

誼 礫

Elate Holdings Limited

STOCK CODE : 76



Interim Report 2022

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The Board of Directors (the “**Board**”) of Elate Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

| | Notes | Six months ended | |
|--|-------|--|--|
| | | 30 June 2022 Unaudited US\$'000 | 30 June 2021 Unaudited US\$'000 |
| Revenue | 3 | 52,918 | 54,324 |
| Cost of sales | | (42,139) | (41,423) |
| Gross profit | | 10,779 | 12,901 |
| Other income | | 1,904 | 3,027 |
| General and administrative expenses | | (6,944) | (10,531) |
| Impairment loss on financial assets, net | | (798) | (93) |
| Fair value loss on financial assets at fair value through profit or loss | | – | (1) |
| PROFIT FROM OPERATING ACTIVITIES | 4 | 4,941 | 5,303 |
| Finance costs | | (21) | (8) |
| PROFIT BEFORE INCOME TAX EXPENSE | | 4,920 | 5,295 |
| Income tax expense | 5 | (1,374) | (1,480) |
| PROFIT FOR THE PERIOD | | 3,546 | 3,815 |
| | | US cents | US cents |
| Earnings per share | 6 | | |
| Basic | | 0.051 | 0.054 |
| Diluted | | 0.051 | 0.054 |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

| | Six months ended | |
|---|-------------------------|---------------------|
| | 30 June | 30 June |
| | 2022 | 2021 |
| | Unaudited | Unaudited |
| | US\$'000 | US\$'000 |
| PROFIT FOR THE PERIOD | 3,546 | 3,815 |
| OTHER COMPREHENSIVE INCOME | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | <u>(5,211)</u> | <u>509</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>(1,665)</u> | <u>4,324</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

| | | 30 June 2022 Unaudited US\$'000 | 31 December 2021 Audited US\$'000 |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 25,582 | 24,468 |
| Investment properties | | 9,502 | 9,867 |
| Right-of-use assets | | 674 | 694 |
| Intangible assets | | 263 | 320 |
| Interest in a joint venture | | 1,875 | 2,133 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 37,896 | 37,482 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Inventories | | 326,729 | 317,392 |
| Trade receivables | 8 | 25,876 | 26,297 |
| Other receivables, deposits and prepayments | 9 | 5,764 | 8,141 |
| Financial assets at fair value through profit or loss | 10 | 162 | 162 |
| Cash and bank balances | | 18,499 | 18,380 |
| | | <hr/> | <hr/> |
| Total current assets | | 377,030 | 370,372 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Trade payables | 11 | 10,650 | 9,197 |
| Other payables and accruals | 12 | 14,265 | 7,226 |
| Contract liabilities | | 152 | 1,129 |
| Lease liabilities | | 413 | 276 |
| Tax payable | | 2,827 | 1,538 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 28,307 | 19,366 |
| | | <hr/> | <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

| | 30 June 2022 Unaudited US\$'000 | 31 December 2021 Audited US\$'000 |
|---|--|--|
| <i>Note</i> | | |
| Net current assets | <u>348,723</u> | <u>351,006</u> |
| Total assets less current liabilities | <u>386,619</u> | <u>388,488</u> |
| Non-current liabilities | | |
| Leases liabilities | 75 | 231 |
| Deferred tax liabilities | <u>339</u> | <u>387</u> |
| Total non-current liabilities | <u>414</u> | <u>618</u> |
| NET ASSETS | <u>386,205</u> | <u>387,870</u> |
| Capital and reserves attributable to owners of the Company | | |
| Share capital | 14 607,060 | 607,060 |
| Reserves | <u>(220,855)</u> | <u>(219,190)</u> |
| TOTAL EQUITY | <u>386,205</u> | <u>387,870</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2022

