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## ELATE HOLDINGS LIMITED

誼礫控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 076)

### ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the “Board”) of Elate Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022 together with the comparative figures in 2021 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
Revenue	2	<b>100,189</b>	101,259
Cost of sales		<b>(87,244)</b>	(83,385)
Gross profit		<b>12,945</b>	17,874
Other income		<b>3,283</b>	3,975
General and administrative expenses		<b>(16,730)</b>	(14,690)
Reversal of impairment loss/(impairment loss) on financial assets, net	3	<b>1,515</b>	(800)
Deficit on revaluation of land and buildings		–	(299)
Fair value loss on			
– commodity		<b>(92)</b>	–
– financial assets at fair value through profit or loss		–	(2)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	3	<b>921</b>	6,058
Finance costs		<b>(41)</b>	(34)
Share of results of a joint venture, net of tax		–	–

	<i>Notes</i>	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>880</b>	6,024
Income tax expense	<i>4</i>	<b>(308)</b>	(1,221)
<b>PROFIT FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>572</b>	4,803
<b>Earnings per share</b>	<i>5</i>	<b>US cents</b>	US cents (Represented)
Basic		<b>0.16</b>	1.37
Diluted		<b>0.16</b>	1.37

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>US\$' 000</i>	2021 <i>US\$' 000</i>
<b>Profit for the year</b>	<u>572</u>	<u>4,803</u>
<b>Other comprehensive income</b>		
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	(5,284)	(340)
<b>Item that will not be reclassified to profit or loss:</b>		
Gain on revaluation of land and buildings	<u>730</u>	<u>982</u>
Other comprehensive income for the year	<u>(4,554)</u>	<u>642</u>
<b>Total comprehensive income for the year and attributable to owners of the Company</b>	<u><u>(3,982)</u></u>	<u><u>5,445</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>25,176</b>	24,468
Investment properties		<b>9,311</b>	9,867
Right-of-use assets		<b>713</b>	694
Intangible assets		<b>220</b>	320
Interest in a joint venture		<b>1,235</b>	2,133
Financial assets at fair value through profit or loss	<i>11</i>	<b>1,284</b>	–
<b>Total non-current assets</b>		<b>37,939</b>	37,482
<b>Current assets</b>			
Inventories		<b>332,035</b>	317,392
Trade receivables	<i>7</i>	<b>17,550</b>	26,297
Other receivables, deposits and prepayments	<i>8</i>	<b>8,252</b>	8,141
Commodity		<b>1,130</b>	–
Financial assets at fair value through profit or loss		<b>162</b>	162
Cash and bank balances		<b>12,074</b>	18,380
<b>Total current assets</b>		<b>371,203</b>	370,372
<b>Current liabilities</b>			
Trade payables	<i>9</i>	<b>18,253</b>	9,197
Other payables and accruals	<i>10</i>	<b>3,682</b>	7,226
Contract liabilities		<b>1</b>	1,129
Lease liabilities		<b>406</b>	276
Tax payable		<b>825</b>	1,538
<b>Total current liabilities</b>		<b>23,167</b>	19,366

	<i>Note</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
<b>Net current assets</b>		<u>348,036</u>	<u>351,006</u>
<b>Total assets less current liabilities</b>		<u>385,975</u>	<u>388,488</u>
<b>Non-current liabilities</b>			
Lease liabilities		108	231
Deferred tax liabilities		<u>695</u>	<u>387</u>
<b>Total non-current liabilities</b>		<u>803</u>	<u>618</u>
<b>NET ASSETS</b>		<u><u>385,172</u></u>	<u><u>387,870</u></u>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	<i>12</i>	608,344	607,060
Reserves		<u>(223,172)</u>	<u>(219,190)</u>
<b>TOTAL EQUITY</b>		<u><u>385,172</u></u>	<u><u>387,870</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

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

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

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

Except as describe below, the consolidated financial statements have been prepared in accordance with the same accounting policies and the method of the computation adopted by the Group in the consolidated financial statements for the year ended 31 December 2021.

