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Elate Holdings Limited

STOCK CODE : 76

ANNUAL REPORT 2022

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CORPORATE INFORMATION

DIRECTORS

Feng Zhong Yun, *Executive Director and Managing Director*
Zhang Xue, *Executive Director*
Chai Woon Chew, *Independent Non-Executive Director*
Ng Lai Po, *Independent Non-Executive Director*
Ye Yi Fan, *Independent Non-Executive Director*

COMPANY SECRETARY

Lam Lee Yu

REGISTERED OFFICE

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

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

DBS Bank Ltd.

AUDITOR

BDO Limited

STOCK CODE

76

FINANCIAL HIGHLIGHTS

	2022 **US$'000**	2021 US$'000
Revenue	**100,189**	101,259
Profit from Operating Activities	**921**	6,058
Profit for the Year and Attributable to Owners of the Company	**572**	4,803
Total Equity Attributable to Owners of the Company	**385,172**	387,870
Earnings Per Share (US Cents)		
– Basic and Diluted	**0.16**	(Represented) 1.37

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

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

For the year ended 31 December 2022, the turnover of the Group was approximately $100.2 million, a decrease of approximately $1.1 million, or 1.1%, as compared to approximately $101.3 million for the prior year. The net profit attributable to owners of the Company was approximately $0.6 million, or $0.16 cents earnings per share, as compared to net profit of approximately $4.8 million, or $1.37 cent per share, for the year of 2021. On the balance sheets, at 31 December 2022 the total assets of the Group were approximately $409.1 million, as compared to approximately $407.9 million at 31 December 2021, and the net assets of the Group were approximately $385.2 million at 31 December 2022, as compared to approximately $387.9 million at 31 December 2021.

BUSINESS REVIEW

The Group's main business segments are (i) manufacture and sales of graphite products worldwide, (ii) manufacture and sales of electronic products, and (iii) design and manufacturing in the United Kingdom. Currently, due to the Covid-19 epidemic, the Group's multi-media production and movie making business operations has been suspended until the economic situation is improved and good projects are emerged.

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

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

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

ACQUISITION OF SEI SHARES

On 19 September 2022, the Company entered into a share swap agreement (the "Share Swap Agreement"), by which the Company swapped its 250,250,000 newly issued shares for 26 million of the common stock of Scientific Energy, Inc. ("SEI"), a company incorporated in the United States. The total consideration for the shares of SEI was HK$10,010,000 (the "Share Swap"). The Share Swap were issued and allotted under the general mandate granted to the Board in the annual general meeting held on 6 June 2022. As a result of this acquisition, the Company owns 9.87% of SEI's capital shares, and an individual shareholder (the "Swap Shareholder") owns 3.45% of the Company's ordinary shares.

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

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

SEI conducts its businesses primarily through its 98.75% owned subsidiary, Macao E-Media Development Company Limited, a Macau Company ("MED"), which have five subsidiaries operated in Macau and Zhuhai, China. As Macau's No.1 mobile platform of ordering and delivery services for restaurants or other merchants, SEI operates in Macau, and its businesses are built on its Aomi platform, which connects restaurants/merchants with consumers and delivery riders. For the year ended 31 December 2021, SEI's Platform generated over 8,400,000 transactions, totaling $1,049 million MOP (approximately US$131 million) in Gross Merchandise Volume. As of 31 December 2021, SEI had approximately 620,100 registered Platform customers and served over 4,400 partnered Merchants.

The reasons for the acquisition of the shares of SEI are business diversification. Coronavirus changed people's daily lives and buying habit. Food delivery service boomed all over the world during lockdown period. It is seen that online purchase and delivery service increased even Covid restriction is easing. The Company believes delivery service in Hong Kong will be in high demand and can be optimized in the future. SEI is holding 98.75% of the share capital of MED, with a successful business model in Macau, MED can help to diversify the Company business in the future.

IMPACT OF THE RUSSIAN-UKRAINIAN WAR AND CLIMATE CHANGE ON OUR BUSINESS OPERATIONS

The Group's business operations have been impacted by the conflict in the Ukraine, particularly with the marked increase in the rate of inflation in 2022, driven by energy and gas prices. This has directly affected the energy costs of our graphite production and Axiom's electronic business, and indirectly driven up material and labour costs, which gets passed on in supplier pricing and wage increase expectations. The Group has, 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. For the year ended 31 December 2022, the Group was not affected materially by any climate-related issues.

RESULTS OF OPERATIONS

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

The turnover of the Group's graphite operations for the year was approximately $27.4 million as compared to approximately $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.

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

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

For the year ended 31 December 2022, the turnover of the Group's electronics manufacturing service operation in the UK was approximately $72.3 million, representing a decrease of approximately $3.7 million, or 4.8%, as compared to approximately $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.

OUTLOOK

For the past three years, due to the Covid-19 pandemic, we have taken preventative measures related to graphite market due to possible weakened customer demand. Entering 2023, the situation is mixed. The good news is that the epidemic prevention policies of various countries have been adjusted, the market has begun to improve, and companies have more opportunities. What is worrying 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. On the one hand, we will continue to work to protect our employees and the public, maintain business continuity and sustain our operations; and on the other hand, we are not able at this time to predict the extent to which the Covid-19 pandemic may have a material effect on our graphite business, our financial positions, and results of operations.

The graphite business of the Group operates in two markets: the Chinese domestic market and international market. China itself is the main producer of graphite, and the competition is intense and fierce. The demand in the international market is mainly refractory materials. The biggest production cost of the Group's graphite operation is diesel fuel cost. Due to the impact of the conflict between Russia and Ukraine in 2022, global energy prices skyrocketed and inflation intensified, resulting in weak markets and reduced customer orders, while oil prices remain high. It is estimated that the graphite market in 2023 will not be stable, and our graphite business will also face big challenges in terms of orders and production costs.

Management believes that the outlook for our UK businesses remains positive, with the open order book at the start of 2023 is at its highest level, and because of this management does not expect turnover to decline during the year, in addition it has secured inventory to meet this customer demand. Also, customers are already placing orders for demand to be satisfied in 2024 and 2025. The UK cash position is strong with no significant debt, and the expected performance of the business in 2023 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 trends that have driven inflation in the UK such as global energy costs and the employment market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operations are primarily funded by cash flows from its operations and from issuance of convertible debentures of the Company. At 31 December 2022, the Group's cash and cash equivalents were approximately $12.1 million as compared to approximately $18.4 million as at 31 December 2021. As at 31 December 2022, the Group recorded net current assets of approximately $348.0 million (2021: $351.0 million). The Group had no bank borrowings as at 31 December 2022. As at 31 December 2022, the 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.

By 31 December 2022, the Company has utilized approximately HK$90,134,000 (approximately US$11,556,000). The detailed breakdown and description of the proceeds that were used are as below:

Plant and Warehouse	HK$21,796,600	US$2,794,700
Production lines	32,227,000	4,131,600
Pipeline, transport and loading tools	29,023,000	3,721,600
Wages	1,560,000	200,000
Others	5,527,400	708,100
Total	HK$90,134,000	(US$11,556,000)

The unutilized amount of approximately HK$478,866,000 (of which HK$466,884,500 not yet received) are planned to be used in 2023-2026. A detailed breakdown and description of the intended use of the unutilized proceeds are as below:

Plant and Warehouse	HK$72,503,400	US$9,295,300
Production lines	194,153,000	24,891,400
Pipeline, transport and loading tools	115,180,000	14,766,690
Road building	31,200,000	4,000,000
Wages	33,540,000	4,300,000
Others	32,289,600	4,139,710
Total	HK$478,866,000	(US$61,393,100)

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

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

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

INDEBTEDNESS

As at 31 December 2022:

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

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

The Company did not have any bank overdrafts.

As at 31 December 2022 and up to the date of this report, there has been no material adverse change to the indebtedness of the Group.

CAPITAL COMMITMENTS

As at 31 December 2022, there were no capital commitments to the Group related to the purchase of fixed assets (2021: Nil).

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2022, the Group has no significant investment held.

MATERIAL ACQUISITIONS AND DISPOSALS

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

CAPITAL STRUCTURE

For the year ended 31 December 2022, there were no change in capital structure of the Company. The capital of the Company comprises ordinary shares and other reserves.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 344 (2021: 310) employees in Hong Kong, U.K., and Macau. The Group believes that its relationship with its employees is satisfactory.

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

FOREIGN EXCHANGE EXPOSURE

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

DIVIDEND

The Directors have decided not to declare any dividend for the year ended 31 December 2022 (2021: Nil).

SHARE CAPITAL

Upon the completion of the Share Swap on 25 October 2022, the Company issued and allotted a total of 250,250,000 ordinary shares (each share at HK$0.04) to the Swap Shareholder for a total of 26,000,000 ordinary shares of SEI at a market value of approximately US$1,284,000 owned by the Swap Shareholder.

Pursuant to a resolution passed at the extraordinary general meeting of the Company on 14 December 2022, a consolidation of share was approved with effect from 16 December 2022. Every twenty existing issued and unissued ordinary shares in the share capital of the Company were consolidated into one ordinary share. Details of the consolidation of shares are set out in the Company's circular dated 21 November 2022 and the Company's announcement dated 14 December 2022.

Details of the share capital of the Company are set forth in Note 30 to the financial statements.

MATERIAL UNCERTAINTIES

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

LEGAL PROCEEDINGS

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the prevailing Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited for the year ended 31 December 2022, except for two deviations 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.

Code Provision C.1.6: Independent non-executive directors and non-executive directors should attend general meeting

Two independent non-executive directors, Mr. Chai Woon Chew and Ms. Ye Yi Fan were not able to attend the annual general meeting of the Company held on 6 June 2022 in person due to other business engagements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiries with all the Directors, the Company confirms that all the Directors have complied with the required standards as set out in the Model Code during the year ended 31 December 2022.

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

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries, purchased, sold, or redeemed any of the Company's securities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 December 2022, none of the Directors and executive officers of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations that were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register referred to therein or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2022, none of the Company's Directors had a material interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party.

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

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTEREST IN SHARES

As at 31 December 2022, no person had registered an interest, short position, or lending pool in the shares or underlying shares or debentures of the Company that was required to be kept by the Company pursuant to Section 336 of the SFO.

REVIEW OF THE RESULTS BY AUDIT COMMITTEE AND EXTERNAL AUDITORS

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

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

The Audit Committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters, including the review of the annual results of the Group for the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained at all times during the year sufficient public float as prescribed by the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual report of the Company will be dispatched to its shareholders who elected to receive the printed version of the corporate communication of the Company and published on the Hong Kong Stock Exchanges and Clearing Limited's website (http://www.hkex.com.hk) and the Company's website (http://www.elate.hk) in due course.

On behalf of the Board of

Elate Holdings Limited
Feng Zhong Yun
Managing Director

Hong Kong, 30 March 2023

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022, which were approved by the Board of Directors on 30 March 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacture and sales of graphite products worldwide, manufacture and sales of electronic products, and design and manufacturing in the United Kingdom.

The details of the principal activities of the subsidiaries are set out in Note 18 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2022 and the state of affairs of the Company and the Group as at that date are set out in the audited consolidated financial statements on pages 62 to 65.

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and financial position of the Group for the last five financial years is set out on page 144.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2022 and a discussion on the Group's future business development are provided in the "Management's Discussion and Analysis" on pages 4 to 11.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks affecting the business are the global economic environment, our competitors, and the advancement of technology. The business tries to mitigate these risks by having a spread of customers across several different market sectors; these customers in turn sell their products across the globe, therefore reducing the risk/impact of downturns in individual countries or regions. The business also invests in capital expenditure to remain at the forefront of technology so that the company can match the service offering of our customers.

Supply Chain

The global marketplace is seeing supply chain issues across many sectors, with this being reported widely in the press. The impact of this has been increased lead times which can in turn delay the manufacturing process. To mitigate this risk management have increased the inventory/working capital of the business, whilst this has not had a major impact on the business to date, management consider that supply chain issues will remain during 2023 and most of 2024 but that it will have a limited impact on the business.

