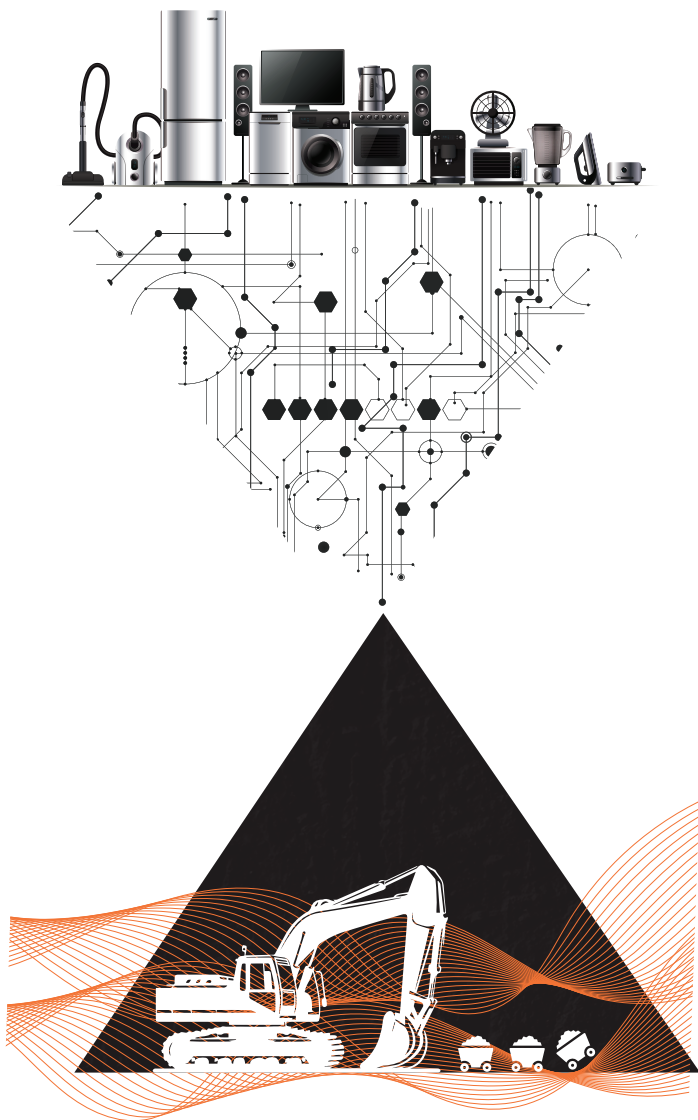




Elate Holdings Limited

STOCK CODE : 76



Interim Report **2024**

# CONTENTS

Condensed Consolidated Statement of Profit or Loss	2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Unaudited Interim Condensed Consolidated Financial Statements	8
Management's Discussion and Analysis of Financial Condition and Results of Operations	15



The Board of Directors (the “Board”) of Elate Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024 together with the comparative figures for the previous period as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		<b>Six months ended</b>	
		<b>30 June 2024</b>	30 June 2023
		<b>Unaudited</b>	Unaudited
	<i>Notes</i>	<b>US\$'000</b>	<i>US\$'000</i>
Revenue	3	<b>65,821</b>	51,037
Cost of sales		<b>(59,721)</b>	(46,353)
Gross profit		<b>6,100</b>	4,684
Other income		<b>2,331</b>	2,315
General and administrative expenses		<b>(6,856)</b>	(6,044)
Reversal of impairment loss/(impairment loss) on financial assets		<b>145</b>	(309)
Fair value gain on			
– commodity		<b>73</b>	57
– financial assets at fair value through profit or loss		<b>26,825</b>	1
<b>PROFIT FROM OPERATING ACTIVITIES</b>	4	<b>28,618</b>	704
Finance costs		<b>(10)</b>	(18)
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>28,608</b>	686
Income tax expense	5	<b>(891)</b>	(386)
<b>PROFIT FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>27,717</b>	300
		<i>US cents</i>	<i>US cents</i>
<b>Earnings per share</b>	6		
Basic		<b>7.64</b>	0.08
Diluted		<b>7.64</b>	0.08

