profit from operating activities					6,058
Finance costs					(34)
Income tax expense					(1,221)
Profit for the year					4,803
Segment assets	335,088	41,976	–	315	377,379
Reconciliation of segment assets: Unallocated corporate assets					30,475
Total assets					407,854
Segment liabilities	(1,976)	(17,061)	–	(440)	(19,477)
Reconciliation of segment liabilities: Unallocated corporate liabilities					(507)
Total liabilities					(19,984)
Depreciation	2,052	1,279	–	15	3,346
Significant non-cash expenses	777	330	–	–	1,107
Capital expenditure additions	–	1,325	–	25	1,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

6. SEGMENT REPORTING (Continued)

(a) Business segments (Continued)

For the year ended 31 December 2020

	Manufacture and sales of graphite products US\$'000	Manufacture and sales of electronic products US\$'000	Film production US\$'000	Design and manufacturing US\$'000	Total US\$'000
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 expense: Unallocated depreciation					(269)
Impairment loss on 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

6. SEGMENT REPORTING (Continued)

(b) Disaggregation of revenue from contracts with customers

	Revenue		Total assets		Capital expenditure	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
United Kingdom	77,365	83,800	66,825	58,096	1,350	1,782
Hong Kong	–	–	23,952	13,695	1	–
China	–	860	–	–	–	–
Macau	–	–	303	2,783	–	1
Madagascar	23,894	10,053	316,774	324,493	–	3,235
	101,259	94,713	407,854	399,067	1,351	5,018

(c) Information about major customers

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

	2021 US\$'000	2020 US\$'000
Customer A	18,951	13,905
Customer B	18,565	23,269
Customer C (<i>note 1</i>)	11,529	N/A
Customer D (<i>note 2</i>)	N/A	17,224

Note 1: The customer contributed less than 10% of the Group's revenue for the year ended 31 December 2020.

Note 2: The customer contributed less than 10% of the Group's revenue for the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

7. REVENUE AND OTHER INCOME

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

An analysis of the Group's revenue and other income is as follows:

	2021 US\$'000	2020 US\$'000
Revenue from contracts with customers		
Manufacture and sales of graphite products	23,894	10,913
Manufacture and sales of electronic products	75,956	83,088
Design of electronic products	1,409	712
	101,259	94,713
Timing of revenue recognition		
At a point in time	101,259	94,713
Other income		
Bank interest income	1	2
Interest from other loan receivable	–	191
Interest from amount due from a joint venture	164	123
Dividend income	7	5
Government subsidy	–	68
Rental income	2,842	1,538
Foreign exchange gain, net	598	2,716
Sundry income	363	47
	3,975	4,690

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

	2021 US\$'000	2020 US\$'000
Trade receivables (<i>note 22</i>)	26,297	20,783
Contract liabilities (<i>note 27</i>)	1,129	90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

7. REVENUE AND OTHER INCOME (Continued)

The contract liabilities mainly relate to the advance consideration received from customers.

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is US\$1,129,000 (2020: US\$90,000). This amount represents revenue expected to be recognised in the future from partially-completed contracts of sales of graphite products. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 12 to 36 months.

8. PROFIT FROM OPERATING ACTIVITIES

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

	2021 US\$'000	2020 US\$'000
Depreciation:		
– owned property, plant and equipment and investment properties	3,251	3,061
– right-of-use assets included within:		
– leasehold land	–	4
– properties	218	208
– plant and machinery	159	156
Costs of inventories sold	83,385	80,063
Staff costs (including directors' remuneration (<i>note 10</i>))	18,246	17,829
Auditor's remuneration		
– audit fee	359	463
– other services	80	10
Impairment loss on inventories	330	208
Impairment loss/(reversal of impairment loss) on financial assets, net:		
– trade receivables	811	1,680
– other receivables and deposits	(34)	(10)
– amount due from a joint venture	23	713
Loss on disposal of intangible assets	–	754
Loss on disposal of subsidiaries, net	–	563
Short-term lease expenses	77	93
Foreign exchange gain, net	(598)	(2,716)

Included in cost of inventories sold is US\$12,830,000 (2020: US\$12,294,000) and US\$933,000 (2020: US\$1,901,000) relating to staff costs and depreciation of property, plant and equipment respectively. The amounts are also included in the respective total amounts as separately disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

9. FINANCE COSTS

	2021 US\$'000	2020 US\$'000
Interest on lease liabilities	34	58

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) is as follows:

Name of directors	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Retirement scheme contributions US\$'000	2021 Total US\$'000
Executive directors				
Zhang Xue	–	31	2	33
Feng Zhong Yun	–	15	–	15
Independent non-executive directors				
Chai Woon Chew	15	–	–	15
Ng Lai Po	23	–	1	24
Xu Jia Yin^	–	–	–	–
Ye Yi Fan@	15	–	–	15
	53	46	3	102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' remuneration (Continued)

Name of directors	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Retirement scheme contributions US\$'000	2020 Total US\$'000
Executive directors				
Zhang Xue	–	31	2	33
Feng Zhong Yun	–	15	–	15
Independent non-executive directors				
Lu Ren Jie*	2	–	–	2
Chai Woon Chew	15	–	–	15
Ng Lai Po	22	–	1	23
Han Zhi Jun [#]	15	–	–	15
Xu Jia Yin [^]	–	–	–	–
Ye Yi Fan [@]	–	–	–	–
	54	46	3	103

* Mr. Lu Ren Jie resigned as an independent non-executive director of the Company with effect from 10 January 2020.

[#] Mr. Han Zhi Jun resigned as an independent non-executive director of the Company with effect from 28 December 2020.