#### Adoption of new or revised HKFRSs

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	Conceptual Framework for Financial Reporting
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

### ***Amendments to HKFRS 3, Reference to the Conceptual Framework***

Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

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

Amendments to HKAS 16 prohibit an entity from 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, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

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

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

### ***Annual Improvements to HKFRSs 2018-2020***

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 2. Revenue and segment information

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

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

### For the year ended 31 December 2022

	<b>Manufacture and sales of graphite products <i>US\$'000</i></b>	<b>Manufacture and sales of electronic products <i>US\$'000</i></b>	<b>Design and manufacturing <i>US\$'000</i></b>	<b>Total <i>US\$'000</i></b>
Revenue from external customers	<u>27,436</u>	<u>72,301</u>	<u>452</u>	<u>100,189</u>
Segment results	<u>2,713</u>	<u>3,532</u>	<u>(145)</u>	<u>6,100</u>
Unallocated income:				
Interest on amount due from a joint venture				164
Unallocated other income				31
Unallocated expenses:				
Unallocated depreciation				(287)
Impairment loss on amount due from a joint venture				(903)
Staff costs				(737)
Corporate overhead				<u>(3,447)</u>
Profit from operating activities				921
Finance costs				(41)
Income tax expense				<u>(308)</u>
Profit for the year				<u>572</u>
Segment assets	341,915	41,666	382	383,963
Reconciliation of segment assets: Unallocated corporate assets				<u>25,179</u>
Total assets				<u>409,142</u>
Segment liabilities	(6,974)	(15,230)	(152)	(22,356)
Reconciliation of segment liabilities: Unallocated corporate liabilities				<u>(1,614)</u>
Total liabilities				<u>(23,970)</u>
Depreciation	2,069	1,356	16	3,441
Significant non-cash (income)/expenses, net	(2,489)	310	–	(2,179)
Capital expenditure	<u>2,133</u>	<u>2,468</u>	<u>17</u>	<u>4,618</u>



**For the year ended 31 December 2021**

	Manufacture and sales of graphite products <i>US\$'000</i>	Manufacture and sales of electronic products <i>US\$'000</i>	Design and manufacturing <i>US\$'000</i>	Total <i>US\$'000</i>
Revenue from external customers	23,894	75,956	1,409	101,259
Segment results	3,018	6,414	240	9,672
Unallocated income:				
Interest on amount due from a joint venture				164
Unallocated other income				7
Unallocated expenses:				
Unallocated depreciation				(282)
Impairment loss on amount due from a joint venture				(23)
Staff costs				(476)
Corporate overhead				(3,004)
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, net	777	330	–	1,107
Capital expenditure	–	1,325	25	1,350

## Disaggregation of revenue from contracts with customers

	Revenue		Non-current assets	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
United Kingdom	72,753	77,365	15,642	15,804
Hong Kong	12,222	13,115	1,348	2,134
Germany	5,421	1,403	–	–
Singapore	4,393	3,194	–	–
China	4,142	2,453	–	–
Spain	1,258	2,640	–	–
Madagascar	–	–	19,477	19,469
Others	–	1,089	188	75
	<b>100,189</b>	<b>101,259</b>	<b>36,655</b>	<b>37,482</b>

## Information about major customers

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

	2022 US\$'000	2021 US\$'000
Customer A	18,483	18,951
Customer B	14,426	11,529
Customer C (note i)	12,752	N/A
Customer D (note ii)	N/A	18,565

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

*Note ii:* The customer contributed less than 10% of the Group's revenue for the year ended 31 December 2022.