Ukraine conflict

The economic climate of the UK has been impacted by the conflict in the Ukraine, particularly with the marked increase in the rate of inflation in recent months, driven by energy and gas prices. This has directly affected the energy costs of Axioms business, and indirectly driven up material and labour costs in the UK, which gets passed on in supplier pricing and wage increase expectations. The company has mitigated this cost by installing solar panels to its facility and are also renegotiating with its customers to try and pass on some of these increases whilst remaining competitive.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the Group's purchases from the five largest suppliers accounted for approximately 58.5% of the Group's total purchases and purchases from the largest supplier included therein accounted for approximately 20.4% of the Group's total purchases.

During the year, the Group's sales to the five largest customers accounted for approximately 65.5% of the Group's total turnover and sales to the largest customer included therein accounted for approximately 18.4% of the Group's total sales.

None of the directors of the Company, their associates, nor any shareholders which to the best knowledge of the directors own more than 5% of the Company's issued share capital, had any beneficial interests in the Group's five largest customers and suppliers in 2022 and 2021.

Throughout the years, the Group maintained uninterrupted communications and a good relationship with its customers and suppliers without any major disputes.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group emphasises on maintaining good relationship with its stakeholders and considers it a key element to sustainable business growth.

Employees

We have been people-oriented and have attached great importance to human resource management. We attract excellent talents through fair recruitment policy and provide employees with training opportunities, good career development prospect and growth opportunities. From time to time, we offer our employees remuneration packages that are comprehensive and attractive. We also value our employee's physical and mental development. Diverse events and activities are organised for the employees for fostering work-life balance and personal growth.

Customers

We are committed to offering our customers products and services to the best of our ability. We highly value comments and suggestions of our customers and have always maintained effective communications with the customers. We continue to reach out for current and prospective customers through, inter-alia, on-site visits and major customer satisfaction surveys. We believe that customers' feedback would help us to identify areas of improvement and advance us to achieve excellence.

Suppliers

Maintaining good relationship with suppliers is essential to our business performance and growth because suppliers can have direct influence over the quality of our products and services and customer satisfaction. We value the partnership with our suppliers and works together to promote sustainable development of the industries they operate. We are committed to establishing a close and long-term cooperation relationship with our suppliers and business partners.

DIVIDEND POLICY

The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors including our operation and financial performance profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our shareholders as well as any applicable laws.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's Property, Plant and Equipment increased to approximately US$25.2 million as at 31 December 2022 from approximately US$24.5 million as at 31 December 2021.

Details of the movements in the Property, Plant and Equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2022 are set out in Note 18 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and in Note 31(a) to the consolidated financial statements.

SHARE OPTIONS

As of 31 December 2022, there were no share options outstanding.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 30 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Detail information on the environmental, social and governance practices of the Group is set out in the Environment, Social and Governance Report. Please refer to pages 40 to 56.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group seeks to uphold high standard of integrity in all aspects of business and is committed to ensure that its affairs are conducted in accordance with applicable laws and regulatory requirements and has formulated and adopted various internal control measures, approval procedures and training within all business units at all levels of the Group. During the year, there has been no violation or breach of relevant laws and regulations that had a significant impact on the Group.

DIRECTORS

The members of the Board during the year ended 31 December 2022 and up to the date of this report are:

Executive Directors:
Feng Zhong Yun, *Managing Director*
Zhang Xue

Independent Non-Executive Directors:
Ng Lai Po
Chai Woon Chew
Ye Yi Fan

A full list of the name of the directors of the Group's subsidiaries can be found in the Company's website at www.elate.hk under Corporate Information.

Directors' Biographical Details

Feng Zhong Yun, age of 55, has been the Company's Executive Director and Managing Director since 31 December 2012. Prior to that, he was the Company's independent non-executive director from 15 November 2012 to 31 December 2012. Mr. Feng graduated from China Central Academy of Fine Arts and obtained his Bachelor of Arts degree in 1991.

Zhang Xue, age of 45, has been the Company's Executive Director since 2009. She held a bachelor's degree in Accountancy from Qingdao University. From 2001 to 2007, Ms. Zhang served as Accounting Manager in Beifang Mining Group Limited.

Ng Lai Po, age of 55, has been the Independent Non-executive Director of the Company since December 2012. Mr. Ng obtained his Bachelor of Social Sciences from the University of Hong Kong in 1990. Mr. Ng is a fellow member of the Association of Chartered Certified Accountants since 1999. Mr. Ng has over 27 years of experience in finance, accounting and management. Mr. Ng was the Internal Audit Controller of Kader Holdings Company Limited (HK listed stock code 180); the Head of Finance – China of Hong Kong G2000 Group; the Head of Group Financial Control of Chow Sang Sang Holdings International Limited (HK listed stock code 116); the Chief Financial Officer of A&H Manufacturing Group – Asia Region; the Financial Controller of Shenzhen Wanji Pharmaceutical Co., Ltd./Hong Kong Wanji Group Limited; the Financial Controller of Brightway Petroleum Group (Holdings) Ltd. Mr. Ng is currently an executive director of M&L Engineering & Materials Ltd.

Chai Woon Chew, age of 65, has been the Company's Independent Non-executive Director since 2002. From 1994 to present, Mr. Chai has been a partner at Michael Chai & Co., a law firm in Kuala Lumpur, Malaysia. From 1991 to 1994, he was a legal associate with Shook Lin & Bok, a law firm in Kuala Lumpur, Malaysia. Mr. Chai holds a Bachelor of Laws (Hons) degree from the University of Buckingham and a Bachelor of Science (Hons) degree in Chemistry from University of Surrey, UK. Mr. Chai is qualified as Barrister at Law from Lincoln's Inn, England.

Ye Yi Fan, age of 40, has been the Company's Independent Non-executive Director since 8 January 2021. Ms. Ye graduated from Beijing Film Academy in China, and participated in movies and TV shows shooting. Ms. Ye also taught performing arts.

There are no relationships (including financial, business, family or other material/relevant relationship(s)), if any, between Board members and in particular, between the chairman and the chief executive of the Company.

REPORT OF THE DIRECTORS

Under the Articles of Association of the Company, all of the directors are subject to retirement by rotation and re-election at the annual general meeting. In accordance with Articles of Association of the Company, Mr. Feng Zhong Yun, Mr. Chai Woon Chew and Ms. Ye Yi Fan will retire by rotation and, being eligible, offer themselves for re-election at the coming annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, directors and officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto, provided that such indemnity provisions in the Company's Articles of Association shall only have effect in so far, they are not avoided by the Hong Kong Companies Ordinance. Such provisions were in force during the year ended 31 December 2022 and remained in force as of the date of this Report.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2022, none of the Company's Directors are considered to have interests in the business which compete or are likely to compete with the business of the Group pursuant to the Listing Rules.

DIRECTORS' REMUNERATION

The emoluments of the Directors are determined by the Board, as authorised by shareholders at the Annual General Meeting, with reference to directors' duties, responsibilities and performance and the results of the Group.

The emoluments of the Directors of the Company (including Executive Directors and Independent Non-executive Directors) on a named basis are set out in Note 10 to the consolidated financial statements for the year ended 31 December 2022.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into during the year or subsisted at the end of the year.

CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group has not entered into any material connected transactions.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and Chief Executives' Interests in Shares or Debentures" below, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2022, none of the Directors and Chief Executive of the Company had interest in the shares, underlying shares and debentures of the Company and its associated companies, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors or the Chief Executive were deemed or taken to have under such provisions of the SFO, which are required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers ("Model Code") contained in the Listing Rules.

All Directors have confirmed that they complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules throughout the review period.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTEREST IN SHARES

As at 31 December 2022, no person had registered an interest or short position in the shares or underlying shares or debentures of the Company that was required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

The Company confirmed, based on its best understanding, for the year ended 31 December 2022 and up to the date of this report, there was not any person or entity holding more than 50% of the shares in the Company's capital which is required to be disclosed under Appendix 16 of the Listing Rules.

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

During the period under review, neither the Company, nor its subsidiaries, purchased, sold, or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 19 to 39 of this annual report. In the opinion of the Directors, the Company has complied with the Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2022.

DEFINED CONTRIBUTION RETIREMENT PLAN

The Company and its subsidiaries in Hong Kong have sponsored their employees to join the Mandatory Provident Fund Scheme established under the Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, each of the Group (the "employer") and its employees makes monthly contributions to the Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from employer and each of the employees respectively are subject to a cap of HK$1,500 per month and thereafter contributions are voluntary. The assets of the MPF Scheme are held separately from those of the Group and managed by an independent trustee.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this annual report as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2022 and up to the date of this Report.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022 have been audited by BDO Limited, who are eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Feng Zhong Yun
Managing Director

Hong Kong, 30 March 2023

The Board of Directors (the "Board") of Elate Holdings Limited (the "Company"), together with its subsidiaries (referred as the "Group") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code contained in the Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong.

The Board periodically reviews and monitors the Company's policies and practices on corporate governance or compliance with legal and regulatory requirements to ensure that the Group's operations are conducted in accordance with the standards of the CG Code and applicable disclosure requirements. The Board is of the view that throughout the year ended 31 December 2022, the Company has complied with all the applicable CG Code with the exception of two deviations 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.

Code Provision C.1.6: Independent non-executive directors and non-executive directors should attend general meeting

Two independent non-executive directors, Mr. Chai Woon Chew and Ms. Ye Yi Fan were not able to attend the annual general meeting of the Company held on 6 June 2022 in person due to other business engagements.

CORPORATE CULTURE AND STRATEGY

By recognising the importance of stakeholders at the Board level and throughout the Group, we strive to create values to the stakeholders through sustainable growth and continuous development. The Board of the Company has set out the following values to provide guidance on employees' conduct and behaviours as well as the business activities, and to ensure they are embedded throughout the Company's vision, mission, policies and business strategies:

(i) Integrity – We strive to do what is right;

(ii) Excellence – We aim to deliver excellence;

(iii) Collaboration – We are always better together;

(iv) Empathy – We care about our stakeholders – employees, supply chain and the community; and

(v) Sustainability – We are committed to a sustainable development.

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed that they have complied with the standards as set out in the Model Code throughout the year ended 31 December 2022.

As at 31 December 2022, none of the Directors and Executive Officers of the Company and their respective associates had any interest or short position 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 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.

THE BOARD OF DIRECTORS

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element in the Board, which can effectively exercise independent judgement. As at the date of this report, the Board consists of five members, including two executive Directors and three independent non-executive Directors. Details of their composition by category are as below. More than one-third of the Board is represented by independent non-executive Directors with one of whom being a chartered certified accountant.

There are no relationships (including financial, business, family or other material/relevant relationship(s)), if any, between Board members.

Executive Directors:
Feng Zhong Yun, *Managing Director*
Zhang Xue

Independent Non-Executive Directors:
Ng Lai Po
Chai Woon Chew
Ye Yi Fan

The biographical information of the Directors and their relationships between the members of the Board are set out in the "Report of the Directors" of this report. A list of the Directors identifying their roles and functions are available on the websites of the Company and the Stock Exchange of Hong Kong Limited (the "Stock exchange").

Responsibilities of the Board

The Board is elected by the shareholders of the Company and is to exercise the functions granted by the general meetings and the articles of association of the Company. The major responsibilities of the Board are to set the Group's overall objectives and strategies, monitor and evaluate its operating and financial performance and review the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

In respect of its corporate governance functions, the Board is responsible for the following:

(a) developing and reviewing the Company's policies and practices on corporate governance;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance policies applicable to employees and directors; and

(e) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Directors, individually and collectively, have a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to the Company and shareholders in respect of the manner in which the affairs of the Company are being controlled and managed.

Directors are requested to make declaration of their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board. If a director has a potential conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

Appointment and Re-election of Directors

In accordance with the Company's Articles of Association, a person may be appointed as a Director either by shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by shareholders. In addition, all the Directors are required to retire by rotation at least once every three years at the annual general meeting, and are eligible for re-election by shareholders.

In accordance with the Company's Articles of Association, all Directors are not appointed for a specific term, but they are subject to retirement by rotation at least once three years and are eligible for re-election at the annual general meeting by the shareholders.

Independent Non-Executive Directors

The role of the independent non-executive directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views.

