THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Elate Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

誼 礫

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

A notice convening an Extraordinary General Meeting of Elate Holdings Limited to be held by way of virtual meeting ("Online EGM") on 22 July 2024 at 11:00 a.m. (the "Meeting") is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Meeting or any adjourned meeting if you so desire. The Company will be conducting the Extraordinary General Meeting by way of a virtual meeting. The Shareholders and/or their proxies will NOT be able to attend the Extraordinary General Meeting in person, and can only attend the Extraordinary General Meeting via visiting the website at http://meetings.computershare.com/Elate2024EGM which enables audio live streaming of the Extraordinary General Meeting.

28 June 2024

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To promote better engagement with and to maximise participation by shareholders, the Company will be conducting the EGM by way of a virtual meeting.

ATTENDING THE EGM BY MEANS OF ELECTRONIC FACILITIES

No Shareholder, proxy or corporate representative should attend the EGM in person.

The Company strongly encourages Shareholders to attend, participate and vote at the Online EGM through online access by visiting the website – http://meetings.computershare.com/Elate2024EGM (the "Online Platform").

Both registered Shareholders and non-registered Shareholders can (i) attend the Online EGM and vote by way of electronic means; or (ii) exercise their right to vote at the Online EGM by appointing their own proxy or the Company's designated proxy(ies), to act as their proxy.

By logging in the Online platform, Shareholders will be able to listen to a live webcast of the Online EGM, submit questions, and cast vote in real-time.

The Online Platform will be open for registered Shareholders and non-registered Shareholders (see below for login details and arrangements) to log in approximately 30 minutes prior to the commencement of the Online EGM and can be accessed from any location with internet connection by a smart phone, tablet device or computer. Shareholders should allow ample time to check into the Online Platform to complete the related procedures. Please refer to the Online User Guide for the Online EGM sent together with this circular for assistance. Any missed contents as a result of connection issues arise from the Shareholders will not be repeated.

Login details for registered Shareholders

Details regarding the EGM arrangements including login details to access the Online Platform are included in the Company's notification letter to registered Shareholders (the "Shareholder Notification") sent together with this circular.

Login details for non-registered Shareholders

Non-registered Shareholders who wish to attend, participate and vote at the Online EGM should:

(1) contact and instruct their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (together, the "Intermediary") to appoint themselves as proxy or corporate representative to attend the Online EGM; and

(2) provide their email address to their Intermediary before the time limit required by the relevant Intermediary.

Details regarding the EGM arrangements including login details to access the Online Platform will be sent by the share registrar of the Company, Computershare Hong Kong Investor Services Limited, to the email address of the non-registered Shareholders provided by the Intermediary. Any non-registered Shareholder who has provided an email address through the relevant Intermediary for this purpose but has not received the login details by email by 19 July 2024, should reach out to Computershare Hong Kong Investor Services Limited for assistance. Without the login details, non-registered Shareholders will not be able to participate and vote using the Online Platform. Non-registered Shareholders should therefore give clear and specific instructions to their Intermediary in respect of both (1) and (2) above.

Login details for proxies

Details regarding the EGM arrangements including login details to access the Online Platform will be sent by the share registrar of the Company, Computershare Hong Kong Investor Services Limited, to the email address of the proxies provided to it in the relevant proxy forms.

Registered and non-registered Shareholders should note that only ONE device is allowed in respect of each set of login details. Please also keep the login details in safe custody for use at the Online EGM and do not disclose them to anyone else. Neither the Company nor its agents assume any obligation or liability whatsoever in connection with the transmission of the login details or any use of the login details for voting or otherwise. For enquiries regarding the login details to access the Online EGM, please call Computershare Hong Kong Investor Services Limited on (852) 2862 8555 for assistance.

APPOINTMENT OF PROXY IN ADVANCE OF THE EGM

Shareholders are encouraged to submit their completed proxy forms well in advance of the EGM. Return of a completed proxy form will not preclude Shareholders from attending and voting by means of electronic facilities at the Online EGM or any adjournment or postponement thereof should they subsequently so wish. Non-registered Shareholders should contact their Intermediary as soon as possible for assistance in the appointment of proxy.

If Shareholders have any questions relating to the EGM, please contact, the share registrar of the Company, Computershare Hong Kong Investor Services Limited, as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Hotline: +852 2862 8555
Facsimile: +852 2865 0990
Website: www.computershare.com/hk/contact
(Hotline will operate from 9:00 a.m to 6:00 p.m, Monday to Friday, except public holiday)

In this circular, unless the context otherwise requires, the following words and expressions have the meanings as respectively ascribed below:

"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 of graphite ore owned by Elate Graphite Limited in Madagascar to be disposed under the Agreement
"Board"/"Directors"	the board of directors of the Company
"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
"EGL"	Elate Graphite Limited, an indirect wholly owned subsidiary of the Company, incorporated in Hong Kong with limited liability
"EGM"/"Online EGM"/"Meeting"	an extraordinary general meeting of the Company to be convened and held by way of a virtual meeting, at which to consider, and, if thought fit, to approve the ordinary resolution contained in the notice of the EGM which are set out on pages EGM-1 to EGM-2 of this circular
"Graphite Product"	30,109 tons of graphite product produced by AGL
"Group"	the Company and its subsidiaries
"Independent Valuer"	Roma Appraisals Limited
"Latest Practicable Date"	25 June 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"percentage ratio(s)"	has the meaning as ascribed to it under Rule 14.07 of the Listing Rules for classification of the type of transactions under the Listing Rules
"Remaining Group"	the Group immediately upon Completion of the Transaction
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary shares of the Company
"Shareholder(s)"	the holder(s) of the Shares in issue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the exchange of the Assets for Graphite Product under the Agreement
"US$"	US Dollars, the lawful currency in the United States of America
"Valuation Report"	the Valuation Report of the plant and equipment prepared by the Independent Valuer set out in Appendix IV to this circular