	2022 US\$'000	2021 US\$'000
<b>Revenue from contracts with customers</b>		
Manufacture and sales of graphite products	27,436	23,894
Manufacture and sales of electronic products	72,301	75,956
Design of electronic products	452	1,409
	<b>100,189</b>	<b>101,259</b>

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

	2022 US\$'000	2021 US\$'000
Trade receivables	17,550	26,297
Contract liabilities	1	1,129

### 3. Profit from operating activities

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

	<b>2022</b>	2021
	<i>US\$'000</i>	<i>US\$'000</i>
Depreciation:		
– owned property, plant and equipment and investment properties	<b>3,353</b>	3,251
– right-of-use assets included within:		
– properties	<b>226</b>	218
– plant and machinery	<b>149</b>	159
Amortisation of customer contract	<b>89</b>	95
Costs of inventories sold	<b>87,244</b>	83,385
Staff costs (including directors' remuneration)	<b>15,749</b>	18,246
Auditor's remuneration		
– audit fee	<b>404</b>	359
– other services	<b>135</b>	80
Impairment loss on inventories	<b>239</b>	330
(Reversal of impairment loss)/impairment loss on financial assets, net:		
– trade receivables	<b>(2,418)</b>	811
– other receivables and deposits	<b>–</b>	(34)
– amount due from a joint venture	<b>903</b>	23
Short-term lease expenses	<b>111</b>	77
Foreign exchange losses/(gains), net	<b>2,819</b>	(598)

#### 4. Income tax expense

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Current – Hong Kong		
– Charge for the year	–	548
– Over-provision for prior years	(533)	–
Current – Elsewhere		
– Charge for the year	440	614
– Under-provision for prior years	29	–
Deferred tax	<u>372</u>	<u>59</u>
Tax charge for the year	<u><u>308</u></u>	<u><u>1,221</u></u>

No Hong Kong profits tax has been provided as the Group has no assessable profits arising in Hong Kong during the year ended 31 December 2022.

Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2021, 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.

#### 5. 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:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
<b>Earnings</b>		
Profit for the year for the purposes of basic and diluted earnings per share	<u>572</u>	<u>4,803</u>
		(Represented)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share (notes i & ii)	<u><u>352,662,670</u></u>	<u><u>350,331,573</u></u>

Note i. The weighted average number of ordinary shares for the prior year ended 31 December 2021 has been adjusted for the consolidation of shares implemented during the year. The basic earnings per share for the year ended 31 December 2021 has been adjusted retrospectively accordingly.

Note ii. 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 2022 and 2021.

## 6. Dividend

The directors of the Company have decided not to declare any dividend for the year ended 31 December 2022 (2021: Nil).

## 7. Trade receivables

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

	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
0 – 30 days	7,364	7,592
31 – 60 days	6,668	6,500
61 – 90 days	3,379	2,448
Over 90 days	139	9,757
	<u>17,550</u>	<u>26,297</u>

## 8. Other receivables, deposits and prepayments

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

	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
Other deposits and prepayments	8,251	7,648
Other receivables	1	493
	<u>8,252</u>	<u>8,141</u>

## 9. Trade payables

The ageing analysis of the trade payables is as follows:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
0 – 30 days	3,323	5,491
31 – 60 days	11,389	1,708
61 – 90 days	2,504	1,842
Over 90 days	1,037	156
	<u>18,253</u>	<u>9,197</u>

## 10. Other payables and accruals

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Other payables	414	374
Accruals	1,846	5,736
Other tax payable	1,422	1,116
	<u>3,682</u>	<u>7,226</u>

## 11. Financial assets at fair value through profit or loss

On 19 September 2022, the Company entered into a share swap agreement (the “Share Swap Agreement”) with an individual shareholder (the “Swap Shareholder”) of Scientific Energy, Inc. (“SEI”). SEI is a company incorporated in the United States and its shares are traded on the OTC Markets in the United States. SEI is the ultimate holding company of another equity owner of the Group’s joint venture. Pursuant to the Share Swap Agreement, the Company agreed to issue and allot a total of 250,250,000 ordinary shares to the Swap Shareholder for a total of 26,000,000 ordinary shares of SEI owned by the Swap Shareholder at a total market value of approximately US\$1,284,000 (the “Share Swap”). The Share Swap was completed on 25 October 2022, and since then the Company owns 9.87% of the issued equity interest of SEI and the Swap Shareholder owns 3.45% of the shares of the Company. Further details of the Share Swap are set out in the Company’s announcement dated 19 September 2022.