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2024</b>	2023
	<b>Unaudited</b>	Unaudited
	<b>US\$'000</b>	US\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>27,717</b>	300
<b>OTHER COMPREHENSIVE INCOME</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<b>(283)</b>	2,000
Item that will not be reclassified to profit or loss:		
Revaluation of land and buildings	<b>91</b>	-
Other comprehensive income for the period	<b>(192)</b>	2,000
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>27,525</b>	2,300

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June 2024 Unaudited US\$'000	31 December 2023 Audited US\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	7	22,538	24,182
Investment properties		8,940	9,040
Right-of-use assets		410	361
Financial assets at fair value through profit or loss	10	31,097	4,279
<b>Total non-current assets</b>		<b>62,985</b>	<b>37,862</b>
<b>Current assets</b>			
Inventories		324,165	327,059
Trade receivables	8	40,133	34,819
Other receivables, deposits and prepayments	9	4,977	2,093
Amount due from a joint venture		85	–
Commodity		1,358	1,285
Financial assets at fair value through profit or loss	10	164	163
Cash and bank balances		4,440	6,056
<b>Total current assets</b>		<b>375,322</b>	<b>371,475</b>
<b>Current liabilities</b>			
Trade payables	11	9,534	10,557
Other payables and accruals	12	8,834	7,002
Contract liabilities		50	387
Lease liabilities		140	108
Tax payable		1,786	903
<b>Total current liabilities</b>		<b>20,344</b>	<b>18,957</b>
<b>Net current assets</b>		<b>354,978</b>	<b>352,518</b>
<b>Total assets less current liabilities</b>		<b>417,963</b>	<b>390,380</b>
<b>Non-current liabilities</b>			
Leases liabilities		63	–
Deferred tax liabilities		717	722
<b>Total non-current liabilities</b>		<b>780</b>	<b>722</b>
<b>NET ASSETS</b>		<b>417,183</b>	<b>389,658</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30 June 2024*

		<b>30 June 2024</b>	31 December 2023
		<b>Unaudited</b>	Audited
	<i>Note</i>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	14	<b>608,344</b>	608,344
Reserves		<b>(191,161)</b>	(218,686)
<b>TOTAL EQUITY</b>		<b>417,183</b>	389,658

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2024

(Expressed in US\$'000)

	Share capital	Translation reserve	Revaluation reserve	Accumulated losses	Total equity
At 1 January 2024	<u>608,344</u>	<u>(843)</u>	<u>7,179</u>	<u>(225,022)</u>	<u>389,658</u>
Total comprehensive income for the period	<u>-</u>	<u>(283)</u>	<u>91</u>	<u>27,717</u>	<u>27,525</u>
At 30 June 2024	<u>608,344</u>	<u>(1,126)</u>	<u>7,270</u>	<u>(197,305)</u>	<u>417,183</u>
	Share capital	Translation reserve	Revaluation reserve	Accumulated losses	Total equity
At 1 January 2023	<u>608,344</u>	<u>(3,231)</u>	<u>6,896</u>	<u>(226,837)</u>	<u>385,172</u>
Total comprehensive income for the period	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>300</u>	<u>2,300</u>
At 30 June 2023	<u>608,344</u>	<u>(1,231)</u>	<u>6,896</u>	<u>(226,537)</u>	<u>387,472</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2024*

	<b>Six months ended</b>	
	<b>30 June 2024</b>	30 June 2023
	<b>Unaudited</b>	Unaudited
	<b>US\$'000</b>	US\$'000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,180)</b>	(6,342)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(465)</b>	(782)
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>114</b>	(239)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,531)</b>	(7,363)
Cash and cash equivalents at beginning of period	<b>6,056</b>	12,074
Effect of foreign exchange rate changes	<b>(85)</b>	1,459
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4,440</b>	6,170



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023.