ELATE HOLDINGS LIMITED
誼礫控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 076)

Executive Directors:
Mr. Feng Zhong Yun *(Managing Director)*
Ms. Zhang Xue

Independent non-executive Directors:
Mr. Ng Lai Po
Ms. Ye Yi Fan
Dr. Yan Shao Shi

Registered office:
Unit 1002
10/F., Euro Trade Centre
13-14 Connaught Road Central &
21-23 Des Voeux Road Central
Hong Kong

28 June 2024

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 21 May 2024. Pursuant to the Agreement, EGL, an indirectly wholly owned subsidiary of the Company, has conditionally agreed to dispose of and AGL has agreed to acquire the Assets at a consideration of US$21,045,651, by using the Graphite Product as payment.

The purpose of this circular is to provide you with, among other things, further information relating to the Transaction, the notice of the EGM and other information as required under the Listing Rules.

THE AGREEMENT

Date : 21 May 2024

Parties : **1.** Elate Graphite Limited

2. Aspect Group Limited

(collectively as the "Parties")

Assets to be Disposed

1. Entire production lines are located in Antsitakambo and Marovintsy region of Madagascar, owned by EGL, includes mainly machinery and equipment.

   a. Status of Production Lines Before The Transaction

   EGL is running two graphite production lines in Madagascar. The land where the production lines are located belongs to Madagascar Graphite Limited ("MGL") (MGL and its ultimate beneficial owner are third parties independent of the Group and connected persons (as defined under the Listing Rules) of the Group), for which the Company pays an annual rental and management fees of US$1.1 million to MGL.

   In order to streamline management process and reduce costs, the Company signed an "Equipment and Factory Lease Contract" (the "Lease Contract") on 28 December 2020 with MGL and AGL. Under the Lease Contract, the Company rent two production lines and affiliated factories in Madagascar to MGL and AGL is engaged for production of graphite products. The period of the Lease Contract is from 1 January 2021 to 31 December 2030. On 28 December 2022, the Company signed a supplementary lease contract with MGL and AGL (the "Supplementary Lease Contract"), and 15 new trucks were leased to MGL. The contract period of the Supplementary Lease Contract is from 1 January 2023 to 31 December 2030. Under the Lease Contract and Supplementary Lease Contract, the Company receive an annual rent of US$2.6 million in total.

   Pursuant to the Lease Contract, MGL shall pay the Company a net annual fee of US$1.5 million (US$2.6 million minus US$1.1 million mentioned above) to the Company and will be responsible for maintenance, addition of new equipment and parts, as well as tax in Madagascar (if any).

   The Lease Contract remains valid on the date of the Agreement and will be terminated upon delivery of the production lines to AGL pursuant to the new supplement agreement entered into between the Company, MGL and AGL on 22 May 2024 (the "New Supplementary Contract"). Under the New Supplementary Contract, no penalty is imposed on the Company for early termination of the Lease Contract and the Supplementary Lease Contract. After the Lease Contract is terminated, the Company will neither have lease-related income (US$2.6 million per year) nor related expenses of production line management fees and depreciation of facilities (US$2.253 million per year) in Madagascar. The Company will lose a total of US$0.259 million in net annual income in this part.

b. Value of the Production Lines

As at 31 December 2023, the book value of the entire production lines was US$17,224,000. For the years ended 31 December 2022 and 2023, the net profits attributable to the production lines were 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.

2. 390,000 tons graphite ore inventory located in Antsitakambo and Marovintsy, Madagascar.

   As at 31 December 2023, the book value of 390,000 graphite ore was US$3,515,295. 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 that 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 ±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 total appraised value for the Assets to be disposed is US$21,045,651.

The Graphite Product for Exchanging the Assets

Pursuant to the Agreement, EGL will exchange the Assets for 30,109 tons of the Graphite Product (graphite product with carbon content over 93%) produced by AGL. As agreed by the Parties, the price for each ton of Graphite Product is fixed at US$699; the total price for 30,109 tons of the 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 of the Transaction is US$21,045,651. It was determined after arm's length negotiations between the EGL and AGL by reference to (a) with reference to the valuation as at 15 April 2024 conducted by the Independent Valuer, using cost approach, that the market value for the entire production lines is approximately US$17,496,651 (b) the book value for 390,000 ton graphite ore as at 31 December 2023, which is US$3,515,295.

Condition Precedent

Completion is conditional upon the Shareholders of the Company having approved the Agreement and the Transaction 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.

Arrangement for Exchanging the Assets and Relevant Accounting Treatment

The Graphite Product would initially be recognised as inventories of EGL, and immediately charged to profit or loss as cost of sales upon recognising the sales made to EGL's customers (the sale of Graphite Product is not part of the Transaction as counterparties of the sale have not been determined). 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 notices issued by AGL to EGL are recorded as EGL's payable to AGL, while the corresponding deposit of the graphite ore delivered to AGL are recorded as EGL's deposit to AGL. When the Transaction is complete, the deposits to AGL and payables to AGL are offset. Also, the production line will be derecognised when the Transaction is completed, which means the title and control is already transferred to AGL.

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 and control of the Assets will be transferred to AGL after 30,109 tons of Graphite Product are delivered to EGL's customers.