[^] Ms. Xu Jia Yin appointed as an independent non-executive director of the Company with effect from 28 December 2020 and resigned as an independent non-executive director of the Company with effect from 8 January 2021.

[@] Ms. Ye Yi Fan appointed as an independent non-executive director of the Company with effect from 8 January 2021.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Staff cost (including directors' remuneration)

	2021 US\$'000	2020 US\$'000
Fees	53	54
Salaries, allowances and other benefits in kind	18,084	17,661
Retirement scheme contributions	109	114
	18,246	17,829

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director (2020: Nil) details of whose remuneration are set out in note 10 above. The details of the remuneration of the five non-director (2020: five), highest paid employees are set out below:

	2021 US\$'000	2020 US\$'000
Salaries, allowances and other benefits in kind	2,821	1,903

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of non-directors	
	2021	2020
US\$0 to US\$128,200 (equivalent to HK\$0 to HK\$1,000,000)	1	1
US\$384,601 to US\$448,700 (equivalent to HK\$3,000,001 to HK\$3,500,000)	–	3
US\$448,701 to US\$576,900 (equivalent to HK\$3,500,001 to HK\$4,500,000)	–	1
US\$576,901 to US\$641,000 (equivalent to HK\$4,500,001 to HK\$5,000,000)	3	–
US\$769,201 to US\$833,300 (equivalent to HK\$6,000,001 to HK\$6,500,000)	1	–
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

12. INCOME TAX EXPENSE

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

	2021 US\$'000	2020 US\$'000
Hong Kong profits tax charge		
– Current	548	15
Overseas tax charge		
– Current	614	169
Deferred tax (<i>note 20</i>)	59	466
Tax charge for the year	1,221	650

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.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2021 US\$'000	2020 US\$'000
Profit before income tax expense	6,024	3,624
Tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	1,176	800
Tax effect of non-deductible expenses	828	1,095
Tax effect of non-taxable income	(652)	(928)
Tax loss recognised	–	(407)
Tax effect of other temporary differences not recognised	(131)	90
Income tax expense	1,221	650



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

13. EARNINGS PER SHARE

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

	2021 US\$'000	2020 US\$'000
Earnings		
Profit for the purposes of basic and diluted earnings per share	4,803	2,974
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	7,006,631,478	6,422,982,500

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

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding as at 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US\$'000	Plant and machinery US\$'000	Furniture, fixtures and computers US\$'000	Motor vehicles US\$'000	Constructions in progress US\$'000	Total US\$'000
Cost or valuation:						
At 1 January 2021	7,788	26,018	8,486	183	3,798	46,273
Exchange differences	(60)	(91)	(62)	-	-	(213)
Additions	-	1,103	248	-	-	1,351
Disposals	-	(375)	(10)	-	-	(385)
Revaluation, net	683	-	-	-	-	683
Transfer to investment properties (note 15)	-	-	-	-	(1,679)	(1,679)
Transfer	-	2,119	-	-	(2,119)	-
At 31 December 2021	8,411	28,774	8,662	183	-	46,030
Representing:						
Cost	-	28,774	8,662	183	-	37,619
Valuation	8,411	-	-	-	-	8,411
	8,411	28,774	8,662	183	-	46,030
Accumulated depreciation:						
At 1 January 2021	-	12,115	6,882	183	-	19,180
Exchange differences	-	(69)	(52)	-	-	(121)
Disposals	-	(375)	(10)	-	-	(385)
Charge for the year	-	2,468	420	-	-	2,888
At 31 December 2021	-	14,139	7,240	183	-	21,562
Net book value:						
At 31 December 2021	8,411	14,635	1,422	-	-	24,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings US\$'000	Plant and machinery US\$'000	Furniture, fixtures and computers US\$'000	Motor vehicles US\$'000	Constructions in progress US\$'000	Total US\$'000
Cost or valuation:						
At 1 January 2020	10,221	25,944	7,998	222	563	44,948
Exchange differences	194	463	309	(1)	–	965
Additions	–	1,567	216	–	3,235	5,018
Disposals of subsidiaries (<i>note 35</i>)	(3,881)	(702)	(37)	(38)	–	(4,658)
Transfer	1,254	(1,254)	–	–	–	–
At 31 December 2020	7,788	26,018	8,486	183	3,798	46,273
Representing:						
Cost	–	26,018	8,486	183	3,798	38,485
Valuation	7,788	–	–	–	–	7,788
	7,788	26,018	8,486	183	3,798	46,273
Accumulated depreciation:						
At 1 January 2020	1,436	10,069	6,272	215	–	17,992
Exchange differences	(20)	327	245	–	–	552
Disposal of subsidiaries (<i>note 35</i>)	(1,462)	(588)	(37)	(32)	–	(2,119)
Charge for the year	46	2,307	402	–	–	2,755
At 31 December 2020	–	12,115	6,882	183	–	19,180
Net book value:						
At 31 December 2020	7,788	13,903	1,604	–	3,798	27,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of net book value of properties is as follows:

	2021 US\$'000	2020 US\$'000
Properties		
– freehold outside Hong Kong	8,411	7,788

The freehold land and buildings were revalued on 31 December 2021 on the basis of their open market value by Cooke & Arkwright, an independent firm of chartered surveyors.

The Group's freehold land and buildings were classified under level 3 in the fair value hierarchy. A reconciliation of the opening and closing fair value balance is provided below.