### 2. Changes in significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

The following amendments are effective for the period beginning 1 January 2024:

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>

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



### 3. Revenue and segment information

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment performance for the six months ended 30 June 2024 and 2023 is set out below:

#### *For the six months ended 30 June 2024*

*(Unaudited and expressed in US\$'000)*

	Manufacture and sales of graphite products	Manufacture and sales of electronic products	Design and manufacturing	Total
Revenue from external customers	21,618	44,160	43	65,821
Segment results	314	3,861	(299)	3,876
Unallocated income and expenses				24,742
Profit from operating activities				28,618
Finance costs				(10)
Income tax expense				(891)
Profit for the period				27,717

#### *For the six months ended 30 June 2023*

*(Unaudited and expressed in US\$'000)*

	Manufacture and sales of graphite products	Manufacture and sales of electronic products	Design and manufacturing	Total
Revenue from external customers	14,995	35,903	139	51,037
Segment results	1,280	1,087	(239)	2,128
Unallocated income and expenses				(1,424)
Profit from operating activities				704
Finance costs				(18)
Income tax expense				(386)
Profit for the period				300

#### 4. Profit from operating activities

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

	Six months ended	
	30 June	30 June
	2024	2023
	Unaudited	Unaudited
	US\$'000	US\$'000
Depreciation:		
– owned property, plant and equipment and investment properties	1,873	1,813
– right-of-use assets	191	185
Interest from amount due from a joint venture	(85)	(85)

#### 5. Income tax expense

For the six months ended 30 June 2024, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

#### 6. Earnings per share

The calculation of basic and diluted earnings per share is based on the net profit attributable to the owners of the Company for the six months ended 30 June 2024 of approximately US\$27,717,000 (2023: US\$300,000), and 362,844,073 (2023: 362,844,073) weighted average ordinary shares in issue during the period.

Diluted earnings per share is of the same amount as the basic earnings per share as there was no potential dilutive ordinary shares outstanding as at 30 June 2024 and 2023.

#### 7. Property, plant and equipment

During the six months ended 30 June 2024, the Group acquired approximately US\$243,000 (2023: US\$786,000) of property, plant and equipment.

**8. Trade receivables**

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

	<b>30 June 2024 Unaudited US\$'000</b>	31 December 2023 Audited US\$'000
0-30 days	<b>15,288</b>	9,819
31-60 days	<b>6,166</b>	10,030
61-90 days	<b>6,954</b>	4,720
Over 90 days	<b>11,725</b>	10,250
	<b>40,133</b>	34,819

**9. Other receivables, deposits and prepayments**

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

	<b>30 June 2024 Unaudited US\$'000</b>	31 December 2023 Audited US\$'000
Other deposits and prepayments	<b>3,484</b>	589
Other receivables	<b>1,493</b>	1,504
	<b>4,977</b>	2,093

**10. Financial assets at fair value through profit or loss**

	<b>30 June 2024 Unaudited US\$'000</b>	31 December 2023 Audited US\$'000
<b>Non-current assets</b>		
Shares traded on the OTC Pink Market in the United States	<b>31,097</b>	4,279
<b>Current assets</b>		
Hong Kong listed shares	<b>164</b>	163
	<b>31,261</b>	4,442

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

11. Trade payables

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

	<b>30 June 2024 Unaudited US\$'000</b>	31 December 2023 Audited US\$'000
0-30 days	5,883	5,436
31-60 days	3,028	3,141
61-90 days	479	813
Over 90 days	144	1,167
	<u>9,534</u>	<u>10,557</u>

12. Other payables and accruals

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

	<b>30 June 2024 Unaudited US\$'000</b>	31 December 2023 Audited US\$'000
Other payables	5,053	4,369
Accruals	2,579	2,355
Other tax payable	1,202	278
	<u>8,834</u>	<u>7,002</u>

13. Dividend

The Directors have decided not to declare any interim dividend for the six months ended 30 June 2024 (2023: Nil).

