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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 2021

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 2021 together with the comparative figures in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Revenue	3	101,259	94,713
Cost of sales		(83,385)	(80,063)
Gross profit		17,874	14,650
Other income		3,975	4,690
General and administrative expenses		(14,690)	(12,640)
Impairment loss on financial assets, net	4	(800)	(2,383)
Deficit on revaluation of land and buildings		(299)	–
Fair value loss on financial assets at fair value through profit or loss		(2)	(72)
PROFIT FROM OPERATING ACTIVITIES	4	6,058	4,245
Finance costs		(34)	(58)
Loss on disposal of subsidiaries, net	14	–	(563)
Share of results in a joint venture, net of tax		–	–
PROFIT BEFORE INCOME TAX EXPENSE		6,024	3,624
Income tax expense	5	(1,221)	(650)
PROFIT FOR THE YEAR		4,803	2,974

	<i>Note</i>	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
ATTRIBUTABLE TO:			
Owners of the Company		4,803	2,974
Non-controlling interests		—	—
		<hr/>	<hr/>
PROFIT FOR THE YEAR		4,803	2,974
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share		<i>US cents</i>	<i>US cents</i>
Basic	<i>6</i>	0.07	0.05
		<hr/> <hr/>	<hr/> <hr/>
Diluted		0.07	0.05
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment		24,468	27,093
Investment properties		9,867	8,565
Right-of-use assets		694	1,076
Intangible assets		320	416
Interest in a joint venture		2,133	1,992
		<hr/>	<hr/>
Total non-current assets		37,482	39,142
		<hr/>	<hr/>
Current assets			
Inventories		317,392	314,981
Trade receivables	<i>8</i>	26,297	20,783
Other receivables, deposits and prepayments	<i>9</i>	8,141	2,624
Financial assets at fair value through profit or loss		162	164
Cash and bank balances		18,380	21,373
		<hr/>	<hr/>
Total current assets		370,372	359,925
		<hr/>	<hr/>
Current liabilities			
Trade payables	<i>10</i>	9,197	7,232
Other payables and accruals	<i>11</i>	7,226	7,626
Contract liabilities		1,129	90
Lease liabilities		276	429
Tax payable		1,538	428
		<hr/>	<hr/>
Total current liabilities		19,366	15,805
		<hr/>	<hr/>

	<i>Note</i>	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Net current assets		<u>351,006</u>	<u>344,120</u>
Total assets less current liabilities		<u>388,488</u>	<u>383,262</u>
Non-current liabilities			
Lease liabilities		231	507
Deferred tax liabilities		<u>387</u>	<u>330</u>
Total non-current liabilities		<u>618</u>	<u>837</u>
NET ASSETS		<u><u>387,870</u></u>	<u><u>382,425</u></u>
Capital and reserves attributable to owners of the Company			
Share capital	<i>13</i>	607,060	607,060
Reserves		<u>(219,190)</u>	<u>(224,635)</u>
TOTAL EQUITY		<u><u>387,870</u></u>	<u><u>382,425</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 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 2020.

Adoption of new or revised HKFRSs

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

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

The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021. Impact on the adoption of the amended HKFRSs are discussed below.

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

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

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

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

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

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

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

3. Revenue and segment information

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

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

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>	Film production <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 from amount due from a joint venture					164
Unallocated expenses: Unallocated depreciation					(282)
Impairment loss on amount due from a joint venture					(23)
Staff costs					(476)
Corporate overhead					(2,997)
Profit from operating activities					6,058
Finance costs					(34)
Income tax expense					(1,221)
Profit for the year					4,803
Segment assets	335,088	41,976	–	315	377,379
Reconciliation of segment assets: Unallocated corporate assets					30,475
Total assets					407,854
Segment liabilities	(1,976)	(17,061)	–	(440)	(19,477)
Reconciliation of segment liabilities: Unallocated corporate liabilities					(507)
Total liabilities					(19,984)
Depreciation	2,052	1,279	–	15	3,346
Significant non-cash expenses	777	330	–	–	1,107
Capital expenditure additions	–	1,325	–	25	1,350

For the year ended 31 December 2020

	Manufacture and sales of graphite products <i>US\$'000</i>	Manufacture and sales of electronic products <i>US\$'000</i>	Film production <i>US\$'000</i>	Design and manufacturing <i>US\$'000</i>	Total <i>US\$'000</i>
Revenue from external customers	10,913	83,088	–	712	94,713
Segment results	(1,249)	7,542	(754)	6	5,545
Unallocated income: Interest from amount due from a joint venture					123
Unallocated expenses: Unallocated depreciation					(269)
Impairment loss on amount due from a joint venture					(713)
Staff costs					(144)
Corporate overhead					(297)
Profit from operating activities					4,245
Finance costs					(58)
Loss on disposal of subsidiaries, net					(563)
Income tax expense					(650)
Profit for the year					2,974
Segment assets	337,409	31,390	–	735	369,534
Reconciliation of segment assets: Unallocated corporate assets					29,533
Total assets					399,067
Segment liabilities	(531)	(15,001)	–	(208)	(15,740)
Reconciliation of segment liabilities: Unallocated corporate liabilities					(902)
Total liabilities					(16,642)
Depreciation	1,843	1,308	–	9	3,160
Significant non-cash expenses	1,670	208	–	–	1,878
Capital expenditure additions	3,235	1,735	–	47	5,017