	2021 US\$'000	2020 US\$'000
Opening balance (level 3 recurring fair value)	7,788	6,288
Exchange differences	(60)	246
Transfer	–	1,254
Gains included in other comprehensive income:		
Revaluation of land and buildings	982	–
Deficit on revaluation of land and building charged to profit or loss	(299)	–
Closing balance (level 3 recurring fair value)	8,411	7,788

The fair value of freehold land and buildings were determined based on the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of the freehold land and buildings under review. These adjustments are based on unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Details about the valuation inputs are as follows:

Properties	Location	Level	Valuation technique	Unobservable inputs	Range of unobservable inputs
Land and buildings	United Kingdom	3	Market comparable approach	Discount/Premium on quality and characteristics of properties	-5% to 5%

Higher premiums or discounts for differences in the quality and characteristics of the Group's properties would result in correspondingly higher or lower fair values.

There has been no change to the valuation technique during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

Had the Group's freehold land and buildings been measured on a historical cost basis, their carrying amount would have been US\$4,780,000 (2020: US\$5,176,000).

During the year ended 31 December 2021 there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

15. INVESTMENT PROPERTIES

	US\$'000
Cost:	
At 1 January 2020	9,379
Exchange differences	77
At 31 December 2020 and 1 January 2021	9,456
Transfer from construction in progress (<i>note 14</i>)	1,679
Exchange differences	(15)
At 31 December 2021	11,120
Accumulated depreciation:	
At 1 January 2020	581
Charge for the year	306
Exchange differences	4
At 31 December 2020 and 1 January 2021	891
Charge for the year	363
Exchange differences	(1)
At 31 December 2021	1,253
Net book value:	
At 31 December 2021	9,867
At 31 December 2020	8,565

The Group's investment properties are measured using a cost model and are leased to third parties under operating leases to earn rental income of US\$1,410,000 (2020: US\$758,000).

As at 31 December 2021, in the opinion of directors, the fair value of the Group's investment properties, with reference to recent market transactions valued by Roma Appraisals Limited and Cooke & Arkwright, an independent firm of chartered surveyors, were US\$10,453,000 (2020: US\$8,762,000).

The directors considered that no provision for impairment loss on the investment properties as they were all rented out and the cash inflows generated therefrom sufficiently cover the cost of the investment properties.

During the year ended 31 December 2021, there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

16. LEASES

(a) Right-of use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land US\$'000	Properties US\$'000	Plant and machinery US\$'000	Total US\$'000
At 1 January 2020	2,427	300	907	3,634
Additions	–	201	–	201
Disposal of subsidiaries (<i>note 35</i>)	(2,390)	–	–	(2,390)
Depreciation	(4)	(208)	(156)	(368)
Exchange differences	(33)	–	32	(1)
At 31 December 2020 and 1 January 2021	–	293	783	1,076
Depreciation	–	(218)	(159)	(377)
Exchange differences	–	–	(5)	(5)
At 31 December 2021	–	75	619	694

(b) Lease liabilities

The present value of future lease liabilities are analysed as:

	2021 US\$'000	2020 US\$'000
Current	276	429
Non-current	231	507
	507	936

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

16. LEASES (Continued)

(b) Lease liabilities (Continued)

	Leased properties US\$'000	Plant and machinery US\$'000	Total US\$'000
At 1 January 2020	313	796	1,109
Additions	201	–	201
Interest expense	36	22	58
Lease payments	(242)	(217)	(459)
Exchange differences	–	27	27
At 31 December 2020 and at 1 January 2021	308	628	936
Interest expense	11	23	34
Lease payments	(242)	(220)	(462)
Exchange differences	–	(1)	(1)
At 31 December 2021	77	430	507

Future lease payments are due as follows:

	Minimum lease payments 2021 US\$'000	Interest 2021 US\$'000	Present value 2021 US\$'000
Not later than one year	300	24	276
Later than one year and not later than two years	220	22	198
Later than two years and not later than five years	37	4	33
	557	50	507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

16. LEASES (Continued)

(b) Lease liabilities (Continued)

	Minimum lease payments 2020 US\$'000	Interest 2020 US\$'000	Present value 2020 US\$'000
Not later than one year	463	34	429
Later than one year and not later than two years	300	24	276
Later than two years and not later than five years	257	26	231
	1,020	84	936

(c) Operating leases – lessor

The Group's investment properties and property, plant and equipment are leased to third parties under operating leases to earn rental income. The minimum rent receivables under non-cancellable operating leases are as follows:

	2021 US\$'000	2020 US\$'000
Not later than one year	2,566	168
Later than one year and not later than two years	2,400	–
Later than two year and not later than three years	2,400	–
Later than three year and not later than four years	2,400	–
Later than four year and not later than five years	2,400	–
Later than five years	9,600	–
	21,766	168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

17. INTANGIBLE ASSETS

	Goodwill US\$'000	Customer contract US\$'000	Film right US\$'000	Total US\$'000
Cost:				
At 1 January 2020	171	602	12,136	12,909
Disposal	–	–	(12,136)	(12,136)
Exchange differences	–	23	–	23
At 31 December 2020 and 1 January 2021	171	625	–	796
Exchange differences	–	(4)	–	(4)
At 31 December 2021	171	621	–	792
Accumulated amortisation and impairment:				
At 1 January 2020	–	274	11,367	11,641
Charge for the year	–	93	–	93
Disposal	–	–	(11,367)	(11,367)
Exchange differences	–	13	–	13
At 31 December 2020 and 1 January 2021	–	380	–	380
Charge for the year	–	95	–	95
Exchange differences	–	(3)	–	(3)
At 31 December 2021	–	472	–	472
Carrying amount:				
At 31 December 2021	171	149	–	320
At 31 December 2020	171	245	–	416



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

17. INTANGIBLE ASSETS (Continued)

Goodwill and customer contract arose from the acquisition of 100% equity interest in Greeve Limited on 20 July 2016. Customer contract represents a sales agreement entered by Greeve Limited with a customer in the United Kingdom for 7 years. It was identified as an intangible asset upon the acquisition of Greeve Limited. The cost of the customer contract was measured at fair value at the date of acquisition. Subsequently, the customer contract is carried at cost less accumulated amortisation and accumulated impairment losses.