During the year ended 31 December 2022, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of Independent Non-executive Directors representing at least one-third of the Board.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the Independent Non-executive Directors of the Company has not been appointed for a specific term, as they were subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Re-election of an Independent Non-Executive Director

Mr. Ng Lai Po, who has served the Board of the Company for more than nine years and was re-elected as an Independent Non-Executive Director ("INED") at the annual general meeting held on 6 June 2022.

The Nomination Committee of the Company has assessed the independence of Mr. Ng based on reviewing his annual written confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules and confirmed that all of them remain independent. Mr. Ng has served on the Board as an INED for more than 9 years, the Nomination Committee and the Board still consider him to be independent and recommend him to be re-elected at the annual general meeting ("AGM") for the following reasons:

(i) Mr. Ng has made annual written confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules for the year ended 31 December 2021. As at the latest practicable date, the Board was not aware of any subsequent change in circumstances which may affect his independence;

(ii) Mr. Ng has no any conflict interest or material interest in the Group's businesses and affairs; and

(iii) as at the latest practicable date, Mr. Ng had no interests (within the meaning of Part XV of the SFO) in any shares, underlying shares or debentures of the Company and/or its associated corporations.

The Nomination Committee has considered Mr. Ng's extensive experience in accounting and management field, his working profile and other experience as set out in "Appendix I" to the circular dated 26 April 2022. The Nomination Committee and the Board are satisfied that Mr. Ng has the required character, integrity and experience to continuously fulfil his role as an INED effectively. The Board is of the view that Mr. Ng has considerable experience in and has built influence in the industry and fulfilled his duties in an enthusiastic manner. Therefore, he is able to complement the professional background of the composition of the Board in terms of his extensive experience and offer valuable insights to the Board.

Based on the above, the Board was of the view that diversity of Board members can be achieved through consideration of a number of factors, such as age, gender, cultural and educational background, or professional experience, skills and expertise upon election of Mr. Ng as an INED. The Board believed that the re-election of Mr. Ng as an INED would be in the best interests of the Company and the Shareholders as a whole. It was considered that Mr. Ng's length of tenure with the Company would not affect his independence.

Therefore, with the recommendation of the Nomination Committee, the Board proposed Ng Lai Po stand for re-election as Director at the AGM. As a good corporate governance practice, Mr. Ng abstained from voting at the relevant Nomination Committee meeting and the Board meeting on the respective propositions of his recommendations for re-election by the Shareholders at the AGM.

BOARD INDEPENDENCE

The Company has established mechanisms to ensure independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board. During the year under review, the Board has reviewed the implementation and effectiveness of the following mechanisms at the Board meeting:

(a) Three out of the five Directors are INEDs, which exceeds the requirement of the Listing Rules that at least one-third of the Board are independent non-executive Directors.

(b) Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, INEDs will be appointed to all Board committees as far as possible to ensure independent views are available.

(c) The Nomination Committee will assess the independence of a candidate who is nominated to be a new INED before appointment and the continued independence of the current long-serving INEDs on an annual basis.

Each INED is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence. All INEDs are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.

(d) All Directors are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the Company's company secretary (the "Company Secretary") and, where necessary, independent advice from external professional advisers at the Company's expense.

(e) All Directors are encouraged to express their views in an open and candid manner during the Board/Board Committees meetings.

(f) A Director (including INED) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.

(g) No equity-based remuneration with performance-related elements will be granted to INEDs.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Under the code provision C.1.4 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the board remains informed and relevant. All Directors are provided with updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to the Board during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices. The Company also, at its expense, arranges and provided suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

For the year ended 31 December 2022, all Directors participated in continuous professional training by attending external training or seminars on various topics, to develop and refresh their knowledge and skills, which ensure that they have comprehensive and required information to make contributions to the Board. All Directors have provided their records of training to the Company.

According to the records maintained by the Company, a summary of seminars attended by the Directors for the year ended 31 December 2022 is as follows:

Directors	Legal and Regulatory	Corporate Governance	Financial Reporting/Risk Management	Director's Duties
Executive Directors				
Feng Zhong Yun	✓	✓	✓	✓
Zhang Xue	✓	✓	✓	✓
Independent Non-Executive Directors				
Ng Lai Po	✓	✓	✓	✓
Chai Woon Chew	✓	✓	✓	✓
Ye Yi Fan	✓	✓	✓	✓

BOARD MEETINGS AND DIRECTORS' ATTENDANCE

During the year ended 31 December 2022, the Board has held four meetings. All Directors are given an opportunity to include any matters in the agenda for all Board meetings and are given sufficient time to review documents and information relating to matters to be discussed during the Board meetings in advance. For all regular Board meetings, the Board reviewed the operation and financial performance, and reviewed and approved the annual and interim results. And in order to ensure all Directors could plan in advance their availability, a notice of at least 14 days is given for regular meeting.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the right to seek external professional advice if required.

During the year ended 31 December 2022, four board meetings and one annual general meeting were held. Details of the attendance of the meetings of the Board are as follows:

Directors	Board Meeting	Audit Committee Meeting	AGM	EGM
Mr. Feng Zhong Yun	4/4	N/A	0/1	0/1
Ms. Zhang Xue	4/4	N/A	0/1	0/1
Mr. Ng Lai Po	2/4	3/3	1/1	1/1
Mr. Chai Woon Chew	1/4	2/3	0/1	0/1
Ms. Ye Yi Fan	4/4	3/3	0/1	0/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy to comply with the code provision on board diversity. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on the Board's nomination policy and a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The Board considered that Independent Non-executive Directors can enhance the effectiveness and decision-making of the Board by providing independent view, objective judgement and constructive challenge to the Board and management of the Group. As at the date of this Report, the Board comprises five Directors. Three of the Directors are Independent Non-executive Directors. The Board believes that gender diversity is a representing manifestation of Board diversity, among all other measurable objectives. While the Board has a domination of male composition, the Company has two female Director achieving a female representation in the Board. The Board is of the view that the existing gender diversity in respect of the Board is sufficient, and that the nomination policy of the Company can ensure that there will be a pipeline of potential successors to the Board which continues the existing gender diversity in the Board. The Board is also characterised by significant diversity, whether considered in terms of professional background and skills.

As at the date of this report, the Board comprises three male Directors and two female Directors. Three of the Directors are independent non-executive Directors. As at 31 December 2022, the gender ratio of the Company's workforce was approximately 51.7% male to 48.3% female. The Company's hiring is merit-based and non-discriminatory. The Board is satisfied that the Company has achieved gender diversity in its workforce.

COMPANY SECRETARY

Ms. Lam Lee Yu, the Company Secretary, is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. All Directors of the Company have access to her advice and services. She reports to the Managing Director on board governance matters, and is responsible for ensuring that board procedures are followed and for facilitating communications among directors as well as with shareholders and management. As the Company Secretary, she is also responsible for the Company's compliance with the continuing obligations of the Listing Rules, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations.

All Directors have full access to the services of the Company Secretary and are provided with adequate, reliable and timely information about the operations and latest development of the Group to enable them to discharge their responsibilities and make timely decision. Through the Company Secretary, independent professional advice could be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request.

During the year ended 31 December 2022, the Company Secretary complied with the relevant professional training requirement under Rule 3.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Nomination Committee, and Remuneration Committee, for overseeing particular aspects of the Company's affairs. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange and are available to shareholders upon request.

The Board and the Board committees are provided with all necessary resources including the advice of external auditor, external legal advisers and other independent professional advisors as needed.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the respective chairman and members of each board committee is set out below:

Audit Committee

As of the date of this report, the Audit Committee comprises three Independent Non-executive Directors, namely:

- Mr. Ng Lai Po *(Chairman)*
- Mr. Chai Woon Chew
- Ms. Ye Yi Fan

All members of Audit Committee are Independent Non-executive Directors. The Audit Committee is chaired by Mr. Ng Lai Po, who possesses appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The principal responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, and relationship with external auditors of the Group, overseeing the audit process and performing other duties and such responsibilities as assigned by the Board. The Audit Committee meets with the Company's external auditors to discuss any area of concern during the audit or review as well as their evaluations of the system of risk management and internal control. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of standards, but also on the Listing Rules and the legal requirements in the review of the Group's interim and annual reports.

Major work completed by the Audit Committee during the year includes:

(a) reviewed the Group's annual report, interim financial information and annual financial statements;

(b) reviewed significant accounting and audit issues;

(c) reviewed the external auditor's qualifications, independence and performance;

(d) assisted the Board to evaluate on the effectiveness of financial reporting procedures and internal control systems;

(e) reviewed the adequacy and effectiveness of the Group's system of internal control and risk management;

(f) advised on material event or drawing the attention of the management on related risks;

(g) reviewed connected transactions entered into by the Group or subsisting, if any;

(h) Approved the 2022 external audit engagement and fees.

During the year ended 31 December 2022, the Audit Committee held three meetings. The attendance record of these meetings is set out below:

Name of committee members	**Number of Meetings Attended/Held**	**Attendance Rate**
Mr. Ng Lai Po	3/3	100%
Mr. Chai Woon Chew	2/3	67%
Ms. Ye Yi Fan	3/3	100%

Nomination Committee

As of the date of this report, the Nomination Committee comprises the following three Independent Non-executive Directors:

- Ms. Ye Yi Fan *(Chairman)*
- Mr. Chai Woon Chew
- Mr. Ng Lai Po

Terms of reference of the Nomination Committee set out the Committee's authorities and duties, which follow closely the guidelines of the code provisions of the CG Code. The principal duties of the Nomination Committee are as follows:

(a) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) To assess the independence of independent non-executive Directors;

(d) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

(e) To ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

The Board's nomination policy is to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Company and its shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Candidates also will be assessed in the context of the then-current composition of the Board, the operating requirements of the Company. In conducting this assessment, the Nomination Committee will, in connection with its assessment and recommendation of candidates for director, consider diversity (including, but not limited to, gender, race, ethnicity, age, experience and skills) and such other factors as it deems appropriate given the then-current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

During the year ended 31 December 2022, the Nomination Committee held one meeting. Among other things, the major work completed by the Nominate Committee during the year includes: reviewed and nominated Mr. Ng Lai Po, who has served the Board for more than nine years, for re-election as an Independent Non-Executive Director for the Board approval, reviewed the structure, size and composition of the Board, assessed the independence of the Independent Non-executive Directors and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming annual general meeting of the Company. The attendance record of these meetings is set out below:

Name of committee members	Number of Meetings Attended/Held	Attendance Rate
Ms. Ye Yi Fan	1/1	100%
Mr. Chai Woon Chew	1/1	100%
Mr. Ng Lai Po	1/1	100%

Remuneration Committee

As of the date of this report, the Remuneration Committee comprises the following three Independent Non-executive Directors:

- Mr. Chai Woon Chew *(Chairman)*
- Mr. Ng Lai Po
- Ms. Ye Yi Fan

Terms of reference of the Remuneration Committee set out the committee's authorities and duties, which follow closely the guidelines of the code provisions of the CG Code. The principal duties of the Remuneration Committee are as follows:

The principal duties of the Remuneration Committee are to provide advices and recommendations to the Board on:

(a) To make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) To make recommendations to the board on the remuneration packages of individual Executive Directors and senior management;

(d) To make recommendations to the Board on the remuneration of Non-executive Directors;

(e) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) To review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) To ensure that no Director or any of his/her associates is involved in deciding that Director's own remuneration.

No Director takes part in any discussion on his/her own remuneration.

The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

The remuneration policy for the Directors and our senior management members is based on their experience, level of responsibility, length of service and general market conditions. Any discretionary bonus and other merit payments are linked to the financial results of the Group and the individual performance of the directors and senior management members.

During the year ended 31 December 2022, the Remuneration Committee held one meeting. Major work completed by the Remuneration Committee during the year includes:

(a) reviewed the remuneration policy and structure relating to the Directors and senior management of the Company; and

(b) Made a recommendation to the Board on the remuneration of a Non-executive Director.