(Expressed in US\$'000)

| | Share capital | Translation reserve | Revaluation reserve | Accumulated losses | Total equity |
|--|------------------|------------------------|------------------------|-----------------------|-----------------|
| At 1 January 2022 | <u>607,060</u> | <u>2,053</u> | <u>6,166</u> | <u>(227,409)</u> | <u>387,870</u> |
| Total comprehensive income for the period | <u>-</u> | <u>(5,211)</u> | <u>-</u> | <u>3,546</u> | <u>(1,665)</u> |
| At 30 June 2022 | <u>607,060</u> | <u>(3,158)</u> | <u>6,166</u> | <u>(223,863)</u> | <u>386,205</u> |
| | Share capital | Translation reserve | Revaluation reserve | Accumulated losses | Total equity |
| At 1 January 2021 | <u>607,060</u> | <u>2,393</u> | <u>5,184</u> | <u>(232,212)</u> | <u>382,425</u> |
| Total comprehensive income for the period | <u>-</u> | <u>509</u> | <u>-</u> | <u>3,815</u> | <u>4,324</u> |
| At 30 June 2021 | <u>607,060</u> | <u>2,902</u> | <u>5,184</u> | <u>(228,397)</u> | <u>386,749</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2022*

| | Six months ended | |
|---|-------------------------|--------------|
| | 30 June 2022 | 30 June 2021 |
| | Unaudited | Unaudited |
| | US\$'000 | US\$'000 |
| NET CASH FROM OPERATING ACTIVITIES | 7,497 | 7,051 |
| NET CASH USED IN INVESTING ACTIVITIES | (3,453) | (625) |
| NET CASH USED IN FINANCING ACTIVITIES | (225) | (221) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,819 | 6,205 |
| Cash and cash equivalents at the beginning of period | 18,380 | 21,373 |
| Effect of foreign exchange rate changes | (3,700) | 509 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | 18,499 | 28,087 |

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation

The condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The condensed consolidated financial statements for the six months ended 30 June 2022 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

2. Changes in Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

The following amendments are effective for the period beginning 1 January 2022:

| | |
|--|--|
| Amendments to HKAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to HKAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> |
| Amendments to HKFRS 3 | <i>References to Conceptual Framework</i> |
| Annual Improvements to HKFRS Standards 2018-2020 | <i>Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41</i> |

The adoption of these new or amended HKFRSs did not have any material impact on the Group’s accounting policies.

3. Revenue and segment information

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment performance for the six months ended 30 June 2022 and 2021 is set out below:

For the six months ended 30 June 2022

(Expressed in US\$'000)

| | Manufacture and sales of graphite products | Manufacture and sales of electronic products | Design and manufacturing | Total |
|----------------------------------|---|---|-------------------------------------|----------------|
| Revenue from external customers | <u>16,001</u> | <u>36,804</u> | <u>113</u> | <u>52,918</u> |
| Segment results | 5,104 | 2,552 | (239) | 7,417 |
| Unallocated income and expenses | | | | <u>(2,476)</u> |
| Profit from operating activities | | | | 4,941 |
| Finance costs | | | | (21) |
| Income tax expense | | | | <u>(1,374)</u> |
| Profit for the period | | | | <u>3,546</u> |

For the six months ended 30 June 2021

(Expressed in US\$'000)

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

4. Profit from operating activities

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

| | Six months ended | |
|---|-------------------------|-----------|
| | 30 June | 30 June |
| | 2022 | 2021 |
| | Unaudited | Unaudited |
| | US\$'000 | US\$'000 |
| Depreciation: | | |
| – owned property, plant and equipment and investment properties | 1,665 | 1,444 |
| – right-of-use assets | 188 | 109 |
| Interest from amount due from a joint venture | (28) | (81) |

5. Income tax expense

For the six months ended 30 June 2022, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

6. Earnings per share

The calculation of basic and diluted earnings per share is based on the net profit attributable to the owners of the Company for the six months ended 30 June 2022 of US\$3,546,000 (2021: US\$3,815,000), and 7,006,631,478 (2021: 7,006,631,478) weighted average ordinary shares in issue during the period.

Diluted earnings per share is of the same amount as the basic earnings per share as there was no potential dilutive ordinary shares outstanding as at 30 June 2022 and 2021.