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 agreed by the Parties of US$21,045,651 and the carrying value of the Assets of US$20,739,295, being the entire production line of US$17,224,000 and the 390,000 graphite ore of US$3,515,295.

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.

Based on the unaudited pro forma financial information as set out in Appendix III to this circular, assuming that Completion had taken place on 31 December 2023, the total assets of the Group would have increased from approximately US$409.3 million to approximately US$410.0 million on a pro forma basis, the total liabilities of the Group would have increased from approximately US$19.7 million to approximately US$19.8 million on a pro forma basis, and the net assets of the Group would have increased from approximately US$389.7 million to approximately US$390.2 million on a pro forma basis.

Based on the unaudited pro forma financial information as set out in Appendix III to this circular, assuming that Completion had taken place on 1 January 2023, the net profit attributable to owners of the Group for the year ended 31 December 2023 would have increased from approximately US$1.8 million to approximately US$2.5 million on a pro forma basis.

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. However, trading of graphite product will remain unchanged. Under the Agreement, trading procedures will be like this: after EGL receiving customer's order, the price of the Graphite Products will be discussed and agreed between EGL and their customers before production. When the price is set and agreed, EGL will issue production instructions to AGL with specific variety, quantity, delivery time and address required by the customer. AGL will issue a confirmation with estimated delivery time and send a notice to EGL for the graphite products. EGL will then deliver the corresponding graphite ore as payment of deposit to AGL within 7 days after receiving the notice. AGL will deliver the designated Graphite Product to EGL's customers, accordingly to designated delivery date for each batch. 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.

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.

The main reason for the Transaction is to streamline management process, reduce costs, increase profits, and make income more stable: (a) The production lines owned by the Company has been more than 6 years old and have started to break down from time to time. Though the parts of the production lines are replaced, it still need frequent repair, and high maintenance cost are required; (b) Due to annual depreciation, the carrying value of production facilities gradually reduced; and (c) It is a general practice of the Company that production starts after receiving orders from customers. However, after the Covid pandemic and after China imposed controls on graphite exports in October 2023, customer orders became unstable. Production lines start and stop production intermittently, shutdown of production lines increases production costs such as paying workers, machinery and equipment cost and reduces profits. If the production lines keep running, the Company have to stock products, which will increase the backlog of funds. Therefore, in recent years, the Company has been trying to operate the graphite product business in an “asset-light” manner. After the Company sells its production lines, the Company’s burden will be greatly reduced. There is no need to increase investment in fixed assets, and there is no need to worry about the shutdown of workers and machinery and equipment. Production and sales become more flexible. After the Company’s production lines are disposed, it is estimated that the Company’s profits will increase every year.

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. According to the historical price data from 1 January 2020 up till the Latest Practicable Date, the selling price of standard graphite products (such as 894, 895: 8 indicates the flake size >80 mesh no less than 80%; 94 and 95 indicate carbon content no less than 94% and 94%) has always been above

US$800 per ton, both exceeding US$699 per ton, the Company believes it is more likely that the Company can earn more profit. In the past four years, the Company has sold a total of approximately 29,600 tons of graphite products with standard specifications of 894 and 895. The average selling price is US$990 per ton, and the lowest price is not less than US$800 per ton. The Directors make decision after referring to the opinions of many parties and considering different factors (including production costs and sales conditions, etc.,) and adopt a balanced operating approach that is the 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.

Information of Aspect Group Limited

Aspect Group Limited, a Cayman Islands 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 manufacturing and sales of graphite products worldwide.

The Group's main business segments are (i) manufacturing 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 Transaction is more than 75%, the Transaction 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 notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. There is a form of proxy for use at the EGM accompanying this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

The resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company on the results of the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution proposed to consider and approve the Transaction at the EGM.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Agreement and the Transaction contemplated thereunder are on normal commercial terms which have been made on an arm's length basis and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution in relation to the Agreement and the Transaction contemplated thereunder to be proposed in the EGM.

GENERAL

The translation into Chinese language of this circular is for reference only. In case of any inconsistency, the English text of this circular will prevail.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Elate Holdings Limited
Feng Zhong Yun
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2021, 2022 and 2023 were disclosed in the following documents:

Financial information	Document
Audited consolidated financial statements of the Group for the year ended 31 December 2021	2021 annual report (pages 52-135) (Note 1)
Audited consolidated financial statements of the Group for the year ended 31 December 2022	2022 annual report (pages 62-143) (Note 2)
Audited consolidated financial statements of the Group for the year ended 31 December 2023	2023 annual report (pages 62-135) (Note 3)

Notes:

1. Available at https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042600501.pdf

2. Available at https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042800967.pdf

3. Available at https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042500462.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2024, being the date of this indebtedness statement prior to the printing of this circular, the Group had no borrowings, including secured and guaranteed bank and related party loans, and unsecured and unguaranteed bank and related party loans.

As at 30 April 2024, the Group had outstanding obligations under lease with a carrying amount of approximately US$241,000.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 30 April 2024, the Group did not have any other outstanding mortgages, charges, debt securities or other loan capital, bank overdrafts or loans, other similar indebtedness, hire purchase commitments, liabilities under acceptance or acceptance credit, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group, the Group will have sufficient working capital to satisfy its requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The Remaining Group will continue to carry out its existing principal businesses following the Completion of the Transaction.

Set out below are the management discussion and analysis of the Remaining Group for each of the three financial years ended 31 December 2021, 2022 and 2023. For the purpose of this circular, the financial data in respect of the Remaining Group is derived from the consolidated financial statements of the Company for each of the three years ended 31 December 2021, 2022 and 2023.