SEI’s shares are traded on the OTC Markets in the United States. As at 31 December 2022, the Group adopt its quoted closing price to measure its fair value and the investment was classified as Level 1 investment in the fair value hierarchy. During the year ended 31 December 2022, no fair value change was recognised in profit or loss as there is no significant movement of the share price since its initial recognition during the year.

## 12. Share capital

	The Company			
	2022			2021
	Number of ordinary shares	Amount <i>US\$'000</i>	Number of ordinary shares	Amount <i>US\$'000</i>
<b>Issued and fully paid:</b>				
At 1 January	7,006,631,478	607,060	7,006,631,478	607,060
Issue of shares on swap of a financial asset at fair value through profit or loss ( <i>note i</i> )	250,250,000	1,284	–	–
Share consolidation ( <i>note ii</i> )	<u>(6,894,037,405)</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December	<u>362,844,073</u>	<u>608,344</u>	<u>7,006,631,478</u>	<u>607,060</u>

*Note i:* Upon the completion of the Share Swap, the Company issued and allotted a total of 250,250,000 ordinary shares (each share at HK\$0.04) to the Swap Shareholder for a total of 26,000,000 ordinary shares of SEI at a market value of approximately US\$1,284,000 owned by the Swap Shareholder.

*Note ii:* Pursuant to a resolution passed at the extraordinary general meeting of the Company on 14 December 2022, a consolidation of share was approved with effect from 16 December 2022. Every twenty existing issued and unissued ordinary shares in the share capital of the Company were consolidated into one ordinary share. Details of the consolidation of shares are set out in the Company's circular dated 21 November 2022 and the Company's announcement dated 14 December 2022.

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

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

For the year ended 31 December 2022, the turnover of the Group was approximately \$100.2 million, a decrease of approximately \$1.1 million, or 1.1%, as compared to approximately \$101.3 million for the prior year. The net profit attributable to owners of the Company was approximately \$0.6 million, or \$0.16 cents earnings per share, as compared to net profit of approximately \$4.8 million, or \$1.37 cent per share, for the year of 2021. On the balance sheets, at 31 December 2022 the total assets of the Group were approximately \$409.1 million, as compared to approximately \$407.9 million at 31 December 2021, and the net assets of the Group were approximately \$385.2 million at 31 December 2022, as compared to approximately \$387.9 million at 31 December 2021.

### **BUSINESS REVIEW**

The Group’s main business segments are (i) manufacture and sales of graphite products worldwide, (ii) manufacture and sales of electronic products and (iii) design and manufacturing in the United Kingdom. Currently, due to the Covid-19 epidemic, the Group's multi-media production and movie making business operations has been suspended until the economic situation is improved and good projects are emerged.

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 owns a large amount of graphite ore inventory. The graphite production lines of the Company are now 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.



## **ACQUISITION OF SEI SHARES**

On 19 September 2022, the Company entered into a Share Swap Agreement, by which the Company swapped its 250,250,000 newly issued shares for 26 million of the common stock of Scientific Energy, Inc. (the “SEI Shares”), a company incorporated in the United States. The total consideration for the SEI shares was HK\$10,010,000. The Swap Shares were issued and allotted under the general mandate granted to the Board in the annual general meeting held on 6 June 2022. As a result of this acquisition, the Company owns 9.87% of SEI’s capital shares, and the swap shareholder owns 3.45% of the Company’s ordinary shares.

SEI conducts its businesses primarily through its 98.75% owned subsidiary, Macao E-Media Development Company Limited, a Macau Company (“MED”), which have five subsidiaries operated in Macau and Zhuhai, China. As Macau’s No.1 mobile platform of ordering and delivery services for restaurants or other merchants, SEI operates in Macau, and its businesses are built on its Aomi platform, which connects restaurants/merchants with consumers and delivery riders. For the year ended 31 December 2021, SEI’s Platform generated over 8,400,000 transactions, totaling \$1,049 million MOP (approximately US\$131 million) in Gross Merchandise Volume. As of 31 December 2021, SEI had approximately 620,100 registered Platform customers and served over 4,400 partnered Merchants.