7. Property, plant and equipment

During the six months ended 30 June 2022 the Group acquired approximately US\$3,508,000 (2021: US\$710,000) of property, plant and equipment.

8. Trade receivables

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

| | 30 June 2022 Unaudited US\$'000 | 31 December 2021 Audited US\$'000 |
|--------------|--|--|
| 0-30 days | 9,539 | 7,592 |
| 31-60 days | 4,144 | 6,500 |
| 61-90 days | 515 | 2,448 |
| Over 90 days | 11,678 | 9,757 |
| | 25,876 | 26,297 |

9. Other receivables, deposits and prepayments

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

| | 30 June 2022 Unaudited US\$'000 | 31 December 2021 Audited US\$'000 |
|--------------------------------|--|--|
| Other deposits and prepayments | 5,763 | 7,648 |
| Other receivables | 1 | 493 |
| | 5,764 | 8,141 |

10. Financial assets at fair value through profit or loss

| | 30 June 2022 Unaudited US\$'000 | 31 December 2021 Audited US\$'000 |
|-------------------------|--|--|
| Hong Kong listed shares | 162 | 162 |

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

11. Trade payables

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

| | 30 June 2022 Unaudited US\$'000 | 31 December 2021 Audited US\$'000 |
|--------------|--|--|
| 0-30 days | 3,309 | 5,491 |
| 31-60 days | 3,959 | 1,708 |
| 61-90 days | 2,357 | 1,842 |
| Over 90 days | 1,025 | 156 |
| | 10,650 | 9,197 |

12. Other payables and accruals

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

| | 30 June 2022 Unaudited US\$'000 | 31 December 2021 Audited US\$'000 |
|-------------------|--|--|
| Other payables | 11,106 | 374 |
| Accruals | 1,821 | 5,736 |
| Other tax payable | 1,338 | 1,116 |
| | 14,265 | 7,226 |

13. Dividend

The Directors have decided not to declare any interim dividend for the six months ended 30 June 2022 (2021: Nil).

14. Share capital

| | Number of ordinary shares | Amount US\$'000 |
|---|--|----------------------------|
| Issued and fully paid: At 1 January 2021 (audited), 31 December 2021 (audited) and 30 June 2022 (unaudited) | 7,006,631,478 | 607,060 |

15. Fair value measurement of financial instruments

Fair value of financial instruments

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

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

Fair value measurement recognised in the condensed consolidated financial statements

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

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

| | Level 1 | Level 2 | Level 3 | 30 June 2022 Total Unaudited US\$'000 |
|---|------------|----------|----------|--|
| | US\$'000 | US\$'000 | US\$'000 | |
| Recurring fair value measurements: | | | | |
| Financial assets at fair value through profit or loss | <u>162</u> | <u>–</u> | <u>–</u> | <u>162</u> |
| | Level 1 | Level 2 | Level 3 | 31 December 2021 Total Audited US\$'000 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Recurring fair value measurements: | | | | |
| Financial assets at fair value through profit or loss | <u>162</u> | <u>–</u> | <u>–</u> | <u>162</u> |

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

16. Compensation of Key Management Personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors and certain of the highest paid employees, is as follows:

| | Six months ended | |
|---|-------------------------|-----------|
| | 30 June | 30 June |
| | 2022 | 2021 |
| | Unaudited | Unaudited |
| | US\$'000 | US\$'000 |
| Salaries, allowances and benefits in kind | 2,683 | 926 |

17. Related party transactions

Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group has not entered into other material related party transaction for the six months ended 30 June 2022 and 2021.

18. Approval of the Condensed Consolidated Interim Financial Statements

The Board of Directors of the Company approved the condensed consolidated interim financial statements on 30 August 2022.