The recoverable amounts of Greeve Limited as at 31 December 2021 to which the goodwill and customer contract allocated were determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows over the five-year period are using an estimated weighted average growth rate of 0% (2020: 1.21%). Key assumptions were based on past performance, management estimation on market development and general inflation based on the growth rates which did not exceed the long-term average growth rates for the businesses in which the CGUs operates. The discount rates used for value in use calculations are pre-tax and reflected specific risks relating to the relevant CGUs.

The key assumptions used for value in use calculations are as follows:

	2021	2020
Discount rate	6.81%	6.76%
Terminal growth rate	2%	2%

Apart from the considerations described above in determining the value in use of the CGUs, management was not aware of any other probable changes that would necessitate changes in the key assumptions.

On 15 December 2020, the Company entered into an agreement with an independent third party to dispose of the film right at a consideration of HK\$120,000 (equivalent to approximately US\$15,000). On 30 December 2020, the disposal was completed and a loss on disposal of US\$754,000 was recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2021 US\$'000	2020 US\$'000
Unlisted shares, at cost	65	65
Amounts due from subsidiaries	77,172	79,438
	77,237	79,503
Provision for impairment	(51,533)	(51,533)
Carrying amount at 31 December	25,704	27,970

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Details of the subsidiaries as at 31 December 2021 and 2020 are as follows:

Company	Form of business structure	Place of incorporation	Place of operations	Issued/registered share capital	Percentage of issued share capital held by the Group		Principal activities
					2021 %	2020 %	
Axiom Manufacturing Services Limited	Limited liability company	United Kingdom	United Kingdom	13,564,002 ordinary shares of British Pound ("GBP") 1 each	100 ⁽¹⁾	100 ⁽¹⁾	Assembly of electronic components
Axiom MS Limited	Limited liability company	United Kingdom	United Kingdom	1,000 ordinary shares of GBP1 each	100 ⁽¹⁾	100 ⁽¹⁾	Property holding
Cityhill Limited	Limited liability company	Cayman Islands	Hong Kong	1 ordinary share of US\$1 each	100	100	Internet media
Comp International Limited	Limited liability company	British Virgin Islands	Hong Kong	64,300 ordinary shares of US\$1 each	100	100	Dormant
Comp Media & Advertising Limited	Limited liability company	Hong Kong	Hong Kong	200 ordinary shares of HK\$1 each	100 ⁽²⁾	100 ⁽²⁾	Dormant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

18. INTERESTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries as at 31 December 2021 and 2020 are as follows: (Continued)

Company	Form of business structure	Place of incorporation	Place of operations	Issued/registered share capital	Percentage of issued share capital held by the Group		Principal activities
					2021 %	2020 %	
Elate Graphite Limited	Limited liability company	Hong Kong	Hong Kong	1 ordinary share of HK\$1 each	100 ⁽¹⁾	100 ⁽¹⁾	Development of cultural industry and multi-media production and manufacture and sales of graphite products
Great Admirer Limited	Limited liability company	Hong Kong	Hong Kong	200 ordinary shares of HK\$1 each	100	100	Investment holding and securities trading
Greeve Limited	Limited liability company	United Kingdom	United Kingdom	700 ordinary shares of GBP1 each	100 ⁽¹⁾	100 ⁽¹⁾	Design and manufacturing
Elate (PTE.) Limited	Limited liability company	Singapore	Singapore	1 ordinary share of US\$1 each	100	100	Dormant

(1) Held indirectly

(2) 99.5% held directly and 0.5% held indirectly

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

19. INTEREST IN A JOINT VENTURE

The primary activity of Group's joint venture is trading of gold, which is in line with the Group's strategy to explore new business opportunities.

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with the joint venture. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

	2021 US\$'000	2020 US\$'000
Share of net assets	–	–
Amount due from a joint venture	3,553	3,389
Less: Provision for impairment (see below)	(1,420)	(1,397)
	2,133	1,992

The amount due from a joint venture is unsecured, interest bearing at 5% per annum and repayable at the end of the second year after the joint venture generates profits from its operations. The amount due from a joint venture will not be repaid to the Group on or before 31 December 2022. Therefore, it is included in non-current assets. The maximum exposure to credit risk as at 31 December 2021 was the carrying amount mentioned above. In general, the Group does not hold any collateral or other credit enhancements over the balance. The Group measures impairment loss based on the 12-months ECLs.

The following table reconciles the impairment allowance of amount due from a joint venture for the year:

	2021 US\$'000	2020 US\$'000
At 1 January	1,397	684
Impairment loss on amount due from a joint venture	23	713
At 31 December	1,420	1,397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

19. INTEREST IN A JOINT VENTURE (Continued)

Details of the joint venture are as follows:

Company	Place of incorporation	Place of operations	Issued/registered share capital	Percentage of issued share capital held by the Group		Principal activities
				2021 %	2020 %	
Gold Gold Gold Limited	Hong Kong	Hong Kong	10,000 ordinary shares of HK\$1.00 each	50	50	Trading of gold

The Group has discontinued recognition of its share of losses of the joint venture. The amounts of unrecognised share of the joint venture, extracted from the relevant management accounts of the joint venture, both for the year and cumulatively, are as follows:

	2021 US\$'000	2020 US\$'000
Accumulated unrecognised share of losses of the joint venture in prior years	1,290	755
Unrecognised share of losses of the joint venture for the year	297	535
	1,587	1,290

Summarised financial information of the joint venture, adjusted for any differences in accounting policies, is presented below:

	2021 US\$'000	2020 US\$'000
As at 31 December		
Current assets	5,569	902
Current liabilities	(4,885)	(624)
Net liabilities	(3,577)	(2,984)
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	1,379	400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

19. INTEREST IN A JOINT VENTURE (Continued)

	2021 US\$'000	2020 US\$'000
Revenue	279	428
Loss from operating activities	(593)	(1,070)
Other comprehensive income for the year	–	–
Total comprehensive income for the year	(593)	(1,070)
<i>Included in the above amounts are:</i>		
Depreciation and amortisation	1	1
Interest income	–	1

20. DEFERRED TAX

The following are the major deferred tax (liabilities)/assets recognised by the Group, and the movements thereon, during the current and prior years.