Disaggregation of revenue from contracts with customers

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

Information about major customers

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

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

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

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

	2021 US\$'000	2020 US\$'000
Revenue from contracts with customers		
Manufacture and sales of graphite products	23,894	10,913
Manufacture and sales of electronic products	75,956	83,088
Design of electronic products	1,409	712
	101,259	94,713

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

	2021 US\$'000	2020 US\$'000
Trade receivables	26,297	20,783
Contract liabilities	1,129	90

4. Profit from operating activities

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

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

5. Income tax expense

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Hong Kong profits tax charge		
– Current	548	15
Overseas tax charge		
– Current	614	169
Deferred tax	59	466
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Tax charge for the year	1,221	650
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Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

Deferred tax charge for the year represents deferred tax provided in the United Kingdom subsidiaries.

6. Earnings per share

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

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

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 was no potential dilutive ordinary shares outstanding as at 31 December 2021 and 2020.

7. Dividend

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

8. 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.

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

9. Other receivables, deposits and prepayments

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

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

10. Trade payables

The ageing analysis of the trade payables is as follows:

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

11. Other payables and accruals

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

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

12. Convertible debentures

During the year ended 31 December 2021, no convertible debentures was issued by the Company.

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

13. Share capital

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

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

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

14. Disposal of subsidiaries

- (i) During the year of 2019, the Company decided to strategically restructure the companies in the Group and to make it operate more effective. The directors of the Company resolved to dispose of the entire equity interest in Global Select Limited and its seven subsidiaries (the “GS Group”). The companies in the GS Group were wholly-owned subsidiaries of the Company. Some of them have been dormant for a period of time and others were previously involved in certain graphite business in Liaoning Province and Heilongjiang Province in China, which has little operations now. In this connection, the Board resolved to dispose of the entire equity interest of the GS Group and classified them as held-for-sale at 31 December 2019, as reported in the 2019 Annual Report of the Company.

On 23 April 2020, the Company and China Graphite Limited (the “Purchaser”) entered into an agreement, pursuant to which, the Purchaser agreed to acquire the entire share of the GS Group at a consideration of US\$120,000, which was determined after arm’s length negotiations between the Company and the Purchaser, with reference to the net asset value of the GS Group as at 31 March 2020. On 28 April 2020, the disposal of the GS Group was completed and a gain on disposal of subsidiaries of approximately US\$8,000 was recognised in profit or loss.

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

	<i>US\$’000</i>
Property, plant and equipment	2,539
Right-of-use assets	2,390
Inventories	133
Trade receivables	3,716
Other receivables, deposits and prepayments	14,094
Cash and bank balances	107
Trade payables	(36)
Other payables and accruals	(107)
Contract liabilities	(5,424)
Tax payable	(17,300)
	<hr/>
Net assets disposed of	112
	<hr/> <hr/>
Cash consideration	120
Less: Net assets disposed of	(112)
	<hr/>
Gain on disposal	8
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received	120
Cash and bank balances disposed of	(107)
	<hr/>
	13
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- (ii) On 30 December 2020, the Company entered into another agreement with an independent third party, pursuant to which, to dispose of the entire shares of three inactive subsidiaries, namely Comp Hotel International Limited, Comp Property International Limited and South Sea Properties (Global) Ltd. at an aggregate consideration of US\$3. In addition, the Company also dissolved certain inactive subsidiaries in the United States of America and Hong Kong.

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

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

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

BUSINESS REVIEW

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

The Company has been engaged in the manufacture and sales of graphite products worldwide for more than a decade. Graphite is widely used in aerospace, steel, automobile, electric vehicle, battery and lubricant industries. On the one hand, as a nonrenewable mineral resource, graphite deposits in the world are limited and diminishing. On the other hand, since Andre Geim and Konstantin Novoselov received their Nobel Prize in 2010 for their discovery of the unique properties of graphene, the demand for graphite as a strategic material has been increased. Fourteen materials including graphite and rare earth elements are viewed as key materials.

The Company considers the graphite business as its main development focus for profit growth. In 2017, the Company began to build its graphite production lines and a warehouse in Madagascar, Africa, where the Company holds a large amount of graphite ore inventory. The graphite production lines of the Company are fully in operation. The customers include steel mills, lithium battery companies, refractory material companies and users of graphite products in China and around the world.