14. Share capital

	<b>The Company Number of ordinary shares</b>	<b>Amount US\$' 000</b>
<b>Issued and fully paid:</b>		
At 1 January 2023 (audited), 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	<u>362,844,073</u>	<u>608,344</u>

## 15. Fair value measurement of financial instruments

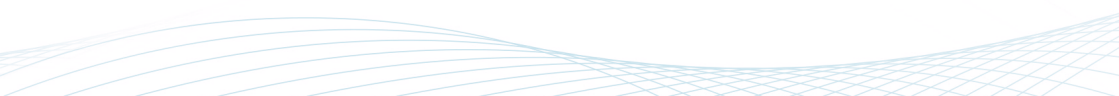
### *Fair value of financial instruments*

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

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

### *Fair value measurement recognised in the condensed consolidated financial statements*

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

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

15. Fair value measurement of financial instruments (Continued)

	Level 1	Level 2	Level 3	30 June 2024 Total Unaudited US\$'000
	US\$'000	US\$'000	US\$'000	
Recurring fair value measurements: Financial assets at fair value through profit or loss	<u>31,261</u>	<u>–</u>	<u>–</u>	<u>31,261</u>
				31 December 2023
	Level 1	Level 2	Level 3	Total Audited US\$'000
	US\$'000	US\$'000	US\$'000	US\$'000
Recurring fair value measurements: Financial assets at fair value through profit or loss	<u>4,442</u>	<u>–</u>	<u>–</u>	<u>4,442</u>

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

16. Compensation of key management personnel

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

	Six months ended 30 June 2024 Unaudited US\$'000	30 June 2023 Unaudited US\$'000
Salaries, allowances and benefits in kind	<u>1,460</u>	<u>1,130</u>

17. Related party transactions

Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group has not entered into other material related party transaction for the six months ended 30 June 2024 and 2023.

18. Approval of the unaudited interim condensed consolidated financial statements

The Board of Directors of the Company approved the unaudited interim condensed consolidated financial statements on 30 August 2024.

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

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

For the six months ended 30 June 2024, the revenue of the Group was approximately \$65.8 million, represented an increase of approximately \$14.8 million, or 29.0%, as compared to approximately \$51.0 million for the same period of prior year. The net profit attributable to owners was approximately \$27.7 million, as compared to net profit of approximately \$0.3 million, for the same period of the prior year. As at 30 June 2024, the total assets of the Group were approximately \$438.3 million, as compared to approximately \$409.3 million at 31 December 2023, and the net assets of the Group were approximately \$417.2 million at 30 June 2024, as compared to approximately \$389.7 million at 31 December 2023.

### Business Review

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

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

In 2017, the Company began to build its graphite production lines and a warehouse in Madagascar, Africa, where the Company owns a large amount of graphite ore. The customers include steel mills, lithium battery companies, refractory material companies and users of graphite products in China and around the world.

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



## Exchange of Production Lines and Graphite Ore for Graphite Product

On 21 May 2024, Elate Graphite Limited (“EGL”), an indirectly wholly owned subsidiary of the Company, entered into an agreement (the “Exchange Agreement”) with Aspect Group Limited (“AGL”). EGL conditionally agreed to dispose of and AGL agreed to acquire two production lines in Madagascar and 390,000 tons graphite ore (the “Assets”) at a consideration of US\$21,045,651, by using graphite product (the “Graphite Product”) as payment. Pursuant to the Exchange Agreement, EGL will exchange the Assets for 30,109 tons of the Graphite Product (graphite product with carbon content over 93%) produced by AGL (the “Transaction”). As agreed by both 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.

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 EGL and AGL of US\$21,045,651 and the carrying value of the Assets of US\$20,739,295, being the entire production lines of US\$17,224,000 and the 390,000 tons graphite ore of US\$3,515,295. It is estimated that the Transaction will be completed on or before 31 December 2024.