	Depreciation US\$'000	Tax losses carried forward US\$'000	Intangible asset US\$'000	Total US\$'000
At 1 January 2020	(164)	366	(62)	140
(Charged)/credited to profit or loss (<i>note 12</i>)	(111)	(373)	18	(466)
Exchange differences	(9)	7	(2)	(4)
At 31 December 2020 and 1 January 2021	(284)	–	(46)	(330)
(Charged)/credited to profit or loss (<i>note 12</i>)	(77)	–	18	(59)
Exchange differences	2	–	–	2
At 31 December 2021	(359)	–	(28)	(387)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

20. DEFERRED TAX (Continued)

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

	2021 US\$'000	2020 US\$'000
Deferred tax assets	–	–
Deferred tax liabilities	(387)	(330)
	(387)	(330)

Deferred tax asset has not been recognised for the following:

	2021 US\$'000	2020 US\$'000
Unused tax losses	3,223	3,223

No deferred tax asset has been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams.

21. INVENTORIES

	2021 US\$'000	2020 US\$'000
Raw materials	312,890	309,598
Work in progress	4,313	3,514
Finished goods	189	1,869
	317,392	314,981

The amount of inventories expected to be recovered after more than one year is US\$291,380,000 (2020: US\$297,295,000). All of the other inventories are expected to be recovered within one year.

During the year, a write-down of inventories of US\$330,000 (2020: US\$208,000) is recorded in cost of sales as presented in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

22. TRADE RECEIVABLES

	2021 US\$'000	2020 US\$'000
Trade receivables	26,297	20,783

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.

	2021 US\$'000	2020 US\$'000
0 – 30 days	7,592	8,803
31 – 60 days	6,500	5,434
61 – 90 days	2,448	2,355
Over 90 days	9,757	4,191
	26,297	20,783

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

As at 31 December 2021, the Group collectively assessed trade receivables and recognised a net impairment loss of US\$2,491,000 (2020: US\$1,680,000) on the trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

22. TRADE RECEIVABLES (Continued)

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables, including the trade receivables of a disposal group classified as held-for-sale, according to their past due dates:

	Expected loss rate	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
At 31 December 2021				
Current	0%	18,028	(1)	18,027
1 – 30 days	0%	1,944	–	1,944
31 – 60 days	0%	2,254	–	2,254
61 – 90 days	0%	2,529	–	2,529
Over 90 days	62%	4,033	(2,490)	1,543
		28,788	(2,491)	26,297

	Expected loss rate	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
At 31 December 2020				
Current	0%	12,378	(23)	12,355
1 – 30 days	14%	1,537	(210)	1,327
31 – 60 days	14%	2,104	(293)	1,811
61 – 90 days	9%	1,271	(117)	1,154
Over 90 days	20%	5,173	(1,037)	4,136
		22,463	(1,680)	20,783

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

22. TRADE RECEIVABLES (Continued)

The following table reconciles the impairment allowance of trade receivables for the year:

	2021 US\$'000	2020 US\$'000
At 1 January	1,680	–
Impairment loss on trade receivables	811	1,680
At 31 December	2,491	1,680

All receivables are due for settlement no more than 60 days after issue and collectability is reviewed on an ongoing basis.

The maximum exposure to credit risk as at 31 December 2021 was the carrying amount mentioned above. In general, the Group does not hold any collateral or other credit enhancements over these balances.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 US\$'000	2020 US\$'000
Other deposits and prepayments	7,648	957
Other receivables	493	1,667
	8,141	2,624

For the balances of other receivables, deposits and prepayments, the Group does not hold any collateral as security.

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above. Further details on the Group's credit policy and credit risk arising from other receivables and deposits are set out in note 37(d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The following table reconciles the impairment allowance of other receivables and deposits for the year:

	2021 US\$'000	2020 US\$'000
At 1 January	34	44
Impairment loss on other receivables and deposits	–	34
Reversal of impairment loss on other receivables and deposits	(34)	(44)
At 31 December	–	34

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 US\$'000	2020 US\$'000
Hong Kong listed shares	162	164

Movements during the year is as follows:

	<i>Notes</i>	2021 US\$'000	2020 US\$'000
As at 1 January		164	236
Net unrealised losses	<i>(i)</i>	(2)	(72)
As at 31 December	<i>(ii)</i>	162	164
Total net loss recognised in profit or loss related to financial assets at FVTPL held by the Group for the year		(2)	(72)

Notes:

- (i) During the year, the Group recognised unrealised losses on listed securities of US\$2,000 (2020: loss of US\$72,000)
- (ii) The maximum exposure to credit risk as at 31 December 2021 and 2020 is the carrying amounts mentioned above. In general, the Group does not hold any collateral or other credit enhancements over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021



25. TRADE PAYABLES

	2021 US\$'000	2020 US\$'000
Trade payables	9,197	7,232

The ageing analysis of the trade payables is as follows:

	2021 US\$'000	2020 US\$'000
0 – 30 days	5,491	4,815
31 – 60 days	1,708	1,720
61 – 90 days	1,842	605
Over 90 days	156	92
	9,197	7,232

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases ranged from 30 to 90 days.

