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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 2023

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 2023 together with the comparative figures in 2022 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 US\$'000	2022 US\$'000
Revenue	2	105,682	100,189
Cost of sales		(96,360)	(87,244)
Gross profit		9,322	12,945
Other income		3,265	3,283
General and administrative expenses		(12,083)	(16,730)
Impairment loss on goodwill		(171)	–
(Impairment loss)/reversal of impairment loss on financial assets, net	3	(1,491)	1,515
Fair value gains/(loss) on			
– commodity		155	(92)
– financial assets at fair value through profit or loss		3,004	–
<b>PROFIT FROM OPERATING ACTIVITIES</b>	3	<b>2,001</b>	921
Finance costs		(32)	(41)

	<i>Notes</i>	<b>2023</b> <i>US\$'000</i>	2022 <i>US\$'000</i>
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>1,969</b>	880
Income tax expense	<i>4</i>	<u><b>(154)</b></u>	<u>(308)</u>
<b>PROFIT FOR THE YEAR AND ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>1,815</b></u>	<u>572</u>
<b>Earnings per share</b>		<b>US cents</b>	US cents
Basic	<i>5</i>	<u><b>0.50</b></u>	<u>0.16</u>
Diluted		<u><b>0.50</b></u>	<u>0.16</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<b>2023</b> <i>US\$'000</i>	2022 <i>US\$'000</i>
<b>Profit for the year</b>	<u>1,815</u>	<u>572</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	2,388	(5,284)
<b>Item that will not be reclassified to profit or loss:</b>		
Gain on revaluation of land and buildings	<u>283</u>	<u>730</u>
Other comprehensive income for the year	<u>2,671</u>	<u>(4,554)</u>
<b>Total comprehensive income for the year and attributable to owners of the Company</b>	<u><u>4,486</u></u>	<u><u>(3,982)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<b>2023</b> <i>US\$'000</i>	2022 <i>US\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>24,182</b>	25,176
Investment properties		<b>9,040</b>	9,311
Right-of-use assets		<b>361</b>	713
Intangible assets		–	220
Interest in a joint venture		–	1,235
Financial assets at fair value through profit or loss	<i>11</i>	<b>4,279</b>	1,284
<b>Total non-current assets</b>		<b>37,862</b>	37,939
<b>Current assets</b>			
Inventories		<b>327,059</b>	332,035
Trade receivables	<i>7</i>	<b>34,819</b>	17,550
Other receivables, deposits and prepayments	<i>8</i>	<b>2,093</b>	8,252
Commodity		<b>1,285</b>	1,130
Financial assets at fair value through profit or loss	<i>11</i>	<b>163</b>	162
Cash and bank balances		<b>6,056</b>	12,074
<b>Total current assets</b>		<b>371,475</b>	371,203
<b>Current liabilities</b>			
Trade payables	<i>9</i>	<b>10,557</b>	18,253
Other payables and accruals	<i>10</i>	<b>7,002</b>	3,682
Contract liabilities		<b>387</b>	1
Lease liabilities		<b>108</b>	406
Tax payable		<b>903</b>	825
<b>Total current liabilities</b>		<b>18,957</b>	23,167

	<i>Note</i>	<b>2023</b> <i>US\$'000</i>	2022 <i>US\$'000</i>
<b>Net current assets</b>		<u>352,518</u>	<u>348,036</u>
<b>Total assets less current liabilities</b>		<u>390,380</u>	<u>385,975</u>
<b>Non-current liabilities</b>			
Lease liabilities		–	108
Deferred tax liabilities		<u>722</u>	<u>695</u>
<b>Total non-current liabilities</b>		<u>722</u>	<u>803</u>
<b>NET ASSETS</b>		<u><b>389,658</b></u>	<u><b>385,172</b></u>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	<i>12</i>	<b>608,344</b>	608,344
Reserves		<u><b>(218,686)</b></u>	<u>(223,172)</u>
<b>TOTAL EQUITY</b>		<u><b>389,658</b></u>	<u><b>385,172</b></u>

## NOTES TO THE CONSOLIDATED 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 2023 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 Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 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 Hong Kong 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 2022.

#### **Adoption of new or revised HKFRSs**

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model rules
HKFRS 17	Insurance Contracts and the related Amendments

The Group has not applied any new or amended HKFRS that is not yet effective for the current year.