For the year ended 31 December 2021

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

The turnover of the Remaining Group's graphite operations for the year was US$23.9 million as compared to US$10.9 million for the same period of the last year, an increase of 118.9%. The increase in sales of the Remaining Group'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 Remaining Group'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 Remaining Group's electronics manufacturing service operation in UK was US$76.0 million, a decrease of approximately US$7.1 million, or 8.6%, as compared to approximately US$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 US$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.

The Remaining Group's operations are primarily funded by cash flows from its operations and from issuance of convertible debentures of the Company. As at 31 December 2021, the Remaining Group's cash and cash equivalents were approximately US$18.4 million as compared to approximately US$21.4 million as at 31 December 2020.

As at 31 December 2021, the Remaining Group did not have any bank borrowings or committed bank facilities; any borrowing from any related parties and any bank overdrafts, the Remaining 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.

For the year ended 31 December 2022

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

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

For the year ended 31 December 2022, the turnover of the Remaining Group's electronics manufacturing service operation in the UK was approximately US$72.3 million, representing a decrease of approximately US$3.7 million, or 4.8%, as compared to approximately US$76.0 million for the year of 2021. Nonetheless, the underlying UK businesses continued to grow during 2022, despite the economic conditions that were influenced the conflict in Ukraine and global supply chain issues in the semiconductor sector. The business environment has moved on from the Covid pandemic of 2021, and this easing has also been reflected in the strength of its turnover in 2022. Turnover remained at a consistent level across all four quarters of the year. However, due to the US interest rate hike in 2022, the British Pound was depreciated by approximately 11.6% relative to the US dollar. As a result, in US dollar terms, sales decreased slightly. To consider excluding the exchange rate impact, the actual operating results were slightly higher than that in the last year.

The Remaining Group's operations are primarily funded by cash flows from its operations and from issuance of convertible debentures of the Company. At 31 December 2022, the Group's cash and cash equivalents were approximately US$12.1 million as compared to approximately US$18.4 million as at 31 December 2021.

As at 31 December 2022, the Remaining Group did not have any bank borrowings or committed bank facilities; any borrowing from any related parties and any bank overdrafts, the Remaining Group's gearing ratio, calculated as the lease liabilities divided by the amount of total equity, was 0.1% (2021: 0.1%).

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

For the year ended 31 December 2023

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

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

For the year ended 31 December 2023, the turnover of our UK electronics manufacturing plus design manufacturing service operation was approximately US$68.9 million, a decrease of approximately US$3.9 million, or 5.3%, as compared to approximately US$72.8 million for the prior year. Its turnover maintained at around £56 million for the third successive year, in line with expectations and continuing the strong trend of the previous five years. The underlying UK businesses remained strong and ahead of budget during 2023, despite the economic conditions that were influenced the conflict in Ukraine and global supply chain issues in the semiconductor sector. The business environment has moved on from the Covid pandemic of 2021, and this easing has also been reflected in the strength of our turnover in 2023. Turnover remained at a consistent level across all four quarters of the year. Material purchase price variances in our UK operation segment were negative and adversely impacted by the volatility of USD exchange rate as well as general price increases caused by rising costs and component availability. This risk will ease as these cost rises have been reflected in our future pricing. At our UK electronics manufacturing segment, the pleasing performance during the year continued to strengthen the balance sheet, however working capital requirements increased during the year due to the increase in inventories. 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.

The Remaining Group's operations are primarily funded by cash flows from its operations and from issuance of convertible debentures of the Company. At 31 December 2023, the Remaining Group's cash and cash equivalents were approximately US$6.1 million as compared to approximately US$12.1 million as at 31 December 2022.

As at 31 December 2023, the Remaining Group did not have any bank borrowings or committed bank facilities; any borrowing from any related parties and any bank overdrafts, the Remaining Group's gearing ratio, calculated as the lease liabilities divided by the amount of total equity, was 0.03% (2022: 0.13%).

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.

Foreign Exchange Exposure

The Remaining 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 Remaining Group currently does not have a foreign currency hedging policy. The Remaining 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.

Employees and Remuneration Policy

As at 31 December 2021, 2022 and 2023, the Remaining Group employed 310, 344 and 314 full-time employees, respectively.

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

Contingent Liabilities

As at 31 December 2021, 2022 and 2023, the Remaining Group had no contingent liabilities.

Significant Investments

As at 31 December 2021, 2022 and 2023, the Remaining Group has no significant investment held.

There were currently no specific plan of material investments or additions of capital assets authorised by the Board as of the Latest Practicable Date.

Material Acquisitions and Disposals

There were no material acquisitions and disposal of subsidiaries, associates and joint ventures during the years ended 31 December 2021, 2022 and 2023.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

In 2024, the situation is mixed. The good news is that the Covid-19 epidemic prevention policies of various countries have been adjusted, the market has begun to improve, and companies have more opportunities. What are causing concern is that due to the complex international environment, geopolitical tensions, increasing uncertainties, soaring energy prices and high inflation, the world economy has not yet fully recovered and many challenges are still ahead of us. The graphite business of the Remaining Group operates in two markets: the Chinese domestic market and international market. China itself is the main producer of graphite. As the graphite landscape continues to evolve and consolidate, competition increased. The demand in the international market is mainly refractory materials. Due to the impact of the conflict between Russia and Ukraine in 2022, global raw material prices rise steeply and inflation intensified, resulting in weak markets and reduced and/or changed customer orders. The graphite market in 2024 will, most likely, not be stable, and our graphite business will face big challenges in market conditions and customer orders.