26. OTHER PAYABLES AND ACCRUALS

	2021 US\$'000	2020 US\$'000
Other payables	374	833
Accruals	5,736	5,515
Other tax payable	1,116	1,278
	7,226	7,626

27. CONTRACT LIABILITIES

	2021 US\$'000	2020 US\$'000
<i>Contract liabilities arising from:</i>		
Sales of graphite products	1,129	90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

27. CONTRACT LIABILITIES (Continued)

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of graphite products

As noted above, the receipts in advance received from the customers remains as a contract liability until the goods have been transferred and accepted by the customer.

	2021 US\$'000	2020 US\$'000
At 1 January	90	3,508
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(90)	(44)
Increase in contract liabilities as a result of amounts received in advance from customers for goods that have not yet been transferred and/or not yet accepted by the customer	1,129	2,097
Disposal of subsidiaries (<i>note 35</i>)	–	(5,424)
Exchange differences	–	(47)
At 31 December	1,129	90

28. CONVERTIBLE DEBENTURES

Convertible Debenture 4 April 2021

On 11 April 2011, the Company entered into a subscription agreement with RTM Financial Corp., (“RTM”) for an aggregate of US\$250 million 3% interest convertible debentures due 4 April 2021 (“Convertible Debenture 4 April 2021”).

RTM shall have the right to make subscription and conversion of Convertible Debenture 4 April 2021 in whole or in part in multiples within the conversion period.

The Company will issue the portion of debenture which is fully paid. RTM has the right to convert at US\$0.50 (equivalent to HK\$3.90) per share, or the then effective par value at the time of conversion. However, due to the prolonged low prices of the Company’s shares, RTM stated that they would not subscribe any Convertible Debenture 4 April 2021 within the conversion period. As at the date of this report, there is no unpaid balance between RTM and the Company. The subscription agreement has expired on 4 April 2021.

During the year ended 31 December 2021, no (2020: Nil) Convertible Debenture 4 April 2021 was issued by the Company.

28. CONVERTIBLE DEBENTURES (Continued)

Convertible Debenture 31 December 2021

On 30 December 2015, the Company entered into a subscription agreement with Sinocreative Limited ("Sinocreative") for an aggregate amount of HK\$1,000 million 0% interest convertible debentures due on 31 December 2021 ("Convertible Debenture 31 December 2021"). Sinocreative has the right to make subscription of the Convertible Debenture 31 December 2021 one-off or by stages within the conversion period. Sinocreative is obliged to fully subscribe the Convertible Debenture 31 December 2021 and as an undertaking Sinocreative had paid HK\$1,000,000 up front deposit to the Company. The deposit will be refunded only when Convertible Debenture 31 December 2021 are fully subscribed.

The Company will issue the portion of debenture which is fully paid. Sinocreative has the right to convert at HK\$0.125 per share.

During the year ended 31 December 2021 and 2020, no Convertible Debenture 31 December 2021 was issued by the Company. The subscription agreement has expired on 31 December 2021.

The fair value of the debt component and the equity component was determined at each date of the issue of convertible debentures as it meets the fixed-for-fixed criteria.

Convertible Debenture 2028

On 25 April 2018, the Company entered into a subscription agreement with China Minerals International Limited ("CMI") for an aggregate amount of HK\$600 million 0% interest convertible debentures due on 25 April 2028 ("Convertible Debenture 2028"). CMI shall have the right to make subscription and conversion of Convertible Debenture 2028 in whole or in part in multiples of HK\$10,000 within the conversion period.

The Company will issue the portion of debenture which is fully paid. CMI has the right to convert at HK\$0.06 per share.

During the year ended 31 December 2021, no Convertible Debenture 2028 was issued by the Company.

During the year ended 31 December 2020, the Company issued Convertible Debenture 2028 in the aggregate principal amount, net of expenses, of approximately HK\$58,225,000 (equivalent to US\$7,464,000). Immediate following the issue of the Convertible Debenture 2028, 1,021,500,000 shares of the Company were issued.

It is the mutual agreement between the Company and the subscribers of the convertible debentures that immediate upon each subscription, the issued convertible debenture would be converted into shares of the Company.

Upon each conversion, the fair value of the issued convertible debentures (i.e. the amount received by the Company) was immediately be reclassified to the Company's share capital and share premium and therefore there would be no unconverted issued convertible debentures at the end of each reporting period. Accordingly as at 31 December 2020 and 31 December 2021, no financial liability or equity component is recorded in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

29. SHARE CAPITAL

	The Company			
	2021		2020	
	Number of ordinary shares	Amount US\$'000	Number of ordinary shares	Amount US\$'000
Issued and fully paid:				
At 1 January	7,006,631,478	607,060	5,985,131,478	599,596
Issue of shares upon conversion of the convertible debentures (<i>note</i>)	–	–	1,021,500,000	7,464
At 31 December	7,006,631,478	607,060	7,006,631,478	607,060

Note: During the year ended 31 December 2021, no ordinary share were issued upon conversion of the convertible debentures.