None of these amendments has a material impact on the Group’s financial statements except as discussed below:

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

The HKICPA issued HKFRS Practice Statement 2 Making Materiality Judgements in March 2021 to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose ‘significant accounting polices’ with ‘material accounting policy information’. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies 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 2023

	<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>36,794</u>	<u>68,402</u>	<u>486</u>	<u>105,682</u>
Segment results	<u>444</u>	<u>2,873</u>	<u>(103)</u>	<u>3,214</u>
Unallocated income:				
Fair value gain on financial assets at fair value through profit or loss				3,004
Unallocated expenses:				
Unallocated depreciation				(284)
Impairment loss on goodwill				(171)
Impairment loss on amount due from a joint venture				(1,235)
Staff costs				(947)
Corporate overhead				<u>(1,580)</u>
Profit from operating activities				2,001
Finance costs				(32)
Income tax expense				<u>(154)</u>
Profit for the year				<u>1,815</u>
Segment assets	341,666	44,962	175	386,803
Reconciliation of segment assets: Unallocated corporate assets				<u>22,534</u>
Total assets				<u>409,337</u>
Segment liabilities	(2,755)	(15,484)	(72)	(18,311)
Reconciliation of segment liabilities: Unallocated corporate liabilities				<u>(1,368)</u>
Total liabilities				<u>(19,679)</u>
Depreciation	2,253	1,441	15	3,709
Amortisation	–	–	50	50
Significant non-cash expenses, net	142	114	–	256
Capital expenditure	<u>–</u>	<u>1,920</u>	<u>1</u>	<u>1,921</u>

**For the year ended 31 December 2022**

	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	27,436	72,301	452	100,189
Segment results	2,713	3,532	(145)	6,100
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				(3,447)
Profit from operating activities				921
Finance costs				(41)
Income tax expense				(308)
Profit for the year				572
Segment assets	341,915	41,666	382	383,963
Reconciliation of segment assets:				
Unallocated corporate assets				25,179
Total assets				409,142
Segment liabilities	(6,974)	(15,230)	(152)	(22,356)
Reconciliation of segment liabilities:				
Unallocated corporate liabilities				(1,614)
Total liabilities				(23,970)
Depreciation	2,069	1,356	16	3,441
Amortisation	–	–	89	89
Significant non-cash (income)/expenses, net	(2,489)	310	–	(2,179)
Capital expenditure	2,133	2,468	17	4,618

## Geographical information

	Revenue		Non-current assets	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
United Kingdom	68,888	72,753	16,281	15,642
Hong Kong	30,807	12,222	2	1,348
Germany	2,060	5,421	–	–
Spain	1,966	1,258	–	–
China	1,824	4,142	–	–
Singapore	95	4,393	–	–
Madagascar	–	–	17,224	19,477
Others	42	–	76	188
	<b>105,682</b>	<b>100,189</b>	<b>33,583</b>	<b>36,655</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:

	2023 US\$'000	2022 US\$'000
Customer A (Note i)	29,560	N/A
Customer B	17,138	18,483
Customer C (Note ii)	N/A	14,426
Customer D	12,172	12,752
Customer E	10,937	12,056

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

Note ii: The customer contributed less than 10% of the Group's revenue for the year ended 31 December 2023.

## Disaggregation of revenue from contracts with customers

	2023 US\$'000	2022 US\$'000
<b>Revenue from contracts with customers</b>		
Manufacture and sales of graphite products	36,794	27,436
Manufacture and sales of electronic products	68,402	72,301
Design of electronic products	486	452
	<b>105,682</b>	<b>100,189</b>

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

	2023 US\$'000	2022 US\$'000
Trade receivables (Note 7)	34,819	17,550
Contract liabilities	387	1

### 3. Profit from operating activities

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

	<b>2023</b>	2022
	<b>US\$'000</b>	US\$'000
Depreciation ( <i>Note (i)</i> ):		
– owned property, plant and equipment and investment properties	<b>3,622</b>	3,353
– right-of-use assets included within:		
– properties	<b>226</b>	226
– plant and machinery	<b>145</b>	149
Amortisation of customer contract	<b>50</b>	89
Cost of inventories sold ( <i>Note (ii)</i> )	<b>96,360</b>	87,244
Staff costs (including directors' remuneration ( <i>Note (iii)</i> ))	<b>15,457</b>	15,749
Auditor's remuneration		
– audit fee	<b>411</b>	404
– other services	<b>118</b>	135
Impairment loss on inventories	–	239
Impairment loss on goodwill	<b>171</b>	–
Impairment loss/(reversal of impairment loss) on financial assets, net:		
– trade receivables	<b>256</b>	(2,418)
– amount due from a joint venture	<b>1,235</b>	903
Short-term lease expenses	<b>93</b>	111
Foreign exchange loss, net	<b>45</b>	2,819
	<b><u>          </u></b>	<b><u>          </u></b>

#### Notes:

- (i) Included in depreciation there are US\$1,062,000 (2022: US\$1,012,000) and US\$2,931,000 (2022: US\$2,716,000) being classified under cost of inventories sold and general and administrative expenses respectively in the consolidated statement of profit or loss.
- (ii) Included in cost of inventories sold is US\$11,185,000 (2022: US\$11,247,000) and US\$1,062,000 (2022: US\$1,012,000) 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.
- (iii) Included in staff cost there are US\$11,185,000 (2022: US\$11,247,000) and US\$4,272,000 (2022: US\$4,502,000) being classified under cost of inventories sold and general and administrative expenses respectively in the consolidated statement of profit or loss.

