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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)**

**VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO  
PRODUCTION LINES AND GRAPHITE ORE IN MADAGASCAR FOR  
GRAPHITE PRODUCT**

**The Transaction**

On 21 May 2024 (after trading hours of the Stock Exchange), EGL, an indirectly wholly owned subsidiary of the Company, and AGL entered into the Agreement, pursuant to which EGL has conditionally agreed to dispose of and AGL has agreed to acquire the Assets at a consideration of US\$21,045,651.

Pursuant to the Agreement, the consideration will be settled by EGL's exchanging the Assets for 30,109 tons of Graphite Product produced by AGL.

**Listing Rules Implications**

As the highest applicable percentage ratio in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company pursuant to Rule 14.06(4) of the Listing Rules, and is, therefore, subject to reporting, announcement, circular and the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

**EGM**

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, the Agreement and the Transaction contemplated thereunder. To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolutions to approve the Transaction at the EGM.

A circular containing, among other things, further information relating to the Transaction, the notice of the EGM and other information is expected to be despatched to the Shareholders on or before 12 June 2024.

**Completion of the Transaction is conditional upon the satisfaction of the Condition Precedent. Accordingly, the Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **THE TRANSACTION**

On 21 May 2024 (after trading hours of the Stock Exchange), EGL, an indirectly wholly owned subsidiary of the Company, and AGL entered into the Agreement, pursuant to which EGL has conditionally agreed to dispose of and AGL has agreed to acquire the Assets at a consideration of US\$21,045,651.

Pursuant to the Agreement, the consideration will be settled by EGL's exchanging the Assets for 30,109 tons of Graphite Product produced by AGL.

Set out below are the principal terms of the Agreement in relation to the Transaction:

### **Date**

21 May 2024

### **Parties**

1. Elate Graphite Limited
2. Aspect Group Limited

The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, AGL and Mr. Leo Huang, its ultimate beneficial owner, are third parties independent of the Group and connected persons (as defined under the Listing Rules) of the Group.

### **The Assets**

The assets to be disposed includes:

1. The entire production lines located in Madagascar, owned by EGL, includes mainly machinery and equipment. As at 31 December 2023, the book value of the entire production lines was US\$17,224,000. In 2022 and 2023, the net profits attributable to the production lines was US\$243,460 and US\$258,687 respectively. As agreed by EGL and AGL, with reference to the valuation as at 15 April 2024 conducted by the Independent Valuer, using cost approach, the market value for the entire production lines is approximately US\$17,496,651.

The cost approach considers the cost to reproduce or replace in new condition the Assets appraised in accordance with current market prices for similar assets or by making reference to the purchase price of similar assets, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present (if applicable), whether arising from physical, functional or economic cause. The cost approach generally furnishes the most reliable indication of value for assets with specific purpose and without known used market.

In this valuation, the depreciation rate ranged from 3.2% to 11.9%, depending on different useful life of the Assets.

Details of the valuation will be disclosed in the circular to be despatched in due course.

- 390,000 tons graphite ore inventory, with book value US\$3,515,295 as at 31 December 2023, located in Antsitakambo and Marovintsy, Madagascar. Both AGL and EGL agreed to set the price at US\$9.1 per ton for the graphite ore. The price is based on EGL's historical selling prices of graphite ore with similar specifications. Unlike gold price, there is an open international market, selling prices for graphite ore, which is vary in carbon content generally from 80%-99%, is negotiated between buyers and sellers. From 2022 to 2024, the selling prices of graphite ore in Madagascar has been stable at around US\$9 per ton (with differences not over  $\pm 3\%$ ). US\$9 per ton is close to the book value in the Company's 2023 audit report. The total price for 390,000 tons graphite ore is US\$3,549,000.

The amount for the Assets (appraised value) to be disposed is US\$21,045,651.

### **The Graphite Product**

Pursuant to the Agreement, AGL shall deliver 30,109 tons Graphite Product, upon request of EGL, with carbon content over 93% to exchange the Assets.

In 2022, EGL's selling price for graphite products with a carbon content of 93% produced in Madagascar was around US\$996 per ton; with production cost for this kind of graphite product was around US\$918 per ton. In 2023, EGL's selling price for similar graphite products was around US\$802 per ton, while the production cost was around US\$750 per ton. In the finished transactions in 2024 between EGL and its customers, similar graphite product was sold at a price over US\$800 per ton. AGL and EGL agreed that AGL will sell the Graphite Product to EGL at US\$699 per ton. The total price for 30,109 tons Graphite Product is US\$21,046,191. AGL agreed to adjust the total price to US\$21,045,651 to match the total price of the Assets to be disposed.

### **Consideration**

The total consideration for the Transaction is US\$21,045,651.

### **Condition Precedent**

Completion is conditional upon the Shareholders of the Company having approved the Agreement and the Disposal contemplated thereunder at the EGM.

### **Completion of the Agreement**

Subject to the fulfillment of the Condition Precedent, the Completion shall take place on the Completion Date.

### **Procedure for the Transaction and Relevant Accounting Treatment**

After receiving the customer's order, EGL will issue production instructions to AGL with specific variety, quantity, delivery time and address required by the customer. AGL will issue confirmation with estimated delivery time and send an invoice to EGL for the graphite products. EGL will then deliver the corresponding graphite ore as payment to AGL within 7 days after receiving the invoice. AGL will deliver the designated Graphite Product to EGL's customers, accordingly to designated delivery date for each batch. Pursuant to the Agreement, if AGL fails to deliver the graphite product as scheduled in the confirmation, it will be subject to a daily fine of 0.05% of the price of that batch of order. The payments in the invoices issued by AGL to EGL are recorded as EGL's accounts payable to AGL, while the corresponding payments for the graphite ore delivered to AGL are recorded as EGL's accounts receivable from AGL. When the Transaction is complete, the receivables and payables are offset.