The reasons for the acquire SEI Shares are business diversification. Coronavirus changed people’s daily lives and buying habit. Food delivery service boomed all over the world during lockdown period. It is seen that online purchase and delivery service increased even Covid restriction is easing. The Company believes delivery service in Hong Kong will be in high demand and can be optimized in the future. SEI is holding 98.75% of the share capital of MED, with a successful business model in Macau, MED can help to diversify the Company business in the future.

## **IMPACT OF THE RUSSIAN-UKRAINIAN WAR AND CLIMATE CHANGE ON OUR BUSINESS OPERATIONS**

The Group’s business operations have been impacted by the conflict in the Ukraine, particularly with the marked increase in the rate of inflation in 2022, driven by energy and gas prices. This has directly affected the energy costs of our graphite production and Axioms electronic business, and indirectly driven up material and labour costs, which gets passed on in supplier pricing and wage increase expectations. The Group has, to some extent, mitigated this cost by installing solar panels to its Axiom facility and are also renegotiating with its customers to try and pass on some of these increases whilst remaining competitive.

Climate change is the most pressing global challenge. Against the background of global climate actions, the Group has implemented measures to conserve energy and reduce greenhouse gas emissions. The Group is conscious that the frequency of extreme weather is increasing, which could impact its business operations. Managing the possible impact of extreme weather on human security and infrastructure, precautionary measures have been taken by the Group, including work arrangements for employees in the case of adverse weather conditions such as Black Rainstorm Warning and Typhoon Signal No. 8. For the year ended 31 December 2022, the Group was not affected materially by any climate-related issues.

## **RESULTS OF OPERATIONS**

For the year ended 31 December 2022, the Group's turnover was approximately \$100.2 million, a decrease of approximately \$1.1 million, or 1.1%, as compared to approximately \$101.3 million for the same period of the last year.

The turnover of the Group's graphite operations for the year was approximately \$27.4 million as compared to approximately \$23.9 million for the same period of the last year, an increase of 14.8%. The increase in sales of the Company's graphite products was primarily due to the easing of the Covid pandemic. Nevertheless, during the year, the significantly raising diesel fuel prices, the biggest part of our production costs, had negative impact on our profitability for the year.

For the year ended 31 December 2022, the turnover of the Group's electronics manufacturing service operation in the UK was approximately \$72.3 million, representing a decrease of approximately \$3.7 million, or 4.8%, as compared to approximately \$76.0 million for the year of 2021. Nonetheless, the underlying UK businesses continued to grow during 2022, despite the economic conditions that were influenced the conflict in Ukraine and global supply chain issues in the semiconductor sector. The business environment has moved on from the Covid pandemic of 2021, and this easing has also been reflected in the strength of its turnover in 2022. Turnover remained at a consistent level across all four quarters of the year. However, due to the US interest rate hike in 2022, the British Pound was depreciated by approximately 10.5% relative to the US dollar. As a result, in US dollar terms, sales decreased slightly. To consider excluding the exchange rate impact, the actual operating results were slightly higher than that in the last year.

## **OUTLOOK**

For the past three years, due to the Covid-19 pandemic, we have taken preventative measures related to graphite market due to possible weakened customer demand. Entering 2023, the situation is mixed. The good news is that the epidemic prevention policies of various countries have been adjusted, the market has begun to improve, and companies have more opportunities. What is worrying is that due to the complex international environment, geopolitical tensions, increasing uncertainties, soaring energy prices and high inflation, the world economy has not yet fully recovered. On the one hand, we will continue to work to protect our employees and the public, maintain business continuity and sustain our operations; and on the other hand, 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.