The attendance record of these meetings is set out below:

Name of committee members	Number of Meetings Attended/Held	Attendance Rate
Mr. Chai Woon Chew	1/1	100%
Mr. Ng Lai Po	1/1	100%
Ms. Ye Yi Fan	1/1	100%

Executive Directors' Remuneration

The remuneration paid to the Executive Directors of the Company in 2022 was as below:

Name of Executive Directors	Compensation Per Annum (US$'000)
Mr. Feng Zhong Yun	15
Ms. Zhang Xue	33

No Executive Director has a service contract with the Company or any of its subsidiaries with a notice period in excess of one year or with provisions for predetermined compensation on termination that exceeds one year's salary and benefits in kind.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Notes 10 and 11 to the financial statements.

Directors' and Officers' Insurance

Pursuant to the Articles of Association of the Company, directors and officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto, provided that such indemnity provisions in the Company's Articles of Association shall only have effect in so far, they are not avoided by the Hong Kong Companies Ordinance. Such provisions were in force during the year ended 31 December 2022 and remained in force as of the date of this Report.

For the year ended 31 December 2022, no claims under the insurance policy were made.

DIRECTORS' RESPONSIBILITY IN PREPARING FINANCIAL STATEMENTS

The Board acknowledges its responsibility for preparing all information and representations contained in the financial statements of the Company for the year under review. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the board and management with an appropriate consideration to materiality. As at 31 December 2022, the Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The Board also ensures timely publication of the Group's financial statements and aims to present a clear, balanced and understandable assessment of the Group's performance and position through all its publications and communications to the public. The Board is also aware of the requirements under the applicable rules and regulations about timely disclosure of inside information.

The report from BDO Limited, the independent auditor of the Company, regarding their responsibilities and opinion on the financial statements of the Group for the year ended 31 December 2022 is set out in the "Independent Auditor's Report" in this annual report.

AUDITOR'S REMUNERATION

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and overseeing the Group's financial reporting system and internal control procedures. During the years ended 31 December 2022 and 2021, the remuneration paid/payable to the Company's auditor, BDO Limited, is set out below:

Fee Category	**2022** **US$'000**	2021 US$'000
Audit fees	**404**	359
Other services	**135**	80

The Board's policy is to pre-approve all audit services and all permitted non-audit services as set forth by the Listing Rules of the Hong Kong Stock Exchange to be provided by the Company's independent auditor.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's accounts for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the consolidated financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually.

As a part of the Group's risk management and internal control systems, appropriate policies and controls have been designed and established by the Group to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed.

The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems in place for the year ended 31 December 2022 and up to the date of this Annual Report are effective and adequate.

However, the risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group has adopted a three-tier risk management approach to identify, evaluate and manage significant risks. The operating units of the Group, as a first line of defence, identify, evaluate, mitigate and monitor the risks, and report such risk management activities to the Group's management on a regularly basis. The Group's management, as the second line of defence, provides support to the operating units and ensure that the significant risks are properly managed and within the acceptable range and report the situation to the Board at each regularly scheduled meeting. The Board, as the final line of defence, conducts an annual review of the overall effectiveness of the Group's risk management and internal control systems.

Under Code Provision D.2.5, the Group should have an internal audit function. Currently the Group does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with applicable laws, rules and regulations. The situation will be reviewed from time to time.

During the year, the Board has reviewed and discussed the risk management and internal control systems and no material internal control failings, weaknesses or deficiencies have been identified during the course of the review.

Based on the above, the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal control and financial reporting functions.

WHISTLEBLOWING POLICY

In compliance with code provision D.2.6 of the CG Code, the Board adopted a Whistleblowing Policy, which provides employees and the relevant third parties who deal with the Group (e.g. customers, suppliers, creditors and debtors) with guidance and reporting channels on reporting any suspected improprieties in any matters related to the Group directly addressed to the designated person.

An email account has been set up for this purpose. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential.

The Board and the Audit Committee will regularly review the Whistleblowing Policy and mechanism to improve its effectiveness.

ANTI-FRAUD AND ANTI-CORRUPTION POLICY

In compliance with the new code provision D.2.7 of the CG Code, the Board adopted an Anti-Fraud and Anti-Corruption Policy, which outlines guidelines and the minimum standards of conducts, all applicable laws and regulations in relation to the anti-corruption and anti-bribery, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Group would not tolerate all forms of fraud and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties.

The Board and the Audit Committee will review the Anti-Fraud and Anti-Corruption Policy and mechanism periodically to ensure its effectiveness and enforce the commitment of the Group to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company recognises that the release of inside information to place anyone in a privileged dealing position is strictly prohibited. Prior to the announcement of the inside information, all Directors and senior management are requested to take all reasonable steps to maintain strict confidentiality and where it is reasonably likely that confidentiality may have been lost in respect of the inside information, the Company shall as soon as reasonably practicable, apply to the Stock Exchange for a trading suspension of its shares.

DIVIDEND POLICY

The Company does not have any pre-determined dividend pay-out ratio. The declaration of dividends is subject to the discretion of the Board. In determining the dividend for distribution to the shareholders, the Board will measure the capital needs in future years based on the future capital budget plan of the Company and consider factors such as profitability and financial structure and liquidity of the Company comprehensively. Any declaration of final dividend by the Company shall also be subject to the approval of the shareholders in a shareholders' meeting.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all its shareholders an equal opportunity to exercise their rights in an informed manner and allow all shareholders to engage actively with the Company. Under the Company's Articles of Association, the shareholder communication policy and other relevant internal procedures of the Company, shareholders of the Company enjoy, among others, the following rights:

(a) Rights and procedures for shareholders to convene extraordinary general meetings

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than 5% of the total voting rights of all the shareholder(s) having a right to vote at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting of the Company.

The requests must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is/are intended to be moved at the meeting. The request must be signed by the requisitionists and deposited at the registered office of the Company for the attention of the Company Secretary in hard copy form.

(b) Rights and procedures for shareholders to make proposals at general meetings

(i) Rights and procedures for a shareholder to propose a person for election as a director

Pursuant to Article 97 of the Company's Articles of Association, shareholder(s) may send a notice in writing of the intention to propose a person for election as a director and notice in writing by that person of his willingness to be elected shall have been delivered to the Company's registered office provided that the minimum length of the period during which such notices are given, shall be at least seven days and that the period for lodgement of the notices shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

(ii) Rights and procedures for proposing resolution to be put forward at a general meeting

Shareholder(s) can submit a written requisition to move a resolution at the annual general meeting. The number of shareholders shall represent not less than 2.5% of the total voting rights of all shareholders having, at the date of the requisition, a right to vote at the annual general meeting, or who are no less than 50 shareholders.

The written requisition must state the resolution, accompanies by a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the annual general meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's registered office in Hong Kong at Unit 1002, 10/F, Euro Trade Centre, 13-14 Connaught Road Central and 21-23 Des Voeux Road Central, Hong Kong, for the attention of the Company Secretary.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

(c) Shareholders' Enquiries

Shareholders may direct their questions about their shareholdings to the Company's share registrars: Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Elate Holdings Limited
Attn: Company Secretary
Unit 1002, 10/F., Euro Trade Centre
13-14 Connaught Road Central and 21-23 Des Voeux Road Central, Hong Kong
Email: info@elate.hk

Shareholders may also make enquiries with the Board at the general meetings of the Company.

SHAREHOLDERS' COMMUNICATION POLICY

The Company considers that effective communication with its shareholders and stakeholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies.

The Company is committed to enhancing long-term shareholder value through regular communication with its shareholders, and strives to ensure that all shareholders have ready, equal and timely access to all publicly available information of the Company that is accurate and informative. The Company's shareholders' communication policy sets out the framework in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meetings, annual reports, interim reports, various notices, announcements and circulars. All corporate communication documents, including annual report, interim report, notice of meeting, circular and proxy form, would be provided to shareholders in plain language and in both English and Chinese versions to facilitate shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

The Company endeavors to maintain an ongoing dialogue with shareholders and in particular, through annual general meeting and extraordinary general meeting. In respect of each matter to be considered at the annual general meeting and the extraordinary general meeting, including the re-election of Directors, a separate resolution will be proposed by the managing director of the Board. The managing director of the Board and the chairmen of the Board Committees and, in their absence, other members of the respective committees, will be available at the annual general meeting and the extraordinary general meeting to meet with shareholders and answer their enquiries. The Company will also invite representatives of the auditor of the Company to attend the annual general meeting of the Company to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

The Company also communicates other information to shareholders on a need basis by way of announcement which will be posted on the websites of Hong Kong Exchanges and Clearing Limited and the Company. Other than annual general meeting, extraordinary general meeting shall be held pursuant to relevant rules and regulations if required. Shareholders shall receive explanatory circulars and proxy forms relating to the extraordinary general meetings. Proxy arrangements for general meetings are in place for shareholders who are unable to attend the meetings in person.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend general meetings to have personal communication with shareholders. The external auditor is required to be present to assist the Directors in addressing any relevant queries by shareholders.

The Board reviews the effectiveness of the above channels of communication between the Company and its shareholders on an annual basis. During the year ended 31 December 2022, the Company complied with the requirements of the Listing Rules and the Articles of Association, and the Board is satisfied with the implementation and effectiveness of the Company's activities in communicating with shareholders and investors during the reporting period.

SHARE CONSOLIDATION

At the extraordinary general meeting of the Company held on 14 December 2022, the majority of the shareholders of the Company approved a share consolidation proposal. Under the proposal, every twenty (20) existing issued and unissued ordinary shares in the share capital of the Company be consolidated into one ordinary share ("Consolidated Share") and such consolidation shall take effect on the second business day immediately following the day of passing of the resolution; (b) the Consolidated Shares shall rank pari passu in all respects with each other in accordance with the articles of association and bye-laws of the Company.

CONSTITUTIONAL DOCUMENTS

In order to bring the Articles of Association in line with the Listing Rules and to incorporate certain minor housekeeping amendments, the Board proposed to put forward relevant resolution(s) for shareholders' approval at the forthcoming AGM to amend and restate the Articles of Association of the Company. The details of the proposed amendments and a notice for the forthcoming AGM will be published on the websites of the Stock Exchange and the Company and despatched together with the Annual Report 2022 to the Shareholders as soon as practicable in accordance with the Articles of Association of the Company and the CG Code.

On Behalf of the Board

Feng Zhong Yun
Managing Director

Hong Kong, 30 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Elate Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present this Environmental, Social and Governance Report (the "ESG Report"), highlighting the ESG activities, performance, challenges, and measures taken by the Group. The information stated in this report covers the period from 1 January 2022 to 31 December 2022 (the "Reporting Period") which aligns with the financial year as the 2022 annual report of the Group.

REPORTING PRINCIPLES

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities (the "Listing Rules") on Main Board of Stock Exchange. This ESG Report is also prepared according to the "Comply or Explain "provisions and the following four Reporting Principles as required by the ESG Reporting Guide:

Materiality

The materiality was assessed based on the results obtained from stakeholder engagement. The threshold for sustainability topics to become material was reviewed and confirmed by our management to ensure that they were sufficiently. The details on materiality analysis of ESG issues are summarized under sections "Stakeholder Engagement" and "Materiality Assessment".

Quantitative

We have kept track of our performance and target by using key performance indicators ("KPIs") throughout the reporting period. Where applicable, we compared our data and discuss on their implication. This principle applies to all information in the report.

Balance

All information disclosed in the Report shall be unbiased. There will not be any misleading presentation format, selections and omission that may inappropriately influence the decision of a stakeholder.

Consistency

The report adopts consistent methodologies on assumptions and calculation methods to allow a fair comparison of our performance over time. Where applicable, we disclosed the changes to the method and KPIs used.

REPORTING SCOPE

The content of this Report covers our subsidiaries in Hong Kong and the U.K., which are controlled by the Group and the major sources of the Group's revenues during the Reporting Period.

The information contained in this report were collected through various means, including but not limited to reviewing our internal control policies and ESG-related processes, conducting interviews with stakeholders and referencing industry research papers and articles.

BOARD STATEMENT ON ESG GOVERNANCE

The board (the "Board") of directors (the "Directors") is committed to incorporating the ESG mindset into business operations. The Board accepts full responsibility for the sustainability of the Group, including formulating strategies, overseeing the Group's ESG related risks and opportunities, and approving the ESG Report. The Board is also required to keep abreast of and comply with the latest regulatory requirements before the approval of the ESG Report.