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\$58,225,000 (equivalent to US\$7,464,000) (*note* 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021



30. PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2021 US\$'000	2020 US\$'000
Non-current assets			
Property, plant and equipment		1	1
Right-of-use assets		75	293
Interests in subsidiaries	18	25,704	27,970
Amount due from a joint venture		2,038	1,950
		27,818	30,214
Current assets			
Other receivables, deposits and prepayments		162	112
Financial assets at fair value through profit or loss		2	2
Cash and bank balances		195	511
		359	625
Current liabilities			
Other payables and accruals		575	575
Lease liabilities		77	231
		652	806
Net current liabilities		(293)	(181)
Total assets less current liabilities		27,525	30,033
Non-current liabilities			
Lease liabilities		–	77
NET ASSETS		27,525	29,956
CAPITAL AND RESERVES			
Share capital	29	607,060	607,060
Reserves	30(a)	(579,535)	(577,104)
		27,525	29,956

On behalf of the directors

FENG ZHONG YUN
Managing Director

ZHANG XUE
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

30. PARENT COMPANY STATEMENT OF FINANCIAL POSITION (Continued)

(a) The movement of reserves during the year is as follows:

	Translation reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At 1 January 2020	128	(256,164)	(256,036)
Loss and total comprehensive income for the year	–	(321,068)	(321,068)
At 31 December 2020 and 1 January 2021	128	(577,232)	(577,104)
Loss and total comprehensive income for the year	–	(2,431)	(2,431)
At 31 December 2021	128	(579,663)	(579,535)

At 31 December 2021, the Company had no reserves (2020: Nil), as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap.622), available for distribution to shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash (used in)/generated from operating activities

	<i>Notes</i>	2021 US\$'000	2020 US\$'000
Profit before income tax expense		6,024	3,624
Dividend income	7	(7)	(5)
Interest income	7	(165)	(316)
Interest on lease liabilities	9	34	58
Fair value loss on financial assets at FVTPL	24	2	72
Deficit on revaluation of land and buildings	14	299	–
Depreciation	8	3,628	3,429
Amortisation of customer contract	17	95	93
Impairment loss on inventories	21	330	208
Impairment loss on amount due from a joint venture	19	23	713
Impairment loss on trade receivables	22	811	1,680
Reversal of impairment loss on other receivables and deposits, net	8	(34)	(10)
Loss on disposal of intangible assets	8	–	754
Loss on disposal of subsidiaries, net	8	–	563
Operating profit before working capital		11,040	10,863
(Increase)/decrease in inventories		(2,741)	1,208
Increase in trade receivables		(6,325)	(9,539)
(Increase)/decrease in other receivables, deposits and prepayments		(5,483)	7,890
Increase in amount due from a joint venture		–	(2,021)
Increase/(decrease) in trade payables		1,965	(547)
Increase in contract liabilities		1,039	2,053
(Decrease)/increase in other payables and accruals		(400)	1,055
Cash (used in)/generated from operating activities		(905)	10,962
Tax paid		(52)	–
Net cash (used in)/generated from operating activities		(957)	10,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	2021 US\$'000	2020 US\$'000
Lease liabilities (note 16(b))		
At 1 January	936	1,109
Changes from financing cash flows:		
Repayment of principal portion	(428)	(401)
Repayment of interest	(34)	(58)
Total changes from financing activities	(474)	(459)
Other changes:		
Additions	–	201
Interest expense	34	58
Exchange differences	(1)	27
At 31 December	507	936

(c) Major non-cash transactions

During the year ended 31 December 2020, the Company issued convertible debentures with aggregate principal amount, net of expenses, of approximately HK\$48,573,000 (equivalent to US\$6,227,000). The proceeds were settled against the amounts prepaid by the subscribers in previous years, which was recognised as other payables as at 31 December 2019.

32. CAPITAL COMMITMENTS

The Group had no capital commitment as at 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021



33. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in note 10(a) and certain of the highest paid employees as disclosed in note 11, is as follows:

	2021 US\$'000	2020 US\$'000
Salaries, allowances and benefits in kind	2,867	1,952

Total remuneration is included in "staff costs" as disclosed in note 10(b).

34. RELATED PARTY TRANSACTIONS

Saved for disclosed elsewhere in the consolidated financial statements, the Group has not entered into other material related party transactions during the years ended 31 December 2021 and 2020.

35. DISPOSAL OF SUBSIDIARIES

(a) During 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

35. DISPOSAL OF SUBSIDIARIES (Continued)

(a) (Continued)

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

	US\$'000
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 payable and accruals	(107)
Contract liabilities	(5,424)
Tax payable	(17,300)
Net assets disposed of	112
Cash consideration	120
Net assets disposed of	(112)
Gain on disposal	8
Net cash inflow arising on disposal:	
Cash consideration received	120
Cash and bank balances disposed of	(107)
	13

(b) On 30 December 2020, 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 USA and Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

35. DISPOSAL OF SUBSIDIARIES (Continued)

(b) (Continued)

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

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

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2021 US\$'000	2020 US\$'000
Financial assets		
Financial assets at FVTPL	162	164
Financial assets measured at amortised cost		
Trade receivables	26,297	20,783
Other receivables and deposits	515	1,689
Amount due from a joint venture	2,133	1,992
Cash and bank balances	18,380	21,373
	47,487	46,001
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	9,197	7,232
Other payables and accruals	7,226	7,626
Lease liabilities	507	936
	16,930	15,794



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

37. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group intends to use a combination of financial instruments to manage its financial risks.

The risk management of the Company, and its subsidiaries, are centralised at head office level in accordance with the Group's risk management policy. The Group identifies, evaluates and monitors financial risks closely with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, price risk, credit risk, liquidity risk, use of non-derivative financial instruments and cash management.

(a) *Foreign exchange risk*

The Group's entities have only a small amount of sales that are denominated in currencies other than the functional currency of that group entities. Therefore, the Group is not exposed much to foreign exchange.

The Group's reporting currency is US\$. Foreign currency exposures of the Group primarily arise from the Group's operations in the United Kingdom, whose functional currency are GBP. Foreign exchange swaps or forward contract and foreign exchange option may be employed to minimise the net exposure to foreign currency fluctuations.

(b) *Interest rate risk*

The interest rate risk arises from debt borrowing. Borrowing issued at variable rates exposes the Group to cash flow interest rate risk while borrowing issued at fixed rates expose the Group to fair value interest rate risk.