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

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

For the six months ended 30 June 2022, the revenue of the Group was approximately \$52.9 million, a decrease of approximately \$1.4 million, or 2.6%, as compared to approximately \$54.3 million for the same period of prior year. The net profit attributable to owners was approximately \$3.5 million, as compared to net profit of approximately \$3.8 million, for the same period of the prior year. As at 30 June 2022, the total assets of the Group were approximately \$414.9 million, as compared to approximately \$407.9 million at 31 December 2021, and the net assets of the Group were approximately \$386.2 million at 30 June 2022, as compared to approximately \$387.9 million at 31 December 2021.

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 owns a large amount of graphite ore. 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 six months ended 30 June 2022, the Group's turnover was approximately \$52.9 million, a decrease of approximately \$1.4 million, or 2.6%, as compared to approximately \$54.3 million for the same period of the last year.

The turnover of the Group's graphite operations for the six months ended 30 June 2022 was approximately \$16.0 million as compared to approximately \$15.7 million for the same period of the last year, an increase of 1.9%.

For the six months ended 30 June 2022, the turnover of the Group's electronics manufacturing service operation was approximately \$36.8 million, representing a decrease of approximately \$0.9 million, or 2.5%, as compared to approximately \$37.7 million for the same period of the last year. During the six months under review, compared to the same period last year, the British Pound depreciated by approximately 11.9% against the US dollar. Excluding the factor of exchange rate changes, for the six months ended 30 June 2022, Group's electronics manufacturing service operation performed well.

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 and 2021, mainly due to its participation in the UK Government's Covid-19 Ventilator Challenge in 2020. During the period under the review, 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 in demand for our graphite products.

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.

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 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. Axiom 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. Axiom 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 30 June 2022, the Group's cash and bank balances were approximately \$18.5 million as compared to approximately \$18.4 million as at 31 December 2021. As at 30 June 2022, the Group recorded net current assets of approximately \$348.7 million (31 December 2021: \$351.0 million). The Group had no bank borrowings as at 30 June 2022. As at 30 June 2022, the Group's gearing ratio, calculated as the lease liabilities divided by the amount of total equity, was 0.1% (31 December 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 30 June 2022, 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 |
| | <u>HK\$73,494,000</u> | <u>(US\$9,422,400)</u> |
| Total | HK\$73,494,000 | (US\$9,422,400) |

The amount of the unconverted debentures 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 |
| | <u>HK\$495,506,000</u> | <u>(US\$63,526,410)</u> |
| Total | <u>HK\$495,506,000</u> | <u>(US\$63,526,410)</u> |

The outbreak of Covid-19 has significantly increased economic and demand uncertainty across the world, and the spread of the 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 30 June 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 30 June 2022 and up to the date of this announcement, there has been no material adverse change to the indebtedness of the Group.

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 30 June 2022, there were no capital commitments to the Group related to the purchase of fixed assets (2021: Nil).

Significant Investments Held

As at 30 June 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 six months ended 30 June 2022.

Capital Structure

For the six months ended 30 June 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 30 June 2022, the Group had 310 (2021: 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.

Interim Dividend

The Directors have decided not to declare any interim dividend for the six months ended 30 June 2022 (2021: Nil).

Share Capital

During the six months ended 30 June 2022, 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.

ADDITIONAL INFORMATION

Compliance with the Code of Corporate Governance Practices

The Company has complied with all the code provisions of Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2022, except for two deviations as below:

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

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive and Mr. Feng Zhong Yun currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive in Mr. Feng Zhong Yun 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.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 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 six months ended 30 June 2022.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the six months ended 30 June 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 30 June 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.

Substantial Shareholders and Other Person’s Interest in Shares

As at 30 June 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 Unaudited Condensed Consolidated Interim Financial Statements

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 three independent non-executive directors: Mr. Ng Lai Po, Mr. Chai Woon Chew, and Ms. Ye Yi Fan. Mr. Ng is the Audit Committee's Chairman, who has appropriate professional qualifications or accounting or related financial management expertise as set forth in 3.10(2) of the Listing Rules. 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 the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters, including the review of this unaudited interim results of the Company for the six months ended 30 June 2022.

Publication of Interim Results

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

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

Hong Kong, 30 August 2022

As at the date of this report, 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.