Currently EGL has received over 80,000 tons product inquiries from global customers for graphite product. The Company expects total sales of graphite product for 2024 will exceed 35,000 tons. It is estimated that the Transaction, will begin right after the Completion Date and be completed before 31 December 2024. The title of the entire production lines will be transferred to AGL after 30,109 tons of Graphite Product are delivered to EGL.

### **Reasons for the Transaction**

The Company plans to operate the graphite product business in a “light asset” manner. The Company aims to prioritize and meet various customer needs. The Company needs to find producers who can supply a variety of graphite products in the long term at reasonable prices.

The main reasons for selling the entire production lines in exchange for the Graphite Product are:

1. It is difficult for the Company to hire local technical personnel in Madagascar, and employing foreign companies or professionals there is costly.
2. The main production line has been in use for 6 years, and new investments are needed for upgrade to improve production efficiency.
3. Starting and stopping production intermittently increases costs, and continuous production requires stocking products. After selling the production lines, the Company can request AGL to produce the products that our customers need at any time.

The main reasons for selling graphite ore in exchange for the Graphite Products are:

1. Saving on storage space and security costs for storing graphite ore.
2. The price of the Graphite Product purchased using ore as payment is lower than the costs incurred by EGL in producing them itself.

Since the price for graphite products is in an increasing trend, the Company can use the assets as cash to purchase graphite products according to customers’ demand, and the price for the Graphite Product be locked in US\$699 per ton guarantees the Company can earn more profit. The Directors make decision after referring to the opinions of many parties including production costs and sales conditions, etc., and adopt a balanced operating approach that is most beneficial to the Company. The Directors consider the terms of the Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **Possible Financial Effects of the Transaction**

The Group currently expects to record a gain on the exchange of the Assets for the Graphite Product upon Completion, which would be attributable to equity shareholders of the Company.

Based on the financial information as at 31 December 2023, the Group expects to record a gain before taxation and transaction costs of approximately US\$306,356, being the difference between the estimated value of the Graphite Product and the carrying value of the Assets.

The Shareholders shall note that the financial effect of the Transaction is subject to change upon Completion and final audit by the auditors of the Company.

Therefore, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Effects of the Transaction to the Group's businesses**

After the disposal of the entire production lines, there will be no production lines or any relevant fixed assets in Madagascar. Trading of graphite product will remain unchanged. The Transaction will not affect the remaining businesses in the Group, namely the manufacture and sales of electronic products and design and manufacturing in the UK. Business in the UK will remain unchanged. The Company has no intention or plans to acquire any new businesses or to dispose any remaining existing businesses.

### **Information of Aspect Group Limited**

Aspect Group Limited, a Cayman Island incorporated private company limited. The main business of Aspect Group Limited is the production of graphite product in Madagascar. AGL is the long-term supplier of graphite products for EGL. The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, AGL and Mr. Leo Huang, its ultimate beneficial owner, are third parties independent of the Group and connected persons (as defined under the Listing Rules) of the Group.

### **Information of EGL and the Group**

EGL is an indirect wholly owned subsidiary of the Company. EGL's principal activity is manufacture and sales of graphite products worldwide.

The Group's main business segments are (i) manufacture and sales of graphite products worldwide, (ii) manufacture and sales of electronic products, and (iii) design and manufacturing in the United Kingdom.

The Directors (including the independent non-executive Directors) consider that the Transaction is on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Listing Rules Implications**

As the highest applicable percentage ratio in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company pursuant to Rule 14.06(4) of the Listing Rules, and is, therefore, subject to reporting, announcement, circular and the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

## General

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the Transaction contemplated thereunder. To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Transaction at the EGM.

A circular containing, among other things, (i) further details of the Transaction; (ii) other information as required under the Listing Rules; and (iii) a notice of EGM is expected to be despatched to the Shareholders on or before 12 June 2024.

**Completion of the Transaction is conditional upon the satisfaction of the Condition Precedent. Accordingly, the Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following respective meanings:

“AGL”	Aspect Group Limited
“Agreement”	the agreement dated 21 May 2024 entered into between EGL and AGL in relation to the Transaction
“Assets”	entire production lines and 390,000 tons graphite ore owned by Elate Graphite Limited in Madagascar to be disposed under the Agreement
“Board” / “Directors”	the board of Directors
“Company”	Elate Holdings Limited, a company incorporated in Hong Kong with limited liability and whose issued Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 76)
“Completion”	completion of the Transaction
“Completion Date”	the date on which the Shareholders of the Company approve the Transaction
“Disposal”	the disposal of the Assets under the Agreement
“EGL”	Elate Graphite Limited, an indirect wholly owned subsidiary of the Company, incorporated in Hong Kong with limited liability

“EGM”	an extraordinary general meeting of the Company to be convened and held, at which resolutions will be proposed to consider, and, if thought fit, to approve the Agreement and the Transaction contemplated thereunder
“Graphite Product”	30,109 tons of graphite product produced by AGL
“Group”	the Company and its subsidiaries
“Independent Valuer”	Roma Appraisals Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shareholder(s)”	the holder(s) of the Company’s shares in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the exchange of the Assets for Graphite Product under the Agreement

By Order of the Board  
**Elate Holdings Limited**  
**Vivian Lam**  
*Company Secretary*

Hong Kong, 21 May 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.*