The Company's electronic manufacturing services are operated by its wholly-owned subsidiary Axiom Manufacturing Services Limited in the UK ("Axiom"). Axiom offers comprehensive contract manufacturing services, from design of electronic products to manufacturing, to the medical, national defense, transportation, aerospace, security, maritime and natural gas industries and other sectors. The electronic products of contract manufacturing and design are usually labeled with customers' brand names. Axiom's customers are mainly located in the UK.

The Company's cultural and multi-media business operations include motion picture production, television and online programming, and introduction of valuable foreign movies to Mainland China, etc.

RESULTS OF OPERATIONS

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

The turnover of the Group's graphite operations for the year was \$23.9 million as compared to \$10.9 million for the same period of the last year, an increase of 118.9%. The increase in sales of the Company's graphite products was primarily due to (1) increased demand and selling price of our graphite products as the world economy gradually recovered from the Covid-19 pandemic; and (2) the Company's increased production capacity because the production lines the Company built in the last two years has started to produce graphite products.

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

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

IMPACT OF COVID-19 PANDEMIC

The global pandemic of Covid-19 has created significant disruption and uncertainty to the business operations throughout the world. The pandemic has resulted in government authorities and businesses around the world implementing numerous measures intended to contain and limit the spread of Covid-19, including travel restrictions, border closures, quarantines, shelter-in-place and lock-down orders, mask and social distancing requirements, and business limitations and shutdowns. These measures have negatively impacted consumer and business spending and payments activity generally and have significantly contributed to deteriorating macroeconomic conditions.

The outbreak of Covid-19 has had a mixed-impact on our businesses. The spread of Covid-19 has caused us to make modifications to our construction timeframe of graphite production lines in Madagascar. Nevertheless, our UK electronic manufacturing services business has seen overall growth in 2020, mainly due to its participation in the UK Government's Covid-19 Ventilator Challenge, which saw demand from an existing customer increase significantly in 2020. For the year ended 31 December 2021, thanks to more and more people getting the Covid-19 vaccine, the easing of the epidemic, and gradually economy recovery from the Covid-19 pandemic, we have seen some recovery recently in demand for our graphite products. More revenues were generated from our graphite business in 2021.

The extent of the impact of the Covid-19 pandemic on our business will depend largely on further developments, including the duration, spread and severity of the outbreak, the distribution, public acceptance, and widespread use and effectiveness of vaccines against Covid-19 and the actions taken to contain the spread of the disease or mitigate its impact. We will continue to monitor this dynamic situation, including guidance and regulations issued by the governmental authorities around the world. Considering the continually evolving nature of the Covid-19 outbreak, we are not able currently to estimate the ultimate effect of the pandemic on our business, results of operations or financial condition in the future.

OUTLOOK

In the Covid-19 challenging and dynamic circumstances, from an operational perspective, our businesses, including our graphite operations and electronic manufacturing services, remain open. There are no current plans to close any of our business operations because of the Covid-19 pandemic. However, due to the Covid-19 pandemic, we have taken preventative measures related to graphite market due to possible weakened customer demand. We will continue to work to protect our employees and the public, maintain business continuity and sustain our operations. While we have seen some recovery recently in demand for graphite products, due to the recent surging cases of the highly contagious Delta/Omicron variants of the Covid-19, the speed with which the coronavirus situation is developing and evolving and the uncertainty of its duration and the timing of recovery, we are not able at this time to predict the extent to which the Covid-19 pandemic may have a material effect on our graphite business, our financial positions, and results of operations.

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

The outlook for our UK businesses, management believes, remains positive, with the open order book at the start of 2022 is at its highest level, and because of this management does not expect turnover to decline during the year, in addition it has secured inventory to meet this customer demand. Also, customers are already placing orders for demand to be satisfied in 2023 and 2024. The UK cash position is strong with no significant debt, and the expected performance of the business in 2022 will further improve this. The Company 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 2021, the Group's cash and cash equivalents were approximately \$18.4 million as compared to approximately \$21.4 million as at 31 December 2020. As at 31 December 2021, the Group recorded net current assets of approximately \$351.0 million (2020: \$344.1 million). The Group had no bank borrowings as at 31 December 2021. As at 31 December 2021, the Group's gearing ratio, calculated as the lease liabilities divided by the amount of total equity, was 0.1% (2020: 0.2%).