The graphite business of the Group operates in two markets: the Chinese domestic market and international market. China itself is the main producer of graphite, and the competition is intense and fierce. The demand in the international market is mainly refractory materials. The biggest production cost of the Group's graphite operation is diesel fuel cost. Due to the impact of the conflict between Russia and Ukraine in 2022, global energy prices skyrocketed and inflation intensified, resulting in weak markets and reduced customer orders, while oil prices remain high. It is estimated that the graphite market in 2023 will not be stable, and our graphite business will also face big challenges in terms of orders and production costs.

Management believes that the outlook for our UK businesses remains positive, with the open order book at the start of 2023 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 2024 and 2025. The UK cash position is strong with no significant debt, and the expected performance of the business in 2023 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. At 31 December 2022, the Group's cash and cash equivalents were approximately \$12.1 million as compared to approximately \$18.4 million as at 31 December 2021. As at 31 December 2022, the Group recorded net current assets of approximately \$348.0 million (2021: \$351.0 million). The Group had no bank borrowings as at 31 December 2022. As at 31 December 2022, the Group's gearing ratio, calculated as the lease liabilities divided by the amount of total equity, was 0.1% (2021: 0.1%).

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

By 31 December 2022, the Company has utilized approximately HK\$90,134,000 (approximately US\$11,556,000). 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	29,023,000	3,721,600
Wages	1,560,000	200,000
Others	5,527,400	708,100
	<hr/>	<hr/>
Total	<u>HK\$90,134,000</u>	<u>(US\$11,556,000)</u>

The unutilized amount of approximately HK\$478,866,000 (of which HK\$466,884,500 not yet received) are planned to be used in 2023-2026. 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	115,180,000	14,766,690
Road building	31,200,000	4,000,000
Wages	33,540,000	4,300,000
Others	32,289,600	4,139,710
Total	HK\$478,866,000	(US\$61,393,100)

The outbreak of Covid-19 has significantly increased economic and demand uncertainty across the world, and the spread of the 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 to closely monitor the economic impacts of the current global Covid-19 pandemic and other factors and aim to remain flexible and to optimize and grow its business operations as appropriate. Except the modified timeframe due to the outbreak of Covid-19, there were no material changes for the use of proceeds.

## **INDEBTEDNESS**

As at 31 December 2022:

- 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 2022 and up to the date of this announcement, there has been no material adverse change to the indebtedness of the Group.

## **CAPITAL COMMITMENTS**

As at 31 December 2022, there were no capital commitments to the Group related to the purchase of fixed assets (2021: Nil).

## **SIGNIFICANT INVESTMENTS HELD**

As at 31 December 2022, 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 2022.

## **CAPITAL STRUCTURE**

For the year ended 31 December 2022, 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 2022, the Group had 344 (2021: 310) 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.

## **DIVIDEND**

The Directors have decided not to declare any dividend for the year ended 31 December 2022 (2021: Nil).

## **SHARE CAPITAL**

Upon the completion of the Share Swap on 19 September 2022, the Company issued and allotted a total of 250,250,000 ordinary shares (each share at HK\$0.04) to the Swap Shareholder for a total of 26,000,000 ordinary shares of SEI at a market value of approximately US\$1,284,000 owned by the Swap Shareholder.

Pursuant to a resolution passed at the extraordinary general meeting of the Company on 14 December 2022, a consolidation of share was approved with effect from 16 December 2022. Every twenty existing issued and unissued ordinary shares in the share capital of the Company were consolidated into one ordinary share. Details of the consolidation of shares are set out in the Company's circular dated 21 November 2022 and the Company's announcement dated 14 December 2022.

Details of the share capital of the Company are set forth in Note 12 to the financial statements.

## **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 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 2022, except for two deviations as below:

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

Code provision C.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 C.1.6: 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 6 June 2022 in person due to other business engagements.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiries with all the Directors, the Company confirms that all the Directors have complied with the required standards as set out in the Model Code during the year ended 31 December 2022.

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

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries, purchased, sold, or redeemed any of the Company's securities.

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

At 31 December 2022, 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 2022, none of the Company's Directors had a material interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party.

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

## **SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTEREST IN SHARES**

As at 31 December 2022, 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 2022.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

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

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

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

Hong Kong, 30 March 2023

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