#### 4. Income tax expense

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

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Current – Hong Kong		
– Charge for the year	–	–
– Over-provision for prior years	(58)	(533)
Current – Elsewhere		
– Charge for the year	647	440
– (Over)/under-provision for prior years	(422)	29
Deferred tax	(13)	372
	<u>154</u>	<u>308</u>
Tax charge for the year	<u>154</u>	<u>308</u>

During the year ended 31 December 2023, the Group has tax loss available to set off against assessable profits arising in Hong Kong. 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.

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:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
<b>Earnings</b>		
Profit for the year for the purposes of basic and diluted earnings per share	<u>1,815</u>	<u>572</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share ( <i>Note</i> )	<u>362,884,073</u>	<u>352,662,670</u>

*Note:* 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 2023.

## 6. Dividend

The directors of the Company have decided not to declare any dividend for the year ended 31 December 2023 (2022: 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>2023</b> <i>US\$'000</i>	2022 <i>US\$'000</i>
0 – 30 days	<b>9,819</b>	7,364
31 – 60 days	<b>10,030</b>	6,668
61 – 90 days	<b>4,720</b>	3,379
Over 90 days	<b>10,250</b>	139
	<hr/> <b>34,819</b> <hr/>	<hr/> 17,550 <hr/>

## 8. Other receivables, deposits and prepayments

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

	<b>2023</b> <i>US\$'000</i>	2022 <i>US\$'000</i>
Other deposits and prepayments	<b>589</b>	8,251
Other receivables	<b>1,504</b>	1
	<hr/> <b>2,093</b> <hr/>	<hr/> 8,252 <hr/>

## 9. Trade payables

The ageing analysis of the trade payables is as follows:

	2023 US\$'000	2022 US\$'000
0 – 30 days	5,436	3,323
31 – 60 days	3,141	11,389
61 – 90 days	813	2,504
Over 90 days	1,167	1,037
	<u>10,557</u>	<u>18,253</u>

## 10. Other payables and accruals

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

	2023 US\$'000	2022 US\$'000
Other payables	4,369	414
Accruals	2,355	1,846
Other tax payable	278	1,422
	<u>7,002</u>	<u>3,682</u>

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

	2023 US\$'000	2022 US\$'000
<b>Non-current assets</b>		
Share traded on the OTC Pink Market in the United States ( <i>Note</i> )	<u>4,279</u>	<u>1,284</u>
<b>Current assets</b>		
Hong Kong listed shares	<u>163</u>	<u>162</u>
	<u>4,442</u>	<u>1,446</u>

*Note:* 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 adopts 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			
	2023			2022
	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	362,844,073	608,344	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> )	–	–	(6,894,037,405)	–
At 31 December	<u>362,844,073</u>	<u>608,344</u>	<u>362,844,073</u>	<u>608,344</u>

*Note i:* Upon the completion of the Share Swap, the Company issued and allotted a total of 250,250,000 ordinary shares 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 2023, the turnover of the Group was approximately \$105.7 million, an increase of approximately \$5.5 million, or 5.5%, as compared to approximately \$100.2 million for the prior year. The net profit attributable to owners of the Company was approximately \$1.8 million, or \$0.50 cents earnings per share, as compared to net profit of approximately \$0.6 million, or \$0.16 cents per share, for the year of 2022. On the consolidated statement of financial position, at 31 December 2023 the total assets of the Group were approximately \$409.3 million, as compared to approximately \$409.1 million at 31 December 2022, and the net assets of the Group were approximately \$389.7 million at 31 December 2023, as compared to approximately \$385.2 million at 31 December 2022.

### **BUSINESS REVIEW**

The Group’s businesses 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.

The Company is engaged in the manufacture and sales of graphite products worldwide. 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 has graphite production lines and a warehouse in Madagascar, Africa, where the Company owns a large amount of graphite ore. 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**

In 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. (“SEI”), a company incorporated in the United States. The total consideration for the shares of SEI was HK\$10,010,000 (the “Share Swap”). Because 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 subsidiaries operated in Macau and Zhuhai, China. MED is the No.1 mobile platform of ordering and delivery services for restaurants or other merchants in Macau. MED’s businesses are built on its Aomi platform, which connects restaurants/merchants with consumers and delivery drivers.

The main reason for the Company’s acquisition of the SEI shares was business diversification. Covid-19 changed people’s daily lives and buying habit. Food delivery service boomed all over the world, and online purchase and delivery service increased rapidly 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.