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

By 31 December 2021, the Company has utilized approximately HK\$73,494,000 (approximately US\$9,422,400). The detailed breakdown and description of the proceeds that were used are as below:

Plant and Warehouse	HK\$21,796,600	(US\$2,794,700)
Production lines	32,227,000	(4,131,600)
Pipeline, transport and loading tools	12,383,000	(1,588,000)
Wages	1,560,000	(200,000)
Others	5,527,400	(708,100)
	<u>HK\$73,494,000</u>	<u>(US\$9,422,400)</u>
Total	<u>HK\$73,494,000</u>	<u>(US\$9,422,400)</u>

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 emergence and spread of the Delta/Omicron coronavirus variants continued to cloud the outlook for the economy. Consequently, the Company has taken certain measures to help mitigate the effects of Covid-19, including modifying its construction timeframe of graphite production lines in Madagascar. As a result, the Company did not use up its production line construction funds as previously planned. The Company will continue closely to monitor the economic impacts of the current global Covid-19 pandemic and other factors and aim to remain flexible and to optimize and grow our business operations as appropriate. Except the modified timeframe due to the outbreak of Covid-19, there were no material changes for the use of proceeds.

INDEBTEDNESS

As at 31 December 2021:

- The Company did not have any bank borrowings or committed bank facilities;
- The Company did not have any borrowing from any related parties; and
- The Company did not have any bank overdrafts.

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

CAPITAL COMMITMENTS

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

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2021, the Group has no significant investment held.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

CAPITAL STRUCTURE

For the year ended 31 December 2021, there were no change in capital structure of the Company. The capital of the Company comprises ordinary shares and other reserves.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 310 (2020: 322) employees in Hong Kong, U.K., and Macau. The Group believes that its relationship with its employees is satisfactory.

The remuneration policy of the Group employees is set by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The emoluments of the Directors of the Company are decided by the Remuneration Committee. No share option scheme is in operation.

FOREIGN EXCHANGE EXPOSURE

The Group's principal operating subsidiaries earn revenues and incur costs in Hong Kong Dollars, US dollars, Chinese Renminbi and British pounds, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. The Group manages its currency risk by closely monitoring the foreign exchange exposure in order to keep the net exposure to an acceptable level, and may consider hedging significant foreign currency exposure should the need arise.

DIVIDEND

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

SHARE CAPITAL

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

MATERIAL UNCERTAINTIES

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

LEGAL PROCEEDINGS

The Group is not aware of any pending or threatened legal proceeding that, if determined in a manner adverse to us, could have a material adverse effect on the business and operations of the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period. The Group will closely monitor the development of the Covid-19 epidemic and assess its impact on its operations.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the prevailing Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited for the year ended 31 December 2021, except for three deviations as below:

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

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive and Mr. Feng Zhong Yun currently performs these two roles. The Board believes that vesting the roles of both Chairman and chief executive officer in Mr. Feng provides the Group with strong and consistent leadership, allows for more effective planning and execution of long-term business strategies and enhances efficiency in decision-making. As all major decisions are made in consultation with members of the Board and relevant Board committees, and there are independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company. The Board will continue to review and consider the separation of the duties of the Chairman and Chief Executive if and when appropriate.

Code Provision A.4.1: non-executive directors should be appointed for a specific term

Under the code provision A.4.1 of the Code, non-executive Directors (including independent non-executive directors) shall be appointed for a specific term and subject to re-election. None of the Company's existing independent non-executive Directors was appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, the Company's Articles of Association stipulate that all independent non-executive directors shall retire and be re-elected at least once every three years, which is an adequate measure to ensure that the Company's corporate governance complies with the same level to that required under the Code.

On 4 June 2021, Mr. Chai Woon Chew and Ms. Ye Yi Fan were re-elected as an independent non-executive director, respectively.

Code Provision A.6.7: Independent non-executive directors and non-executive directors should attend general meeting

Two independent non-executive directors, Mr. Chai Woon Chew and Ms. Ye Yi Fan were not able to attend the annual general meeting of the Company held on 4 June 2021 in person due to other business engagements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the 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 2021.

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

During the year ended 31 December 2021, neither the Company, nor any of its subsidiaries, purchased, sold, or redeemed any of the Company's securities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 December 2021, none of the Directors and executive officers of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations that were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register referred to therein or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2021, none of the Company's Directors had a material interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party.

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

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTEREST IN SHARES

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

REVIEW OF THE RESULTS BY AUDIT COMMITTEE AND EXTERNAL AUDITORS

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

The Audit Committee of the Company consists of the following three independent non-executive directors: Mr. Ng Lai Po (Chairman), Mr. Chai Woon Chew and Ms. Ye Yi Fan. The Audit Committee has adopted the terms of reference which are in line with Corporate Governance Code as set forth in Appendix 14 to the Listing Rules.

The Audit Committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters, including the review of the annual results of the Group for the year ended 31 December 2021.

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 2021 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.

BOARD OF DIRECTORS

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

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

Hong Kong, 30 March 2022

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.