The Board believes that the management of ESG-related risks and opportunities is essential to the Group's efficient and effective operation. The risk management and internal control systems assure accuracy, reliability and the timeliness of the data presented and sustainable development measures. The Board will also regularly review the implementation effectiveness of the systems and whether they cover major control measures on material ESG issues.

This ESG Report has been approved by the Board.

STAKEHOLDERS ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. To proactively understand and address their key concerns, the Group has maintained close communication with its key stakeholders, including but not limited to shareholders and investors, customers, suppliers, employees, government and regulatory authorities, industry chamber of commerce and communities. We welcome stakeholders to provide their opinions and suggestions. If you have any opinions or suggestions, please do not hesitate to contact us by mail to Unit 1002, 10/F., Euro Trade Centre, 13-14 Connaught Road Central and 21-23 Des Voeux Road Central, Hong Kong.

In formulating operational and ESG strategies, the Group considers stakeholders' expectations by utilizing diversified engagement methods and communication channels as shown below.

Major stakeholders	Demands and expectations	Communication channels
Shareholders and investors	• Public information disclosure and transparency • Sustainable return on investment • Strong corporate governance • Protection of the voting rights of shareholders and investors • Appointment of directors	• Corporate announcements and circulars • Financial reports • Shareholder meetings
Customers	• Improvement of service and product Quality • Customer satisfaction • Privacy protection	• Business communication • Customer feedback
Suppliers	• Selection of suppliers • Sustainable supply chain • Long-term cooperation	• Periodic review and examination • Procurement meetings • Site visit, phone calls, conferences and emails
Employees	• Employee remuneration and benefits • Health and safety of working environment • Career development	• Performance review • Seminars and conferences • Meetings and briefings
Government and regulatory authorities	• Compliance with laws and regulations • Strong corporate governance	• Policy consultation • Legal advisor
Media	• Transparent information • Corporate sustainability	• Company's website • News monitoring
Industry chamber of commerce and communities	• Community involvement • Business compliance • Environmental protection awareness	• Community participation • ESG reports

Through working together with the stakeholders, the Group strives to further improve its ESG initiatives to create greater value for the community on a continuous basis.

MATERIALITY ASSESSMENT

The management and staff of the Group's respective major operations have participated in the preparation of this ESG Report to assist the Group in reviewing its operations, identifying relevant ESG issues, and assessing the importance of related matters to the Group's businesses and stakeholders. In order to identify the issues in this ESG Report that are significant to the Group's sustainable development and stakeholders, the Group has invited key stakeholders to participate as respondents in the materiality assessment questionnaire to priorities the identified ESG issues in terms of their importance to the Group's sustainable development and their importance to stakeholders and to express their views on the Group's sustainable development. The Group has reviewed the feedback from stakeholders and the results of the questionnaire and identified the key ESG issues. The results of the materiality assessment questionnaire are summarized as follows.

The ESG Reporting Guide	Material ESG Issues
Environmental	
A1. Emission	Emissions Control Waste Management
A2. Use of Resources	Energy Management Water Management
A3. The Environment and Natural Resources	Noise Pollution
A4. Climate Change Climate	Change Management
Social	
B1. Employment	Employment Practice
B2. Health and Safety	Health and Safety
B3. Development and Training	Development and Training
B4. Labor Standards	Labor Standards
B5. Supply Chain Management	Supply Chain Management
B6. Product Responsibility	Protection of Intellectual Property Rights Customer Privacy Protection Product Quality and Safety Customer Services
B7. Anti-corruption	Anti-corruption
B8. Community Investment	Corporate Social Responsibility

During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents comply with the requirements of the ESG Reporting Guide.

A. ENVIRONMENTAL

The Group adopts the best market practice on environmental management according to various international standards and provides frequent training to employees based on the latest regulatory standards. During the Reporting Period, the Group was not aware of any non-compliance cases related to environmental laws and regulations in Hong Kong and the U.K.

A.1. Emissions

The Group has enhanced its management of emissions through technological and recycling solutions that seek to reduce the emission of relevant pollutants and greenhouse gases, waste and water management. When conducting its businesses, the Group makes every effort to minimise its impact to the environment and make sure that all related emissions standards are met. Regular assessments are conducted on the Group's air and greenhouse gas emissions as well as the generation and disposal of hazardous and non-hazardous waste.

Our wholly-owned subsidiary Axiom Manufacturing Services Limited is accredited to ISO140001, and sets year on year targets to the reduction in the use of natural resources.

- Air conditioning is controlled.
- Solar power has been installed to reduce carbon reliance
- All waste paper, cardboard, and soft plastics are recycled.
- Energy saving light bulbs is used in the factory, car parks and for road lighting.
- Monitor water usage; however, water is not used in the production process.
- No smoking is permitted within the building.
- Recycling of plastic bottles, aluminum cans, cardboard bales, batteries take place.
- Electronic equipment is disposed of by specialist recycling companies.
- The company complies with the Control of Pollution Act and Environmental Protection Act in the UK.
- The company will also identify opportunities where new technology can be introduced to reduce energy consumption.

A1.1 Type of Emissions

A1.2 Greenhouse Gas Emissions:

Energy Type	Consumption	CO_2 Emissions	CO_2 Emissions/Person
Electricity	1,835,229 kWh	427.9 tonnes CO_2 equivalent	1.384 tonnes CO_2 equivalent
Gas	1,220,219 kWh	224.7 tonnes CO_2 equivalent	0.727 tonne CO_2 equivalent
Diesel	9,670 litres	25.1 tonnes CO_2 equivalent	0.081 tonne CO_2 equivalent
Total		677.7 tonnes CO_2 equivalent	2.190 tonnes CO_2 equivalent

A1.3 Hazardous Waste Produced

A1.4 Non-Hazardous Waste Produced

A1.5 Measures to Mitigate Emissions:

Type	Quantity	Quantity/Person	Reduction Measure
Hazardous	25 tonnes	0.081 tonne	Move to using unleaded solder paste in the manufacturing process
Non-Hazardous	112 tonnes	0.362 tonne	This is all the material that cannot currently be recycled. Move to recycling more and more waste
Cardboard	34 tonnes	0.110 tonne	Encourage customers to use returnable packaging
Soft Plastics	6 tonnes	0.019 tonne	Request supplier to use reusable packaging and move away from shrink wrapping and bubble wrapping raw material
Wood/Pallets	14 tonnes	0.045 tonne	Rebate scheme in place for the return of good pallets

The effectiveness of the reduction in waste materials is measured and reviewed annually as part of the companies accreditation to ISO14001.

A1.6 How are hazardous and non-hazardous waste handled

All different types of waste are segregated, and kept in secure areas until collected by the specialist waste disposal companies.

A.2. Use of Resources

The Group advocates the use of high-efficiency equipment, and strive to streamline the operational procedures, thereby reduce the consumption of fuel, electricity and water and improve the resource efficiency in its operations. The Group also applies energy saving measures in its workplaces including installation of an energy-saving lighting system, setting optimal temperature on the air-conditioning, and switching off the lighting and air-conditioning after office hours. The Group encourages its employees to switch off their computers and other office equipment when not utilized, and reduce the use of papers by assessing the necessity of printing and where appropriate to use duplex printing and reuse any single-side printed papers. The Group is committed to continue to reduce its paper, electric consumption and reduction of waste.

- No toxic or harmful materials are produced
- No water is used in the production process therefore nothing is discharged into the waste water system
- No harmful gases are produced by production or emitted from the factory
- Fume hoods are used when employees work with adhesives
- Documents are sent electronically wherever possible

A2.1 Direct & Indirect energy consumption

Type	Consumption	Consumption/Person
Electricity	1,835,229 kWh	5,934.4 kWh
Gas	1,220,219 kWh	3,945.7 kWh
Water	3,160 m^3	10.2m^3

A2.2 Water consumption:

- Water in not used in the manufacturing process, and only used by employees in the washroom areas and in the canteen

A2.3 Energy use efficiency initiatives:

- LED lighting – with motion detection sensors
- Temperature control systems have been updated to reduce energy consumption
- Solar panels have been installed to reduce purchased electricity.

A2.4 Sourcing of water, and efficiency initiatives

- Water is source from the local regulatory authority

A2.5 Total packaging material used for finished products

- Only cardboard that can be recycled is used with finished products
- Some customers use returnable packaging, and the company is encouraging other customers to adopt this approach.

A.3. Environment and Natural Resources

The Group encourages its employees to identify and adopt advanced technologies, if any, that are suitable for each stage of the production process so as to minimize the impact of the business on the environment. By regular environmental monitoring, the Group ensures that it strictly complies with relevant environmental laws and regulations in its daily operations and closely monitors and timely identifies, controls and manages important environmental matters.

The Group is committed to ensuring that its employees have clear understanding in the relevant policies and the specific requirements of the Company and to encouraging its business partners to align with the Group's policies to operate in a sustainable manner and achieve continuous improvement.

- All production equipment is CE marked to comply with European Union regulations
- Environmental guidelines are issued to all contractors
- The company also takes into consideration local guidelines from Natural Resources Wales.

A3.1 Significant impacts of the environment

- Axiom has accreditation to ISO14001
- Axiom supports local Bee keeping allowing Beehives to be kept in the garden and wooded area of the site
- All employees undertake environmental awareness at induction
- The company has installed bird boxes on trees surrounding the building

A4. Climate Change

Nowadays, climate change has become a pressing issue around the globe. The Group is increasingly recognizing the importance of identifying and assessing the significant risks associated with climate change and is committed to managing potential climate change risks that may affect the Group's business activities. The Group recognizes that climate change is already affecting all aspects of our communities, stakeholders and business operations. While climate change creates new risks, it also creates new opportunities. During the Reporting Period, the Group has been closely identifying and monitoring potential physical risks and transition risks as follows:

Physical Risks

The increased frequency and severity of extreme weather events, such as typhoons, storms, heavy rains and extreme cold or heat, bring acute and chronic physical risks to the Group's business. The Group's productivity will be affected under extreme weather events as the safety of our employees may be threatened during commuting. The power grid or communication infrastructures might be damaged, which exposes the Group to risks associated with non-performance and delayed performance, leading to direct negative impacts on the Group's revenue. To minimize the potential risks and hazards, the Group has established mitigation plans, including flexible working arrangements and precautionary measures during bad or extreme weather conditions. The Group will review the existing emergency plan to further lower the vulnerability of our installations to extreme weather events in order to enhance business stability.

Transition Risks

To achieve the global vision on carbon neutrality, the Group expects the evolution of the regulatory, technological and market landscape caused by climate change, including the tightening of national policies and listing rules and the emergence of environmentally related taxes. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits, which might incur additional compliance costs and affect the revenue or reputation of the Group.

In response to the policy and legal risks as well as the reputation risks, the Group constantly monitors the changes in laws or regulations and global trends on climate change to avoid cost increments, non-compliance fines or reputational risks due to delayed response. In addition, the Group has been taking comprehensive environmental protection measures, including greenhouse gas reduction measures and target setting, to gradually reduce the Group's energy consumption and GHG emissions in the future.

A4.1 Significant impacts of climate-related issues

The climate change related risks also have impact on our business operations. The increased frequency and severity of extreme weather events, such as typhoons, storms, and heavy rains, bring acute and chronic physical risks to our businesses, as the safety of our employees may be threatened during commuting. The power grid or communication infrastructures might be damaged, which exposes us to risks associated with non-performance and delayed performance, leading to direct negative impacts on our revenues. The extreme weather event also has the potential to disrupt our supply chains making getting the resources and materials businesses need more challenging. To minimize these potential risks, we adopt flexible working arrangements and precautionary measures during bad or extreme weather conditions.

During the reporting period, the Group has not been seriously affected by the extreme weather conditions as the Group adopted various emergency plans to prevent the disruption of the operation such as working arrangement in black rainstorm warning and/or typhoon signal 8 situation.

Even though the Group expected that potential extreme weather condition, sustained high temperature do not have a material impact on the Group's operations, the Group will continue to monitor the climate-related risks and implement relevant measures to minimize the potential impact of climate change.