Management believes that the outlook for our UK businesses remains positive, with the open order book at the start of 2024 is at its highest level and because of this management expects turnover to rise during the year between 8-10% to £60 million. Also, customers are already placing orders for demand to be satisfied in 2025 and 2026. The UK cash position is strong with no significant debt, and the expected performance of the business in 2024 will further improve this. The Remaining Group will continue to increase the size of its customer base, across a range of market sectors to further reduce the risks associated with a downturn in one sector. The business will also invest in the latest capital equipment, and invest in research and development, to further enhance its manufacturing capacity and increase its service offering. Management will continue to monitor recent trends that have driven inflation in the UK such as global energy costs and the employment market.

Upon the Completion, 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. 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.

UNAUDITED STATEMENTS OF PROFIT OR LOSS ON THE IDENTIFIABLE NET INCOME STREAM OF THE ASSETS

In accordance with paragraph 14.68(2)(b)(i) of the Listing Rules, the unaudited statements of profit or loss on the identifiable net income stream of the Assets for each of the years ended 31 December 2021, 2022 and 2023 are set out below:

	2021	**2022**	**2023**
	US$'000	*US$'000*	*US$'000*
Rental income	2,400	2,400	2,600
Administrative expenses	(2,140)	(2,157)	(2,341)
Profit before income tax expense	260	243	259
Income tax expense	–	–	–
Profit for the year	260	243	259

The Company has engaged BDO Limited, the Reporting Accountants, to perform certain agreed-upon procedures and report their factual finding in respect of the unaudited statement of profit or loss on the identifiable net income stream of the Assets set out above in accordance with Hong Kong Standard on Related Services 4400 (Revised) "Agreed-Upon Procedures Engagements" issued by the Hong Kong Institute of Certified Public Accountants.

The Reporting Accountants have agreed the unaudited statements of profit or loss on the identifiable net income stream of the Assets to the relevant accounting records of the Group, including general ledger and reconciliation schedules (the "Schedules") prepared by the management, traced the unadjusted amounts in the Schedules to the relevant accounting records of the Group and found the amounts to be in agreement.

The above agreed-upon procedures do not constitute an assurance engagement performed 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, the auditor of the Company does not express any assurance on the unaudited statements of profit or loss on the identifiable net income stream of the Assets.

The finding on the agreed-upon procedures were reported solely for the information of the Directors and should not be used or relied upon by any other parties for any other purposes.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

Capitalised terms used herein shall have the same meanings as those defined in this circular.

The following is an unaudited pro forma financial information of the Remaining Group in connection with the disposal of the entire production lines and certain graphite ores of the Group that are located in Madagascar (the "Assets") as described in the section headed "Letter from the Board" in the Circular (the "Disposal") (the "Unaudited Pro Forma Financial Information"). The Unaudited Pro Forma Financial Information presented below is prepared to illustrate (i) the assets and liabilities of the Remaining Group as at 31 December 2023 as if the Disposal had been completed on 31 December 2023; and (ii) the results of the Remaining Group for the year ended 31 December 2023 as if the Disposal had been completed on 1 January 2023.

The Unaudited Pro Forma Financial Information is prepared in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants, and has been prepared by the Directors of the Company for illustrative purpose only.

Narrative descriptions of the unaudited pro forma adjustments that are directly attributable to the Disposal and factually supportable are summarised in the accompanying notes to the Unaudited Pro Forma Financial Information. The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results and assets and liabilities of the Remaining Group had the Disposal been completed as of the specified dates or any other dates.

The Unaudited Pro Forma Financial Information of the Remaining Group is based upon the audited consolidated financial statements of the Group for the year ended 31 December 2023, which has been derived from the Company's annual report for the year ended 31 December 2023 as referred to in Appendix I to this circular.

These pro forma adjustments are directly attributable to the Disposal and not relating to other future events and decisions. The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2023 and other financial information included elsewhere in this Circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE REMAINING GROUP AS AT 31 DECEMBER 2023

	Audited consolidated statement of financial position of the Group as at 31 December 2023	Pro forma adjustments				Unaudited pro forma consolidated statement of assets and liabilities of the Remaining Group as at 31 December 2023
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Note 1)	*(Note 2(a))*	*(Note 2(b))*	*(Note 2(c))*	*(Note 2(d))*	
Non-current assets						
Property, plant and equipment	24,182	(9,803)				14,379
Investment properties	9,040	(7,421)				1,619
Right-of-use assets	361					361
Intangible assets	–					–
Interest in a joint venture	–					–
Financial assets at fair value through profit or loss	4,279					4,279
Total non-current assets	37,862					20,638
Current assets						
Inventories	327,059	(3,515)	21,260	133		344,937
Trade receivables	34,819					34,819
Other receivables, deposits and prepayments	2,093					2,093
Commodity	1,285					1,285
Financial assets at fair value through profit or loss	163					163
Cash and bank balances	6,056					6,056
Total current assets	371,475					389,353

	Audited consolidated statement of financial position of the Group as at 31 December 2023	Pro forma adjustments				Unaudited pro forma consolidated statement of assets and liabilities of the Remaining Group as at 31 December 2023
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Note 1)	*(Note 2(a))*	*(Note 2(b))*	*(Note 2(c))*	*(Note 2(d))*	
Current liabilities						
Trade payables	10,557					10,557
Other payables and accruals	7,002			133		7,135
Contract liabilities	387					387
Lease liabilities	108					108
Tax payable	903				12	915
Total current liabilities	18,957					19,102
Net current assets	352,518					370,251
Total assets less current liabilities	390,380					390,889
Non-current liabilities						
Deferred tax liabilities	722					722
Total non-current liabilities	722					722
Net assets	389,658					390,167