The Company plans to operate the graphite product business in a “light asset” manner. 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.

## Web 3.0 Related Business

In May 2023, the Company acquired 100% share capital of GoMeta Limited (“GoMeta”), which was newly established in March 2023, to develop businesses related to Web 3.0, including but not limited to non-fungible token, cryptocurrency and other projects that can create new business income for the Group.

On 3 July 2024, a share purchase agreement was entered into between the Company, Beijing Qi Le Wu Qiong Culture and Technology Limited (北京齊樂無窮文化科技有限公司) (“齊樂公司”) and GoMeta, pursuant to which GoMeta will issue and allot 10,000 ordinary shares to 齊樂公司 for a consideration of HK\$100,000. After the allotment, the Company and 齊樂公司 will own 50%-50% of GoMeta. GoMeta will become a joint venture company under the Group.

齊樂公司 will be responsible for developing and producing artificial intelligence (“AI”) products, and GoMeta will promote and sell the AI products overseas; the Company will assist GoMeta in promoting and selling AI products through Macau Lotus Satellite TV, Aomi online platform (澳覓網購平台) and other business platform, and give timely feedback and market information to 齊樂公司 so that 齊樂公司 can improve its products and services. Artificial intelligence has been developing for many years, and its impact will be far-reaching and involves every industry. The Company believes that artificial intelligence is an irreversible world trend and to participate in the development of AI has unlimited possibilities for the Company.

## Impact of Inflation and Climate Change on Our Business Operations

The conflicts in Ukraine and in the region of Palestine still have many unknown variables. The Group’s business operations have been impacted by these conflicts, particularly with the marked increase in inflation, driven by energy and gas prices. This has directly affected the energy costs of our graphite production and Axiom’s electronic manufacturing business, and indirectly driven up material and labour costs, which gets passed on in supplier pricing and wage increase expectations. Last year, the Group, to some extent, mitigated this cost by installing solar panels to its Axiom facility and are also renegotiating with its customers to try and pass on some of these increases whilst remaining competitive. Climate change is the most pressing global challenge. Against the background of global climate actions, the Group has implemented measures to conserve energy and reduce greenhouse gas emissions. The Group is conscious that the frequency of extreme weather is increasing, which could impact its business operations. Managing the possible impact of extreme weather on human security and infrastructure, precautionary measures have been taken by the Group, including work arrangements in the case of adverse weather conditions such as Black Rainstorm Warning and Typhoon Signal No. 8. During the six-month period ended 30 June 2024, the Group was not affected materially by any climate-related issues.

## Results of Operations

For the six months ended 30 June 2024, the Group’s turnover was approximately \$65.8 million, an increase of approximately \$14.8 million, or 29.0%, as compared to approximately \$51.0 million for the same period of the last year.

The turnover of the Group's graphite operations for the six months ended 30 June 2024 was approximately \$21.6 million as compared to approximately \$15.0 million for the same period of the last year, an increase of 44.2%. In 2023, overcapacity of anode materials led to a sharp drop in prices, market demand for its raw materials also decreased, which had a negative impact on the price of natural graphite. In the first half of 2024 the natural graphite market continued to be sluggish. Due to changes in market conditions, orders for lower-priced small flake graphite have increased in the first half of 2024, compared to the corresponding period in 2023; while demand for higher-priced large flake graphite has decreased. Although sales volume and turnover increased, the weighted average selling price per unit and gross profit margin of the product were slightly lower than the same period last year.

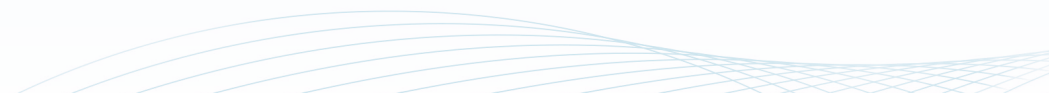
For the six months ended 30 June 2024, the turnover of the Group's electronics manufacturing service operation was approximately \$44.2 million, representing an increase of approximately \$8.3 million, or 23.0%, as compared to approximately \$35.9 million for the same period of the last year. Axiom's profits also grew compared to last year, from \$1.1 million for the first 6 months of 2023 to \$3.9 million for the same period in 2024, reflecting the stronger sales revenue and re-aligned pricing across key customers.