B. SOCIAL

B.1. Employment and Labour Practices

The Group expects that all employees and contractors treat each other with respect. In the Group's policy, it has covered the issues in relation to compensation and dismissal, recruitment and promotion, working hours, rest period, equal opportunity, diversity anti-discrimination and other benefits and welfare. In Hong Kong, the Group strictly complies with the Employment Ordinance (Cap. 57), the Employee's Compensation Ordinance (Cap. 282), the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and the Minimum Wage Ordinance (Cap. 608), and in the UK, the Group also complies with the following employment laws:

- Employment Rights Act
- National Minimum Wage Act
- Maternity and Parental Leave Act
- The Equality Act
- Part-Time Workers Regulations
- Transfer of Undertakings Regulations

The Group specifically prohibits discrimination on the basis of age, color, disability, ethnicity, marital or family status, national origin, race, religion, gender, sexual orientation, or any other characteristic protected by law. These principles extend to all employment decisions, including but not limited to recruiting, training, promotion etc.

All employees are committed to maintain a professional and harassment-free working environment – a place where employees act with respect for one another and those with whom we do business. Behaviors such as unwelcome conduct and sexual harassment are strictly prohibited.

As of 31 December 2022, the Group had 344 full-time employees (2021: 310). Total workforce by gender, employment type (for example, full-time or part-time), and age group are as follows:

Sex	No.of Employees	% Of Workforce	Turnover
Male	178	51.7%	7.55%
Female	166	48.3%	1.57%
Total	344	100%	9.12%

Employment Type	No. of Employees	% Of Workforce	Turnover
Full Time	290	84.3%	8.7%
Part Time	54	15.7%	1.0%
Total	344	100%	9.7%

Age Group	No. of Employees	% Of Workforce	Turnover
17-20	2	0.6%	0.3%
21-30	65	18.9%	2.2%
31-40	52	15.1%	1.6%
41-50	63	18.3%	1.6%
51-60	118	34.3%	2.5%
61+	44	12.8%	0.9%
Total	344	100%	9.1%

B.2. Health and Safety

The Group has adopted a set of policies which is focused on maintaining a healthy and safe working environment, and which includes the following requirements:

– The facilities operated by employees should meet safety and health standards;

– Expert advice should be obtained to identify health and safety risk in the operations and the corresponding mitigating actions that should be taken; and

– Relevant information and training should be provided to employees in respect of risks to their health and safety which may arise out of their work.

The Group continues to monitor occupational health and safety, as well as procedures for dealing with related risks. The Company engages employees in the determination of appropriate occupational health and safety precautionary measures. Accident reporting and investigation procedures have also been adopted for the follow-up of any health and safety incidents.

Regular inspections and management review of health and safety have been performed to ensure the effectiveness of the policies and measures.

The following occupational health & safety measures were adopted by Axiom Manufacturing Services Limited:

- Risk assessments are conducted on all equipment purchased by the company
- COSHH data available to all employees
- Fire Alarm testing every week and evacuations twice a year
- Accident and incident report every month
- First aiders trained on site
- The company provides an Occupation Health for all employees
- Visual acuity testing is conducted annually on all manufacturing employees
- Health and Safety awareness is provided to all employees on induction
- Annual Private Medical cover is provided for all employees
- Employee consultation group every month, where improvement suggestions are collated
- Health & Safety group meet monthly to identify improvements

For the year ended 31 December 2022 and 2021, the Group had no safety accidents, and no casualties relating to occupational diseases and work-related injuries.

B.3. Development and Trainings

The Group strives to promote the long-term development of its employees by providing learning opportunities that broaden their skills and make them valuable assets to the Group.

To encourage employee development, the Group provides human resource trainings to help equip employees with the knowledge and relevant skills to help them develop managerial knowledge and other professional skills that help advance their careers. New employees are provided with on-board trainings to help them familiarize themselves with the culture, business and operations of the Group. In addition, for technical posts, every newly-hired employee will be provided with pre-job technical training to enhance the professional skills necessary for the job.

Employee training requirements are identified every year through the employee annual appraisal process, and when new technology or processes are introduced within the company.

The Group then provides the employee with the necessary time to undertake the training, and the company will also secure external training organizations to provide specific training.

For the year ended 31 December 2022, the average hours completed by gender & employee category is as below:

Training Category	No. of Employees	% of Workforce	No. of Hours
Male direct	16	5.0%	298
Male indirect	64	20.1%	3,094
Female direct	42	13.2%	646
Female indirect	29	9.1%	1,160
Total Trained	151	47.4%	5,198

B.4. Labour Standards

The Group strictly prohibits the use of child and forced labour, and the Company is totally committed to creating a work environment which respects human rights.

The Group also complies with the relevant local labour regulations relating to working hours, minimum wage, rest and holidays to ensure the physical and mental health of all employees. Employees are not be forced to work beyond working hours and are entitled to overtime pay in accordance with local regulations.

There are certain measures to review employment practices to avoid child and forced labour:

- Anti-Slavery and Human Trafficking Policy
- Employees must have a National Insurance Number which is issued by the UK Government when the age of 16 is reached
- Comply with European Union Working Time Directive
- Comply with UK legislation in relation to the "Living Wage" and "Minimum Wage"
- Two Employee references are required prior to the commencement of employment
- A base line information check is performed on all employees upon employment, which covers age and nationality

B.5. Supply Chain Management

The Group manages its supply chain effectively and participates in regular weekly and monthly meetings with our major suppliers of electronic components. The Group will also conduct supplier quality audits (sometimes in conjunction with our customers) on other suppliers to assess their capability, and ensure they meet quality and safety requirements. The Group aims to have all its suppliers accredited to ISO9001 or an equivalent quality management system standard.

The Group sub-contracted functions related to supply chain management to the service provider, hence management is not directly involved in the daily operational aspects. Although this is out-sourced, the Group will continue to assess service providers to ensure the quality meets the Group's standards and expectations.

B5.1 Number of suppliers by Geographical region in 2022

UK – 435
Europe – 18
Rest of the World – 34

B5.2 Practices relating to engaging suppliers

- All new suppliers of materials must be approved by the Quality Assurance and Finance Departments prior to trading.
- New supplier questionnaires are completed by all new raw material component suppliers.

Green Procurement

The Group pays attention to the environmental awareness of its suppliers and promotes sound environmental performance and governance practices amongst its business partners and suppliers. The Group encourages its business partners and suppliers to consider the risks posed to their operations from climate change and to actively mitigate their environmental impacts during supplier conferences. Besides, close monitoring of the suppliers' business practices through onsite inspections is performed. Any observations of non-compliance during the site visit will be reported immediately to the management. A corrective action plan will be carried out to remediate the identified risks in a timely manner. In view of green supply chain management, the Group prefers local suppliers whenever possible to reduce carbon emissions from transportation and to support the local economy.

B.6. Product Responsibility

The Group manufactures product to its customers design and specification. Therefore, the Group ensures that all quality, safety and testing specifications that are agreed with the customer are met prior to the dispatch of the product. The Group's quality management system is accredited to ISO 9001:2015, AS9100, ISO13485.

B6.1 Products sold or shipped subject to recalls for H&S reasons

There have been no recalls due to health and safety reasons.

B6.2 Product & Service-related complaints

Product returns and complaints are managed by the Quality Assurance department under their return procedure.

B6.3 Protecting IP

The Group does not buy Grey Market or counterfeit materials, and has a Counterfeit Part Avoidance Policy.

The Group do not use unauthorized designs or photographs.

All customer IP is protected using a secure network connection specifically to allow the exchange of information between the customer and the company.

B6.4 QA process and recall procedures

Process Type	Quality Assurance Process
Stage 1	All raw materials follow the Incoming Materials Inspection Process, which includes first article inspection.
Stage 2	All products are manufactured to IPC standards
Stage 3	All finished products must pass Customer specified final test
Stage 4	Non-conforming product is segregated and then returned to the production department for investigation and correction
Stage 5	All conforming product is despatched to the customer with a Certificate of Conformity that is signed by the Quality Assurance Department

Process Type	Product Return Process
Stage 1	Customer requests to return product to the company
Stage 2	The Quality department analyses the returned product and accepts or rejects the customer request
Stage 3	If the return is accepted, then the Company will replace or repair the defective product
Stage 4	Product returned to Customer

B6.5 Consumer data protection and privacy policies

We comply with the UK Data Protection Act.

We comply with European Union GDPR legislation.

We only conduct business with other companies, so no end individual consumer data is kept.

For the year ended 31 December 2022, the Group had not received any complaints from the regulatory body or consumers regarding product safety, intellectual property rights, and data privacy, nor had it recalled any product due to product safety or health issues.

B.7. Anti-Corruption, Bribery, Extortion, Fraud and Money Laundering

The Group promotes integrity and prevents unethical pursuits throughout its operations and tolerates no corruption or bribery in any form. In compliance with the new code provision D.2.7 of the CG Code, the Board adopted an Anti-Fraud and Anti-Corruption Policy, which outlines guidelines and the minimum standards of conducts, all applicable laws and regulations in relation to the anti-corruption and anti-bribery, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Group would not tolerate all forms of fraud and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties.

The Board will review the Anti-Fraud and Anti-Corruption Policy and mechanism periodically to ensure its effectiveness and enforce the commitment of the Group to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

Anti-corruption Training

As part of an ongoing process of Directors' training, the Directors are updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance by all Directors. All Directors are encouraged to attend external forums or training courses on relevant topics which may count towards continuous professional development training. During the year, despite that there was limited training provided to the employees due to the COVID-19 pandemic, all Directors participated in appropriate continuous professional development activities by attending training courses on topics related to corporate governance and regulations or by reading materials relevant to the Company's business or their duties and responsibilities. The Group will provide training to our directors and employees on anti-corruption practices in the ensuing fiscal years.

During the year, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering. The relevant laws and regulations include, but are not limited to the Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong). At our UK subsidiary Axiom:

- The company adheres to the Bribery Act 2010 in the UK.
- The company has an Anti-Bribery Policy.
- Follow the UK Money Laundering Regulations 2017.
- Independent financial audit – conducted by independent auditors.
- Employees must declare any conflict of interest to the Finance or HR department.

During the Year, there were no legal cases regarding corrupt practices brought against the Group or its employees.

B7.1 Number of legal cases

None.

B7.2 Preventative measure & whistle-blowing procedures

The Group has a whistleblowing policy. The Group believe in an open-door policy with regard to problem-solving; whenever staff has a good-faith problem or complaint, the Group expects staff to speak up and communicate with their manager, senior management or director. The Group encourages staff to take the above action immediately after any event causes his/her concern. Furthermore, the Group also encourages staff to contribute their suggestions or opinions to improve the quality of work at the Group.

B.8. Community Investment

For the continuous effort in giving back to the society, the Group would seek for opportunities to get involved in various community programs. The Group's approach to community involvement is set out in its policy as follows:

- fulfils the corporate social responsibility (CSR) through the sustainable development strategy to expand its efforts in the areas of charity work;
- assesses how to give business activities to the interests of community; and
- commits to the provision of career opportunities to the locals and promotes the development of the community's economy.

B8.1 Areas of contribution (Education, Environmental and Sport)

During the Reporting Period, the Group has contributed to the following education, environmental and sport activities:

- Due to the continuing situation with Covid-19 community investment has been impacted during the year.
- Support local Primary Education Schools – with day visits to the manufacturing facility to encourage children to study Engineering.
- Supporting a local school with its environmental activities.
- Linked with local colleges – via our Apprenticeship Scheme, with new apprentices employed every year.
- Support Local Universities – through Graduate intern placements.
- Sponsorship of local Sports teams (Football and Rugby).

The Group also encourages and supports its employees to contribute to charities locally and nationally through donations or volunteering. In addition, the Group also created job opportunities in the areas where it operates to help local people develop their careers and enhance the local workforce as a whole. The Group conducts assessment from time to time on how its business activities relate to the interests of the communities where it locates, and to see if certain measures need to be taken to accelerate social progress by pushing forward education, sports, charity and other undertakings, as part of the to be responsible citizens.

B8.2 Time contributed

10 days.

On Behalf of the Board

Feng Zhong Yun
Managing Director

Hong Kong, 30 March 2023

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TO THE MEMBERS OF ELATE HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Elate Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 143, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on inventories in Madagascar
(refer to notes 4(m), 5(b)(v) and 21 to the consolidated financial statements)

As at 31 December 2022 the Group had inventories with carrying amount of US$332,035,000, of which US$313,191,000 represented graphite ores in Madagascar.