(c) *Price risk*

The Group is exposed to equity price risk through its investment in listed equity securities in Hong Kong. The management manage this exposure by maintaining a portfolio of investments with different risk and return profiles.

At 31 December 2021 it is estimated that an increase/decrease of 10%, 30% and 50% in market value of the trading securities, with all other variable held constant, profit for the year and the equity would increase/decrease by US\$16,000, US\$49,000 and US\$81,000 respectively.



37. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(d) Credit risk

The credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group's credit risk is primarily attributable to its trade receivables, other receivables and deposits and amount due from a joint venture. The Company's credit risk is primarily attributable to its other receivables and deposits, amounts due from subsidiaries and amount due from a joint venture. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's and the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 17% (2020: 17%) and 86% (2020: 85%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Trade receivables

Impairment on trade receivables under the ECLs model is set out in note 22.

The Group and the Company have adopted general approach to measure ECLs on other receivables and deposits, amount due from a joint venture and amount due from subsidiaries. Under the general approach, the Group and Company apply the "3-stage" impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

- Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.
- Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.
- Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

37. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(d) Credit risk (Continued)

Trade receivables (Continued)

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

When determining whether the risk of default has increased significantly since initial recognition, the Group and Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit risk assessment and including forward-looking information.

At the end of each reporting period, the Group and the Company assess whether a financial asset is credit-impaired. The Group and the Company considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group and the Company has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure of default. The assessment of the probability of default and loss given default is based on historical data and adjusted for forward-looking information through the use of country risk and experienced credit judgment to reflect the qualitative factors, and through the use of multiple probability-weighted scenarios.

Other receivables and deposits

The ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Amount due from a joint venture

Impairment on amount due from a joint venture under the ECLs model is set out in note 19.

Cash and cash equivalents

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited with credit worthy financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

37. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(e) Liquidity risk

Liquidity risk is prudently managed by maintaining sufficient amount of available committed credit facilities. In addition, the Group actively manages and extends its debt maturity profile to ensure that the Group's maturing debt each year will not exceed the anticipated cash flow and the Group's ability to refinance the debt in that year.

The contractual maturity of the lease liabilities is shown on note 16(b). The following non-derivative financial liabilities of the Group are repayable within one year or on demand.

	2021 US\$'000	2020 US\$'000
Trade payables	9,197	7,232
Other payables and accruals	7,226	7,626
	16,423	14,858

The amounts of undiscounted cash flows of the above liabilities are equal to their carrying amounts.

Fair value of financial instruments

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

- (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 and trade and other payables are assumed to approximate their fair values due to the short term maturities of these assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

37. FINANCIAL RISK MANAGEMENT (Continued)

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).

	2021			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Recurring fair value measurements: Financial assets at FVTPL	162	–	–	162

	2020			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Recurring fair value measurements: Financial assets at FVTPL	164	–	–	164

During the year, 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.

38. CAPITAL RISK MANAGEMENT

The purpose of the Group's capital management is to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of debt, which includes obligations under finance leases, cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021



38. CAPITAL RISK MANAGEMENT (Continued)

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, issuance of new capital shares, convertible debentures or new debts.

The gearing ratio at the end of reporting period was as follows:

	2021 US\$'000	2020 US\$'000
Lease liabilities	507	936
Less: cash and bank balances	(18,380)	(21,373)
	(17,873)	(20,437)
Equity attributable to owners of the Company	387,870	382,425
Net debt to equity ratio	N/A	N/A

39. DIVIDEND

The directors of the Company have decided not to declare any dividend for the year ended 31 December 2021 (2020: Nil).

40. IMPACT OF COVID-19

The Covid-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments.

The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.

As the global Covid-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the Covid-19 disruptions on its operating and financial performance for the financial year ending 31 December 2022. The Group will closely monitor the development of the epidemic and assess its impact on its operations.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 30 March 2022.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

For the years ended 31 December

	2021 US\$'000	2020 US\$'000	2019 US\$'000	2018 US\$'000	2017 US\$'000
Revenue	101,259	94,713	93,659	114,874	62,880
Profit/(loss) before income tax expense	6,024	3,624	(8,689)	1,350	(1,529)
Income tax expense	(1,221)	(650)	(645)	(2,457)	(498)
Profit/(Loss) for the year from continuing operations	4,803	2,974	(9,334)	(1,107)	(2,027)
Profit/(loss) for the year from discontinued operation	–	–	–	8,016	(4,881)
Profit/(loss) for the year	4,803	2,974	(9,334)	6,909	(6,908)
Non-controlling interests	–	–	–	–	2,669
Net profit/(loss) attributable to shareholders	4,803	2,974	(9,334)	6,909	(9,577)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

As at 31 December

	2021 US\$'000	2020 US\$'000	2019 US\$'000	2018 US\$'000	Restated 2017 US\$'000
Property, plant and equipment	24,468	27,093	26,956	20,574	21,999
Investment properties	9,867	8,565	8,798	8,830	1,856
Right-of-use assets	694	1,076	3,634	–	–
Prepaid lease payments	–	–	–	2,501	2,581
Intangible assets	320	416	1,268	5,323	14,784
Interest in a joint venture	2,133	1,992	–	–	–
Deferred tax assets	–	–	202	611	1,345
Loan receivables	–	–	–	3,587	–
Current assets	370,372	359,925	371,482	385,030	401,690
Total assets	407,854	399,067	412,340	426,456	444,255
Total liabilities	(19,984)	(16,642)	(42,963)	(59,627)	(80,310)
Non-controlling interests	–	–	(6)	(6)	(6)
	387,870	382,425	369,371	366,823	363,939