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP FOR THE YEAR ENDED 31 DECEMBER 2023

	Audited consolidated statement of profit or loss of the Group for the year ended 31 December 2023	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss of the Remaining Group for the year ended 31 December 2023
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Note 1)	*(Note 3(a))*	*(Note 3(b))*	*(Note 3(c))*	
Revenue	105,682				105,682
Cost of sales	(96,360)				(96,360)
Gross profit	9,322				9,322
Other income	3,265	(2,600)	1,055		1,720
General and administrative expenses	(12,083)	2,341			(9,742)
Impairment loss on goodwill	(171)				(171)
Impairment loss on financial assets	(1,491)				(1,491)
Fair value gains on					
– commodity	155				155
– financial assets at fair value through profit or loss	3,004				3,004
Profit from operating activities	2,001				2,797
Finance costs	(32)				(32)
Profit before income tax expense	1,969				2,765
Income tax expense	(154)			(80)	(234)
Profit for the year and attributable to owners of the Company	1,815				2,531

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP FOR THE YEAR ENDED 31 DECEMBER 2023

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2023	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2023
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Note 1)	*(Note 3(a))*	*(Note 3(b))*	*(Note 3(c))*	
Profit for the year	1,815				2,531
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	2,388				2,388
Item that will not be reclassified to profit or loss:					
Gain on revaluation of land and buildings	283				283
Other comprehensive income for the year	2,671				2,671
Total comprehensive income for the year and attributable to owners of the Company	4,486				5,202

Notes:

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2023; and the audited consolidated statement of profit or loss and the audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 as set out in the published annual report of the Company for the year ended 31 December 2023.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of assets and liabilities, assuming the Disposal had taken place on 31 December 2023:

   (a) The adjustment represents the de-recognition of the carrying amount of the Assets as at 31 December 2023.

   The carrying amount of the Assets is extracted from the ledger of EGL for the year ended 31 December 2023.

   (b) Pursuant to the Agreement, the Disposal will be settled by 30,109 tons of graphite product produced by AGL (the "Graphite Product"). The adjustment represents the cost of the Graphite Product, which in turn represents the fair value of the Assets given up by the Group as at 31 December 2023.

   The fair value of the Assets given up as at 31 December 2023 was based on the valuation conducted by the Independent Valuer.

   (c) The adjustment represents estimated professional fees of approximately US$133,000 in connection with the Disposal, which included the legal fee and other professional fees, which constitute part of the cost of the Graphite Product, and payable within one year after the completion of the Disposal. These professional fees are accounted for as costs of purchase of the Graphite Product as they are directly attributable to the acquisition of the Graphite Product in accordance with paragraph 11 of Hong Kong Accounting Standard 2 "Inventories".

   Other professional fees are payable for the assurance and non-assurance services provided by the independent reporting accountants, the valuation services provided by the Independent Valuer and consultancy services provided by a financial advisor in connection with the Disposal.

   (d) The adjustment represents the estimated income tax expense in connection with the Disposal.

   The actual financial effects of the income tax expense may be different from the amount described above and would be subject to change upon the tax finalisation from the tax authority.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023, assuming the Disposal had taken place on 1 January 2023:

   (a) The adjustment represents the exclusion of operating results of the Assets, assuming the Disposal had taken place on 1 January 2023 and the relevant lease agreement of the Assets with existing lessee had been terminated on the same date. The operating results directly attributable from the Assets are extracted from the Unaudited Statements of Profit or Loss on the Identifiable Net Income Stream of the Assets as set out in Appendix II to the circular prepared by the Company in connection with the Disposal.

   The adjustment is not expected to have a continuing effect on the Group's consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income.

   (b) The adjustment represents the estimated gain on the Disposal. The adjustment is not expected to have a continuing effect on the Group's consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income.

	Notes	*US$'000*
Cost of the Graphite Product as at 1 January 2023	*3(b)(i)*	24,049
Less:		
Carrying amount of the Assets as at 1 January 2023	*3(b)(ii)*	(22,994)
Estimated gain on the Disposal		1,055

   Note (i): Pursuant to the Agreement, the Disposal will be settled by the Graphite Product. It represents the cost of the Graphite Product as at 1 January 2023, which in turn represents the fair value of the Assets given up as at 1 January 2023.

The fair value of the Assets given up as at 1 January 2023 was based on the valuation conducted by the Independent Valuer.

Note (ii): The carrying amount of the Assets as at 1 January 2023 is extracted from the ledger of EGL for the year ended 31 December 2022.

(c) The adjustment represents the estimated income tax expense in connection with the Disposal. The adjustment is not expected to have a continuing effect on the Group's consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income.

The actual financial effects of the income tax may be different from the amount described above and would be subject to change upon the tax finalisation from the tax authority.

4. No adjustment has been made to reflect any trading or other transactions of the Group entered into subsequent to 31 December 2023 or 1 January 2023 for the preparation of the Unaudited Pro Forma Financial Information, where applicable.

II. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPLICATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Elate Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Elate Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Remaining Group (defined below) as at 31 December 2023, unaudited pro forma consolidated statement of profit or loss and unaudited consolidated statement of profit or loss and other comprehensive income of the Remaining Group (defined below) for the year ended 31 December 2023 and related notes as set out on pages III-2 to III-7 of Appendix III of the Company's circular dated 28 June 2024 (the "Circular"), in connection with the very substantial disposal in relation to the entire production lines and certain graphite ores of the Group that are located in Madagascar (the "Assets") as described in the section headed "Letter from the Board" in the Circular (the "Disposal"). The Group excluding the Assets is referred to as the "Remaining Group". The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are set out in Section I of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Disposal on the Group's financial position as at 31 December 2023 as if the Disposal had taken place at 31 December 2023, and the Group's financial performance for the year ended 31 December 2023 as if the Disposal had taken place as at 1 January 2023. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the consolidated statement of financial position of the Group as at 31 December 2023, and information about the Group's financial performance has been extracted by the directors of the Company from the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023, on which an annual report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 31 December 2023 or 1 January 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction, in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

28 June 2024

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuations as at 15 April 2024 of the plant and equipment in Madagascar owned by Elate Graphite Limited.

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39 Gloucester Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

28 June 2024

Elate Graphite Limited
1002, 10F, Euro Trade Centre,
13-14 Connaught Road Central,
Hong Kong

Dear Sir/Madam,

Re: Valuation of Plant and Equipment owned by Elate Graphite Limited in Madagascar

In accordance with your recent instructions for us to value the Plant and Equipment (the "Assets") owned by Elate Graphite Limited (the "Company") located in Madagascar, we confirm that we made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the valuation as at 15 April 2024 (the "Date of Valuation") for the purpose of incorporation in the circular of the Company dated 28 June 2024.

1. BASIS OF VALUATION

Our valuations of the Assets are our opinion of the market values of the concerned the Assets which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our opinion of market value (in-use) is not intended to represent the amount that might be realized from piecemeal disposition of the Assets in the open market or from alternative use of the Assets.

For the avoidance of doubt, underlying our valuation is an assumption that the prospective earnings of the business of the Group would not provide a reasonable return to the Assets valued, plus the value of other assets included in this valuation, not adequate working capital and has not capability to continue the business operations.

2. VALUATION METHODOLOGIES

2.1 The Sales Comparison Approach

The sales comparison approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised Assets relative to the market. Comparative assets for which there is established and used market may be appraised by this approach.

The Assets are specifically designed and each specialized manufacturer has own configuration to modify its equipment to accommodate the special products. The Assets cannot be used for other purposes. According to our market research, such specific type of assets is not readily available in the market. Therefore, there are no comparative assets for which there is established and used market. As such, the sales comparison approach is not appropriate in the circumstances.

2.2 The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of stable cash flow income.

The income approach was not adopted because a lot of assumptions (such as the perpetual growth rate and discount rate during forecast period) would have to be made and the valuation could be extreme sensitivity to certain input assumptions made. Also, the terminal value after the lease expired is uncertain.

2.3 The Cost Approach

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.

We have considered linear depreciation method which is a method of calculating the depreciation of an asset, assuming the asset will lose an equal amount of value each year. The annual depreciation is calculated by subtracting the salvage value of the asset from purchase price, and then dividing this number by the estimated useful life of the asset.

We adopted depreciation rate ranged from 3.2% to 11.9%, depending on different useful life of the Assets ranged from 8 years to 30 years, most items belongs to 10 years. Physical deterioration ranged 41% to 90% is the loss in value resulting from wear and tear of an asset in operation and exposure to various elements. This includes such things as age, past service experience, maintenance practice, exposure to the natural elements, the process area environment, internal defects from vibration and operating stress, and the effects of prolonged shutdowns, accidents, and disasters.

We adopted 1% discount on functional obsolescence, which is the loss in value within the asset as a result of the development of new technology. This includes such things as changes in design, materials, or process resulting in over capacity, inadequacy, excess construction, lack of utility, or excess variable operating costs. The Plant and Equipment were observed to be generally in normal use condition and capable of operating the purpose for which they were designed.

We adopted 1% discount on economic obsolescence, which is the loss in value resulting from factors external to the asset. This includes such things as reduced demand for the product, increased competition, changes in raw material supplies, increasing costs of raw materials, labor, or utilities without a corresponding price increase of the product, inflation, high interest rates, legislation, and environmental considerations. We have assumed the factors of economic obsolescence which would be a stable economic condition on the appraised value of the asset.

There is no material events that would lead to a significant change in the market value of the Assets since the valuation date of 15 April 2024.

2.4 Conclusion

For the reasons set out above, we consider it is more appropriate and in line with industry norm and market practice in the circumstances to adopt the cost approach.

3. LOCATION

The Assets held by the Group are situated in an industrial complex located in Madagascar, Africa.

Accessibilities of the localities are considered reasonable. Main roads and air network are linked to the subject localities. Taxis and private cars can be accessed to the subject developments.

4. THE ASSETS

The Assets valued are held by Elate Graphite Limited as at the Date of Valuation. The company was principally engaged in the production and sale of graphite products.

The Assets mainly include machineries & equipment (such as Shandong Shantui Construction Machinery SD32 Bulldozer, Industries Hydraulic Mining Pack QTE20170821-3, Baifa Power Wuxi BF-C1375W 1000KW, Bulldozer, Excavator Ship, Hydraulic Excavator, Komatsu Excavator, Dump Truck, 20T Ore Trailer, Production Line, Vertimill, Vertical Shaft).

5. VALUATION CONSIDERATION AND ASSUMPTION

We have not investigated any safety regulations regarding the subject production. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the relevant government legislation and guidance.