Management of the Group reviewed the net realisable values of the inventories at the end of the reporting period in accordance with the Group's accounting policies and concluded that there was no impairment of the inventories in Madagascar.

We consider this a key audit matter because the amount of inventories is significant to the consolidated financial statements and judgement is involved in determining whether the carrying amounts of the inventories are recoverable based on the current market conditions, and estimates for cost of completion and costs to make the sale for the products.

Our response:
Our key procedures in relation to the management's impairment assessment included:

- Inspecting the graphite ores held in Madagascar and estimate the quantities held carrying amount of US$313,191,000 at 31 December 2022;

- Understanding management's assessment in estimating the net realisable values of the inventories and the internal procedures for making provision to write off or write down inventories to their net realisable values;

- Evaluating, according to the reasonableness of management's estimates with independent valuer for costs of completion and costs necessary to make the sale for the products subsequent to the end of the reporting period, and tracing to the source documents; and

- Evaluating the historical accuracy of the provision assessment of management by comparing the historical estimates to actual selling prices, and cost of completion and cost necessary to make the sale for the products in current year, and tracing, on a sample basis, to the source documents.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Chan Tsz Hung
Practising Certificate no. P06693

Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 US$'000	2021 US$'000
Revenue	*6,7*	**100,189**	101,259
Cost of sales		**(87,244)**	(83,385)
Gross profit		**12,945**	17,874
Other income	*7*	**3,283**	3,975
General and administrative expenses		**(16,730)**	(14,690)
Reversal of impairment loss/(impairment loss) on financial assets, net		**1,515**	(800)
Deficit on revaluation of land and buildings	*14*	**–**	(299)
Fair value loss on			
– commodity	*24*	**(92)**	–
– financial assets at fair value through profit or loss	*25*	**–**	(2)
Profit from operating activities	*8*	**921**	6,058
Finance costs	*9*	**(41)**	(34)
Share of results of a joint venture, net of tax	*19*	**–**	–
Profit before income tax expense		**880**	6,024
Income tax expense	*12*	**(308)**	(1,221)
Profit for the year and attributable to owners of the Company		**572**	4,803
Earnings per share	*13*	**US cents**	US cents (Represented)
Basic		**0.16**	1.37
Diluted		**0.16**	1.37

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	**2022** **US$'000**	2021 US$'000
Profit for the year		**572**	4,803
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(5,284)**	(340)
Item that will not be reclassified to profit or loss:			
Gain on revaluation of land and buildings	*14*	**730**	982
Other comprehensive income for the year		**(4,554)**	642
Total comprehensive income for the year and attributable to owners of the Company		**(3,982)**	5,445

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment	*14*	**25,176**	24,468
Investment properties	*15*	**9,311**	9,867
Right-of-use assets	*16(a)*	**713**	694
Intangible assets	*17*	**220**	320
Interest in a joint venture	*19*	**1,235**	2,133
Financial assets at fair value through profit or loss	*25*	**1,284**	–
Total non-current assets		**37,939**	37,482
Current assets			
Inventories	*21*	**332,035**	317,392
Trade receivables	*22*	**17,550**	26,297
Other receivables, deposits and prepayments	*23*	**8,252**	8,141
Commodity	*24*	**1,130**	–
Financial assets at fair value through profit or loss	*25*	**162**	162
Cash and bank balances		**12,074**	18,380
Total current assets		**371,203**	370,372
Current liabilities			
Trade payables	*26*	**18,253**	9,197
Other payables and accruals	*27*	**3,682**	7,226
Contract liabilities	*28*	**1**	1,129
Lease liabilities	*16(b)*	**406**	276
Tax payable		**825**	1,538
Total current liabilities		**23,167**	19,366
Net current assets		**348,036**	351,006
Total assets less current liabilities		**385,975**	388,488

	Notes	2022 US$'000	2021 US$'000
Non-current liabilities			
Lease liabilities	*16(b)*	**108**	231
Deferred tax liabilities	*20*	**695**	387
Total non-current liabilities		**803**	618
NET ASSETS		**385,172**	387,870
Capital and reserves attributable to owners of the Company			
Share capital	*30*	**608,344**	607,060
Reserves		**(223,172)**	(219,190)
TOTAL EQUITY		**385,172**	387,870

On behalf of the board of directors

Feng Zhong Yun
Managing Director

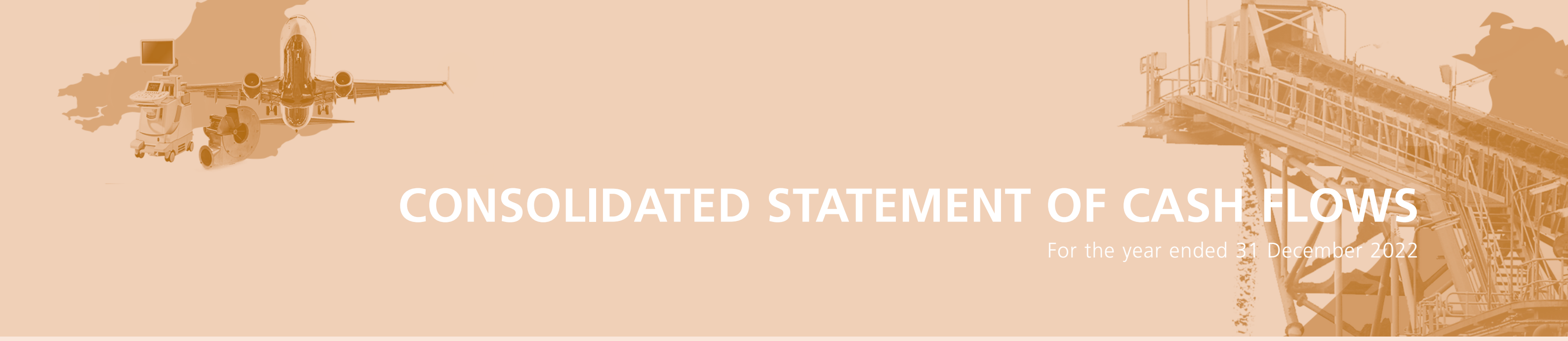
Zhang Xue
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital US$'000	Translation reserve US$'000	Revaluation reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2022	**607,060**	**2,053**	**6,166**	**(227,409)**	**387,870**
Profit for the year	**–**	**–**	**–**	**572**	**572**
Other comprehensive income for the year	**–**	**(5,284)**	**730**	**–**	**(4,554)**
Total comprehensive income for the year	**–**	**(5,284)**	**730**	**572**	**(3,982)**
Issues of shares *(note 30)*	**1,284**	**–**	**–**	**–**	**1,284**
At 31 December 2022	**608,344**	**(3,231)**	**6,896**	**(226,837)**	**385,172**

	Share capital US$'000	Translation reserve US$'000	Revaluation reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2021	607,060	2,393	5,184	(232,212)	382,425
Profit for the year	–	–	–	4,803	4,803
Other comprehensive income for the year	–	(340)	982	–	642
Total comprehensive income for the year	–	(340)	982	4,803	5,445
At 31 December 2021	607,060	2,053	6,166	(227,409)	387,870



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 US$'000	2021 US$'000
Net cash from/(used in) operating activities	*32(a)*	**3,352**	(957)
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(4,618)**	(1,351)
Proceeds from disposal of items of property, plant and equipment		**127**	–
Dividends received		**6**	7
Payments for purchase of commodity		**(1,222)**	–
Interest received		**290**	1
Advance of loans to a joint venture		**(128)**	–
Net cash used in investing activities		**(5,545)**	(1,343)
Cash flows from financing activities	*32(b)*		
Payment of interest on lease liabilities		**(41)**	(34)
Payment of principal portion of lease liabilities		**(408)**	(428)
Net cash used in financing activities		**(449)**	(462)
Net decrease in cash and cash equivalents		**(2,642)**	(2,762)
Cash and cash equivalents at beginning of the year		**18,380**	21,373
Effect of changes in foreign exchange rates		**(3,664)**	(231)
Cash and cash equivalents at end of the year		**12,074**	18,380
Analysis of cash and cash equivalents			
Cash and bank balances		**12,074**	18,380

1. CORPORATE INFORMATION

The Company is incorporated in Hong Kong with limited liability. Its principal place of business is situated at Unit 1002, 10/F, Euro Trade Centre, 13-14 Connaught Road Central and 21-23 Des Voeux Road Central, Hong Kong. The Company's securities are listed on The Stock Exchange of Hong Kong Limited for trading (Stock Code: 76).

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

As at 31 December 2022, the directors of the Company consider that the Company has no immediate and ultimate holding company or controlling party.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis in the preparation of the consolidated financial statements is historical cost, except for the measurement of land and buildings, commodity and certain financial instruments, which are measured at revalued amount or fair values, as explained in the accounting policies set out below.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The consolidated financial statements are presented in United States dollars ("US$"), which is the same as the functional currency of the Company.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

2. BASIS OF PREPARATION (Continued)

Fair value measurement (Continued)
In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The Group measures the following items at fair value:

- Revalued land and buildings – Property, plant and equipment (note 14);

- Financial assets at fair value through profit or loss ("FVTPL") (note 25); and

- Commodity – gold bullion (note 24).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group"). The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	Conceptual Framework for Financial Reporting
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

Amendments to HKFRS 3, Reference to the Conceptual Framework

Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs (Continued)

Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to HKFRSs 2018-2020

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. ADOPTION OF HKFRSs (Continued)

(b) New or amended HKFRSs that have been issued but are not yet effective

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 17	Insurance Contracts[1,5]
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information[1,6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")[2,4]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

3. ADOPTION OF HKFRSs (Continued)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 10 and HKAS 28 (2011), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

The directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements. In respect of sale and leaseback transactions with variable lease payments that do not depend on an index or a rate, the Group will develop an accounting policy for such transactions.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

3. ADOPTION OF HKFRSs (Continued)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 17, Insurance Contracts

HKFRS 17 was issued as replacement for HKFRS 4 Insurance Contracts. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

HKFRS 17 is effective for reporting periods beginning on or after 1 January 2023. Early application is permitted, provided the entity also applies HKFRS 9 and HKFRS 15 on or before the date it first applies HKFRS 17.

The directors of the Company do not anticipate that the application of the standard in the future will have an impact on the financial statements.

Amendments to HKFRS 17, Insurance Contracts

Amendments to HKFRS 17 include changes to simplify certain requirements in the standard and make financial performance easier to explain. The amendments also provide additional reliefs to reduce the effort required for the transition to HKFRS 17. In addition, the amendments defer the effective date of HKFRS 17 to annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. As a result of the deferral, the HKICPA issued the amendments to HKFRS 4 to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendment to HKFRS 17, Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

Amendment to HKFRS 17 is a transition option relating to comparative information about financial assets presented on initial application of HKFRS 17, which helps to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and improve the usefulness of comparative information for users of financial statements. An entity that chooses to apply the transition option set out in this amendment shall apply it on initial application of HKFRS 17.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

3. ADOPTION OF HKFRSs (Continued)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify that the requirement for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period.. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

3. ADOPTION OF HKFRSs (Continued)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for sale and Discontinued Operations are measured in accordance with that Standard.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another HKFRS.

(b) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- *Joint ventures*: where the Group has rights to only the net assets of the joint arrangement; or

- *Joint operations*: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;

- The legal form of joint arrangements structured through a separate vehicle;

- The contractual terms of the joint arrangement agreement; and

- Any other facts and circumstances (including any other contractual arrangements).

Joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the joint ventures' net assets except that losses in excess of the Group's interest in the joint venture are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint venture. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Group's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Group on the basis of dividends received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination.

A CGUs to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGUs to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGUs is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(e) Land and buildings

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed by qualified valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of reporting period.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset.

(f) Property, plant and equipment

Property, plant and equipment other than freehold land and buildings are stated at cost less accumulated depreciation and impairment loss, if applicable. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Nil
Buildings	10 to 36 years
Plant and machinery	10% – 20%
Furniture, fixtures and computers	14% – 50%
Motor vehicles	10% – 30%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the Continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year in which the item is derecognised.