## **Web 3.0 Related Business**

In May 2023, the Company acquired 100% share capital of GoMeta Limited, which was newly established in March 2023, intend to develop businesses related to Web 3.0, including but not limited to NFT, cryptocurrency and other projects that can create new business income for the Group. Currently GoMeta Limited is in preoperational stage.

## **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 inflation, driven by energy and gas prices. This has directly affected the energy costs of our graphite production and Axiom’s electronic manufacturing 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 in the case of adverse weather conditions such as Black Rainstorm Warning and Typhoon Signal No. 8. For the year ended 31 December 2023, the Group was not affected materially by any climate-related issues.

## RESULTS OF OPERATIONS

For the year ended 31 December 2023, the Group's turnover was approximately \$105.7 million, an increase of approximately \$5.5 million, or 5.5%, as compared to approximately \$100.2 million for the same period of the last year.

The turnover of the Group's graphite operations in 2023 was approximately \$36.8 million as compared to approximately \$27.4 million for the prior year, an increase of 34.1%. The year of 2023 was challenging. In 2022, a number of manufacturers in China launched too many artificial graphite projects, hoping to seize profits from batteries on electric vehicles. The production capacity of the artificial graphite exceeded 10 million tons, while the current market demand was less than 2 million tons per year. The overcapacity made the price of artificial anodes all the way down in 2023, and forced prices of artificial graphite below its production costs. Due to changes in market conditions, the orders for our lower-priced small graphite flakes increased in 2023, while the demand for our higher-priced large flakes decreased. Although the amount of our production and net profit were increased for the year, the weighted average selling price per unit of our products and our gross profit margin were a little lower than that in the prior year.

For the year ended 31 December 2023, the turnover of our UK electronics manufacturing plus design manufacturing service operation was approximately \$68.9 million, a decrease of approximately \$3.9 million, or 5.4%, as compared to approximately \$72.8 million for the prior year. Its turnover maintained at around £56 million for the third successive year, in line with expectations and continuing the strong trend of the previous five years. The underlying UK businesses remained strong and ahead of budget during 2023, despite the economic conditions that were influenced by 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 our turnover in 2023. Turnover remained at a consistent level across all four quarters of the year. Material purchase price variances in our UK operation segment were negative and adversely impacted by the volatility of USD exchange rate as well as general price increases caused by rising costs and component availability. This risk will ease as these cost rises have been reflected in our future pricing.

At our UK electronics manufacturing segment, 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.

## **OUTLOOK**

Entering 2024, the situation is mixed. The good news is that the Covid -19 epidemic prevention policies of various countries have been adjusted, the market has begun to improve, and companies have more opportunities. What are causing concern 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 and many challenges are still ahead of us.

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. As the graphite landscape continues to evolve and consolidate, competition increased. The demand in the international market is mainly refractory materials. Due to the impact of the conflict between Russia and Ukraine in 2022, global raw material prices rise steeply and inflation intensified, resulting in weak markets and reduced and/or changed customer orders. The graphite market in 2024 will, most likely, not be stable, and our graphite business will face big challenges in market conditions and customer orders.

Management believes that the outlook for our UK businesses remains positive, with the open order book at the start of 2024 is at its highest level and because of this management expects turnover to rise during the year between 8-10% to £60 million. Also, customers are already placing orders for demand to be satisfied in 2025 and 2026. The UK cash position is strong with no significant debt, and the expected performance of the business in 2024 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**

At 31 December 2023, the Group's cash and cash equivalents were approximately \$6.1 million as compared to approximately \$12.1 million as at 31 December 2022. As at 31 December 2023, the Group recorded net current assets of approximately \$352.5 million (2022: \$348.0 million). The Group had no bank borrowings as at 31 December 2023. As at 31 December 2023, the Group's gearing ratio, calculated as the lease liabilities divided by the amount of total equity, was 0.03% (2022: 0.10%).

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.



## **INDEBTEDNESS**

As at 31 December 2023:

- 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 2023 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 2023, there were no capital commitments to the Group related to the purchase of fixed assets (2022: Nil).

## **SIGNIFICANT INVESTMENTS HELD**

As at 31 December 2023, 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 2023.

## **CAPITAL STRUCTURE**

For the year ended 31 December 2023, there were no change in capital structure of the Company. The capital of the Company comprises ordinary shares and reserves.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2023, the Group had 314 (2022: 344) 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 2023 (2022: Nil).

## **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.

## **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 C1 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited for the year ended 31 December 2023, except for a deviation 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.

## **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 C3 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 2023.

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

During the year ended 31 December 2023, neither the Company, nor any of its subsidiaries, purchased, sold, or redeemed any of the Company’s securities.

## **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), Ms. Ye Yi Fan and Dr. Yan Shao Shi.

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 2023.

## **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 2023 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 HKICPA and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

## **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, 28 March 2024

*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. Ng Lai Po, Ms. Ye Yi Fan and Dr. Yan Shao Shi being independent non-executive directors.*