## **Outlook**

In 2024, the world market has begun to improve, but due to the complex international environment, geopolitical tensions, increasing uncertainties, soaring energy prices and high inflation, there are still many stability concerns and variables in the world economy.

Political tensions around the world have driven up production costs. The "de-Sinicization" of new energy industry chain is intensifying. The natural graphite market is expected to remain unstable in 2024. The Company has made proactive adjustments in its graphite business, using an "asset-light" approach to reduce sales costs and strive to open up more small flake graphite markets.

The outlook for our UK businesses is positive, with the open order book at the start of 2024 at its highest level, and because of this management expects turnover to remain strong during the year and potentially exceed the record year in 2020. In addition, customers are already placing orders for demand to be satisfied in 2025 and 2026. The UK cash position is strong with no debt, and the expected performance of the business in 2024 will further improve this. The Group will continue to increase the size of its customer base, across a range of market sectors to further reduce the risks associated with a downturn in one sector. The business will also invest in the latest capital equipment, and invest in research and development, to further enhance its manufacturing capacity and increase its service offering. Management will continue to monitor recent macroeconomic trends in the UK, currency rates and global energy costs and react accordingly.



## Liquidity and Financial Resources

The Group's operations are primarily funded by cash flows from its operations. At 30 June 2024, the Group's cash and bank balances were approximately \$4.4 million as compared to approximately \$6.1 million as at 31 December 2023. As at 30 June 2024, the Group recorded net current assets of approximately \$355.0 million (31 December 2023: \$352.5 million). The Group had no bank borrowings as at 30 June 2024. As at 30 June 2024, the Group's gearing ratio, calculated as the lease liabilities divided by the amount of total equity, was 0.05% (31 December 2023: 0.03%).

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

By 30 June 2024, the Company has utilized approximately HK\$90,134,000 (approximately US\$11,555,600). The detailed breakdown and description of the proceeds that were used are as below:

Plant and Warehouse	HK\$21,796,600	US\$2,794,400
Production lines	32,227,000	4,131,600
Pipeline, transport and loading tools	29,023,000	3,721,000
Wages	1,560,000	200,000
Others	5,527,400	708,600
	<u>HK\$90,134,000</u>	<u>(US\$11,555,600)</u>
Total	<u>HK\$90,134,000</u>	<u>(US\$11,555,600)</u>

Geopolitical tensions have significantly increased economic and demand uncertainty across the world, the Company decided to operate the graphite product business in a "light asset" manner by selling the entire production lines and part of the graphite ore inventory in Madagascar. After selling the 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.

On 26 April 2024, the Company entered into a subscription agreement with Mr. Zhang Zheng, an individual investor, for HK\$21,000,000 nil interest 6-year Debentures due 2030 ("2024 Debentures"). The conversion price is HK\$0.30. The maximum number of 70,000,000 new shares which are issuable will be issued and allotted under the general mandate given by the Shareholders of the Company at the annual general meeting held on 6 June 2023. The proceeds from the issue of the debentures (of which the Company is yet to received) will be used for the development of new artificial intelligence business of Gometa. No subscription and hence no conversion was made up to 30 June 2024.

## **Indebtedness**

As at 30 June 2024:

The Company did not have any bank borrowings or committed bank facilities;

The Company did not have any borrowing from any related parties; and

The Company did not have any bank overdrafts.

As at 30 June 2024 and up to the date of this report there has been no material adverse change to the indebtedness of the Group.