To the best of our knowledge, all data set forth in this report are true and accurate. The data, opinions, or estimates, identified as being furnished by others which have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for the accuracy.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the Assets are used. It was assumed that prospective earnings would provide a reasonable return on the appraised value of the Assets, plus the value of any assets not included in the valuation, and adequate net working capital.

It must be noted that our valuation is relied on the information supplied by the Group that the Assets are in reasonable operating conditions. We did not attempt to operate or test the Assets. In addition, our valuation has been prepared based upon the assumptions that the Assets will continue in the existing use and the Assets will be used in the existing state with the benefit of continuity of tenure of land and buildings in the foreseeable future.

We have not carried out a mechanical survey, nor have we inspected covered or inaccessible areas of the Assets. Also no investigation was conducted as to whether the operation of specific pieces of Assets complied with the relevant environmental standard and ordinances; we have assumed that the Assets continue and will continue to comply with the current environmental standards and ordinances. We have made no allowance in our valuation for costs, if any, associated with the disposal or handling of materials required to comply with current or changing environment legislations.

We have made no investigation and assume no responsibility for titles or liabilities against the Assets.

The scope of this valuation is restricted to the Assets valued. We have therefore excluded in our valuation the land and buildings, current assets and intangible assets of Elate Graphite Limited.

6. REMARKS

Our valuation is prepared in accordance with the “RICS Valuation – Global Standards” published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We hereby confirm that we have neither present nor prospective interest in the Group, the Assets and the associated companies, or the values reported herein.

Unless otherwise stated, all monetary amounts stated in our valuation is in United State Dollar ("**USD**").

7. VALUATION

Our opinion of the market value of the Assets, based on the aforesaid basis, assumptions and considerations, as at 15 April 2024 was **USD17,496,651 (UNITED STATE DOLLAR SEVENTEEN MILLION FOUR HUNDRED NINETY-SIX THOUSAND SIX HUNDRED AND FIFTY-ONE ONLY**).

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Frank F Wong
BA (Business Admin in Act/Econ) MSc (Real Est)
MRICS Registered Valuer MAusIMM ACIPHE
Director, Head of Property and Asset Valuation

Note: Mr. Frank F Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering who has 25 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 17 years' experience in valuation of properties including plant and equipment in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, none of the Directors or chief executive of the Company was aware of any person or corporation who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS AND MEMBERS

As at the Latest Practicable Date, there were no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his or her connected entities had a material interest, whether directly or indirectly.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Company.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company.

8. MATERIAL CONTRACTS

No member of the Group has entered into any contracts, not being contracts entered into in the ordinary course of business, within the two years immediately preceding the date of this circular and are or may be material.

9. EXPERT AND CONSENT

The following experts have been named in this circular or have given opinion or advice which are contained in this circular.

Name	Qualification
BDO Limited	Certified Public Accountants
Roma Appraisals Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts:

(a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report (as the case may be) and references to its names, in the form and context in which they respectively appear;

(b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives, which carry voting rights in any member of the Group; or

(c) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2023), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange *(http://www.hkexnews.hk)* and the Company *(www.elate.hk)* for a period of 14 days from the date of this circular:

(a) the Agreement;

(b) the written consents referred to in the paragraph headed "EXPERT AND CONSENT" in this Appendix;

(c) the Valuation Report;

(d) Equipment and Factory Lease Contract;

(e) Supplementary Lease Contract; and

(f) New Supplementary Contract.

11. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Lam Lee Yu, an associate member of the Chartered Governance Institute in England and The Hong Kong Chartered Governance Institute

(b) The registered office of the Company is Unit 1002, 10/F., Euro Trade Centre, 13-14 Connaught Road Central & 21-23 Des Voeux Road Central, Hong Kong

(c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong.

ELATE HOLDINGS LIMITED
誼礫控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 076)

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (the "Meeting") of Elate Holdings Limited ("the Company") will be held by way of virtual meeting on 22 July 2024 at 11:00 a.m. for considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**That**

(a) the agreement dated 21 May 2024 entered into between Elate Graphite Limited and Aspect Group Limited (the "Agreement"), and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to or in connection with the Agreement and the transactions contemplated thereunder."

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

Hong Kong, 28 June 2024

Notes:

(i) The Company will conduct the Extraordinary General Meeting by way of a virtual meeting ("Online EGM"). Both registered Shareholders and non-registered Shareholders can (i) attend the Online EGM and vote by way of electronic means; or (ii) exercise their right to vote at the Online EGM by appointing their own proxy or the Company's designated proxy(ies), to act as their proxy.

By logging in the dedicated online platform, Shareholders will be able to listen to a live webcast of the Online EGM, submit questions, and cast vote in real-time.

(ii) The online platform will be opened for registered Shareholders and non-registered Shareholders to log in 30 minutes prior to the commencement of the Extraordinary General Meeting, and only those Shareholders who logged in 5 minutes before the start of the Online EGM will be entitled to attend and vote at the Online EGM. The online platform can be accessed from any location with internet connection by a smart phone, tablet device or computer. Shareholders should allow ample time to check into the online platform to complete the login procedure and remain logged in until the commencement of and during the Online EGM. For online voting, Shareholders can refer to the enclosed notification letter and the Online Meeting User Guide for details. Any missed contents as a result of connection issues arise from the Shareholders will not be repeated.

(iii) A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

(iv) Where there are joint holders of any share of the Company, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the Register of Members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(v) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not less than 48 hours before the time appointed for holding the Meeting.

(vi) The register of members of the Company will be closed from Wednesday, 17 July 2024 to Monday, 22 July 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 16 July 2024.