## **Contingent Liabilities and Pledge of Assets**

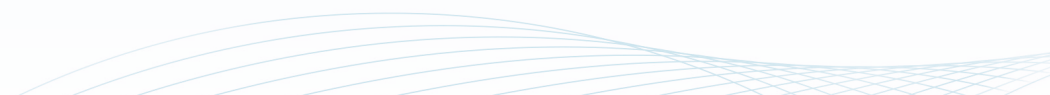
The Group did not have any material contingent liabilities and did not pledge any assets as at 30 June 2024.

## **Capital Commitments**

As at 30 June 2024, there were no capital commitments to the Group related to the purchase of fixed assets (2023: Nil).

## **Significant Investments Held**

As at 30 June 2024, the Group has no significant investment held.



## Material Acquisitions and Disposals

On 21 May 2024, EGL, an indirectly wholly owned subsidiary of the Company, entered into the Exchange Agreement with AGL. EGL conditionally agreed to dispose of and AGL agreed to acquire two production lines in Madagascar and 390,000 tons graphite ore at a consideration of US\$21,045,651, by using graphite product as payment. It is estimated that the Transaction will be completed on or before 31 December 2024. The Transaction constituted a very substantial disposal under the Listing Rules. Save as the above, there were no material acquisitions and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

## Capital Structure

For the six months ended 30 June 2024, there were no change in capital structure of the Company. The capital of the Company comprises ordinary shares and other reserves.

## Employees and Remuneration Policies

As at 30 June 2024, the Group had 325 (2023: 344) employees in Hong Kong, U.K., and Macau. The Group believes that its relationship with its employees is satisfactory.

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

## Foreign Exchange Exposure

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

## Interim Dividend

The Directors have decided not to declare any interim dividend for the six months ended 30 June 2024 (2023: Nil).

## Share Capital

During the six months ended 30 June 2024, there were no changes in the total number of shares and the issued share capital of the Company.

## Material Uncertainties

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

## Legal Proceedings

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

## Significant Events after the Reporting Period

On 3 July 2024, a share purchase agreement was entered into between the Company, 齊樂公司 and GoMeta, pursuant to which GoMeta will issue and allot 10,000 ordinary shares to 齊樂公司 for a consideration of HK\$100,000. After the allotment, the Company and 齊樂公司 will own 50%-50% of GoMeta. GoMeta will become a joint venture company under the Group. Save as the above, there were no significant events after the reporting period.

## ADDITIONAL INFORMATION

### Compliance with the Code of Corporate Governance Practices

The Company has complied with all the code provisions of the prevailing Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2024, except for one deviation as below:

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

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

**Compliance with the Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiries with all the Directors, the Company confirms that all the Directors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2024.

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

During the six months ended 30 June 2024, neither the Company, nor any of its subsidiaries, purchased, sold, or redeemed any of the Company’s securities.

**Directors’ and Chief Executives’ Interests in Shares**

At 30 June 2024, none of the Directors and executive officers of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations that were required, pursuant to Section 352 of the Securities and Futures Ordinance (the “SFO”), to be entered in the register referred to therein or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.



## Substantial Shareholders and Other Person's Interest in Shares

As at 30 June 2024, no person had registered an interest, short position, or lending pool in the shares or underlying shares or debentures of the Company that was required to be kept by the Company pursuant to Section 336 of the SFO.

## Review of the Unaudited Consolidated Interim Financial Statements

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

The Audit Committee of the Company consists of three independent non-executive directors: Mr. Ng Lai Po, Ms. Ye Yi Fan and Dr. Yan Shao Shi. Mr. Ng is the Audit Committee's Chairman, who has appropriate professional qualifications or accounting or related financial management expertise as set forth in 3.10(2) of the Listing Rules. The Audit Committee has adopted the terms of reference which are in line with Corporate Governance Code as set forth in Appendix C1 to the Listing Rules.

The Audit Committee has reviewed with the Company's management the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters, including the review of this unaudited interim results of the Company for the six months ended 30 June 2024.

## Publication of Interim Results

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

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

Hong Kong, 30 August 2024

*As at the date of this report, the Board of Directors is comprised 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.*