(g) Construction in progress

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended uses.

(h) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. They are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment, if any.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rate used for this purpose is as follows:

Investment properties	10 to 36 years

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

(i) Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Customer contract	7 years

(ii) *Impairment*

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(t)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(j) Commodity

Commodity comprises gold bullion. Gold bullion is stated at the morning fixing price of gold at the end of the reporting period. Differences arising from changes in gold prices are dealt with in profit or loss. Net realised gains or losses from commodity is calculated using the weighted average cost method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless reasonable and supportable information demonstrate the otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless reasonable and supportable information demonstrate the otherwise.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Convertible debentures

The component of convertible debentures that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible debentures, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debentures; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible debentures based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments *(Continued)*

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

(l) Leasing

(i) Accounting as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be initially recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at depreciated cost and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at depreciated cost.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leasing (Continued)

(i) Accounting as a lessee (Continued)

Right-of-use asset (Continued)

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at depreciated cost. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at revalued amount. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the Covid-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leasing (Continued)

(ii) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(m) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method/ first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (Continued)

(i) Manufacture and sales of graphite products

Customers obtain control of the minerals products when the goods are delivered to and have been accepted based on the shipping terms. Revenue is recognised upon when the customers accepted the minerals products. There is generally only one performance obligation. Invoices are usually payable within 0-240 days.

(ii) Manufacture and sales of electronic products

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 90 days.

Some of the Group's contracts with customers from the sale of products provide customers a right of return (a right to exchange another product). These rights of return do not allow the returned goods to be refunded in cash. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. In the comparative period, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provide that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made. As a result of the change in accounting policy, the adoption of HKFRS 15 does not result in significant impact on the Group's accounting policies, as an exchange by customers of one product for another of the same type, quality, condition and price is not considered a return for the purposes of applying HKFRS 15.

(iii) Other income

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income is recognised when the right to receive the dividend is established.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

For a single contract with the customer, a net contract liability is presented. For multiple contracts, contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(p) Government grants

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the profit or loss as revenue on a systematic basis over the useful life of the asset.

(q) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income taxes (Continued)

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(r) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

The Group has arranged in Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. Under the MPF Scheme, each of the Group (the "employer") and its employees makes monthly contributions to the Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Ordinance. The contributions from employer and each of the employees respectively are subject to a cap of HK$1,500 per month and thereafter contributions are voluntary. The assets of the MPF Scheme are held separately from those of the Group and managed by an independent trustee.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The subsidiary in the United Kingdom operates a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the subsidiary. Contributions to defined contribution retirement schemes are charged to the profit or loss as incurred.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount (i.e. the greater of the fair value less cost of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU (see note 4(d)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Company or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting that are used to make strategic decision provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

The Group has identified the following reportable operating segments:

Manufacture and sales of graphite products
Through a wholly-owned subsidiary, Elate Graphite Limited, the Company is engaged in the business of manufacture and sales of graphite products worldwide.

Manufacture and sales of electronic products
Through its wholly-owned subsidiary, Axiom Manufacturing Services Limited in the United Kingdom, the Company is engaged in the business of manufacture and sales of electronic products. Most of Axiom's customers are located within the United Kingdom.

Design and manufacturing
Through its wholly-owned subsidiary Greeve Limited, the Company is engaged in design and manufacturing business.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. In the future, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

(i) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) *Impairment of goodwill and intangible assets*

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill and the intangible assets have been allocated. Value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise.

(ii) *Income taxes*

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which the final tax outcome is determined.

Deferred tax assets relating to certain tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact, where applicable and appropriate, the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

Deferred tax liabilities arise when the carrying amounts of the identifiable assets acquired in a business combination are recognised at their fair values at the acquisition date but the tax bases of the assets remain at cost to the previous owner, therefore a taxable temporary difference arises.

(iii) *Estimated useful lives and impairment of property, plant and equipment and land use rights*

In accordance with HKAS 16 "Property, Plant and Equipment", the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a CGU is determined based on value in use calculations which require the use of assumptions and estimates.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iv) Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(v) Estimation of provision of inventories

The management of the Group reviews the net realisable values of inventories at the end of the reporting periods based primarily on the latest contracted price and current market conditions, less the estimated costs of completion and costs to make the sale of the products (if any), to determine if any provision to write off or write down inventories to their net realisable values is necessary. Where the actual net realisable value of the inventories are less than expected, a material provision may arise.

(vi) Impairment loss on trade and other receivables

As disclosed in note 37(d), the measurement of impairment loss under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment loss and the assessment if a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(vii) Impairment of joint ventures

The impairment of joint ventures are based on 12-months ECLs in accordance with accounting policy stated in note 4(k)(ii). The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At the reporting date, the Company assess whether there has been a maximum exposure to credit risk on the carrying amount as at 31 December 2022.

6. SEGMENT REPORTING

The Group has three reportable operating segments, as described in note 4(w).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before income tax expense. The adjusted profit/(loss) before income tax expense is measured consistently with the Group's profit/(loss) before income tax expense except that interest income from/impairment loss on amount due from a joint venture, as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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 years ended 31 December 2022 and 2021 is set out below:

6. SEGMENT REPORTING (Continued)

(a) Business segments

For the year ended 31 December 2022

	Manufacture and sales of graphite products US$'000	Manufacture and sales of electronic products US$'000	Design and manufacturing US$'000	Total US$'000
Revenue from external customers	**27,436**	**72,301**	**452**	**100,189**
Segment results	**2,713**	**3,532**	**(145)**	**6,100**
Unallocated income:				
Interest on amount due from a joint venture				**164**
Unallocated other income				**31**
Unallocated expense:				
Unallocated depreciation				**(287)**
Impairment loss on amount due from a joint venture				**(903)**
Staff costs				**(737)**
Corporate overhead				**(3,447)**
Profit from operating activities				**921**
Finance costs				**(41)**
Income tax expense				**(308)**
Profit for the year				**572**
Segment assets	**341,915**	**41,666**	**382**	**383,963**
Reconciliation of segment assets:				
Unallocated corporate assets				**25,179**
Total assets				**409,142**
Segment liabilities	**(6,974)**	**(15,230)**	**(152)**	**(22,356)**
Reconciliation of segment liabilities:				
Unallocated corporate liabilities				**(1,614)**
Total liabilities				**(23,970)**
Depreciation	**2,069**	**1,356**	**16**	**3,441**
Significant non-cash (income)/ expenses, net	**(2,489)**	**310**	**–**	**(2,179)**
Capital expenditure	**2,133**	**2,468**	**17**	**4,618**

6. SEGMENT REPORTING (Continued)

(a) Business segments (Continued)

For the year ended 31 December 2021

	Manufacture and sales of graphite products US$'000	Manufacture and sales of electronic products US$'000	Design and manufacturing US$'000	Total US$'000
Revenue from external customers	23,894	75,956	1,409	101,259
Segment results	3,018	6,414	240	9,672
Unallocated income:				
Interest on amount due from a joint venture				164
Unallocated other income				7
Unallocated expense:				
Unallocated depreciation				(282)
Impairment loss on amount due from a joint venture				(23)
Staff costs				(476)
Corporate overhead				(3,004)
Profit from operating activities				6,058
Finance costs				(34)
Income tax expense				(1,221)
Profit for the year				4,803
Segment assets	335,088	41,976	315	377,379
Reconciliation of segment assets:				
Unallocated corporate assets				30,475
Total assets				407,854
Segment liabilities	(1,976)	(17,061)	(440)	(19,477)
Reconciliation of segment liabilities:				
Unallocated corporate liabilities				(507)
Total liabilities				(19,984)
Depreciation	2,052	1,279	15	3,346
Significant non-cash expenses, net	777	330	–	1,107
Capital expenditure	–	1,325	25	1,350

6. SEGMENT REPORTING (Continued)

(b) Geographical information

	Revenue		Non-current assets	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
United Kingdom	**72,753**	77,365	**15,642**	15,804
Hong Kong	**12,222**	13,115	**1,348**	2,134
Germany	**5,421**	1,403	**–**	–
Singapore	**4,393**	3,194	**–**	–
China	**4,142**	2,453	**–**	–
Spain	**1,258**	2,640	**–**	–
Madagascar	**–**	–	**19,477**	19,469
Others	**–**	1,089	**188**	75
	100,189	101,259	**36,655**	37,482

The revenue information above is based on the locations of the customers.

The non-current asset information above is based on locations of the assets and excludes financial instruments.

(c) Information about major customers

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

	2022	2021
	US$'000	US$'000
Customer A	**18,483**	18,951
Customer B	**14,426**	11,529
Customer C *(note i)*	**12,752**	N/A
Customer D *(note ii)*	**N/A**	18,565

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

Note ii: The customer contributed less than 10% of the Group's revenue for the year ended 31 December 2022.

7. REVENUE AND OTHER INCOME

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

An analysis of the Group's revenue and other income is as follows:

	2022 US$'000	2021 US$'000
Revenue from contracts with customers		
Manufacture and sales of graphite products	**27,436**	23,894
Manufacture and sales of electronic products	**72,301**	75,956
Design of electronic products	**452**	1,409
	100,189	101,259
Timing of revenue recognition		
At a point in time	**100,189**	101,259
Other income		
Bank interest income	**3**	1
Interest on amount due from a joint venture	**164**	164
Dividend income	**6**	7
Government subsidy	**25**	–
Rental income	**2,759**	2,842
Foreign exchange gains, net	**–**	598
Gain on disposal of items of property, plant and equipment	**5**	–
Sundry income	**321**	363
	3,283	3,975

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

	2022 US$'000	2021 US$'000
Trade receivables *(note 22)*	**17,550**	26,297
Contract liabilities *(note 28)*	**1**	1,129

7. REVENUE AND OTHER INCOME (Continued)

The contract liabilities mainly relate to the advance consideration received from customers.

As at 31 December 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is US$1,000 (2021: US$1,129,000). This amount represents revenue expected to be recognised in the future from partially-completed contracts of sales of graphite products. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 12 to 36 months.

8. PROFIT FROM OPERATING ACTIVITIES

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

	2022 **US$'000**	2021 US$'000
Depreciation:		
– owned property, plant and equipment and investment properties	**3,353**	3,251
– right-of-use assets included within*:*		
– properties	**226**	218
– plant and machinery	**149**	159
Amortisation of customer contract	**89**	95
Costs of inventories sold	**87,244**	83,385
Staff costs (including directors' remuneration *(note 10)*)	**15,749**	18,246
Auditor's remuneration		
– audit fee	**404**	359
– other services	**135**	80
Impairment loss on inventories	**239**	330
(Reversal of impairment loss)/impairment loss on financial assets, net:		
– trade receivables	**(2,418)**	811
– other receivables and deposits	**–**	(34)
– amount due from a joint venture	**903**	23
Short-term lease expenses	**111**	77
Foreign exchange losses/(gains), net	**2,819**	(598)

Included in cost of inventories sold is US$11,247,000 (2021: US$12,830,000) and US$1,012,000 (2021: US$933,000) relating to staff costs and depreciation of property, plant and equipment respectively. The amounts are also included in the respective total amounts as separately disclosed above.

9. FINANCE COSTS

	2022 US$'000	2021 US$'000
Interest on lease liabilities	**41**	34

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) is as follows:

Name of directors	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Retirement scheme contributions US$'000	2022 Total US$'000
Executive directors				
Zhang Xue	–	31	2	33
Feng Zhong Yun	–	15	–	15
Independent non-executive directors				
Chai Woon Chew	15	–	–	15
Ng Lai Po	23	–	1	24
Ye Yi Fan	15	–	–	15
	53	46	3	102

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' remuneration (Continued)

Name of directors	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Retirement scheme contributions US$'000	2021 Total US$'000
Executive directors				
Zhang Xue	–	31	2	33
Feng Zhong Yun	–	15	–	15
Independent non-executive directors				
Chai Woon Chew	15	–	–	15
Ng Lai Po	23	–	1	24
Xu Jia Yin^	–	–	–	–
Ye Yi Fan@	15	–	–	15
	53	46	3	102

^ Ms. Xu Jia Yin resigned as an independent non-executive director of the Company with effect from 8 January 2021.

@ Ms. Ye Yi Fan was appointed as an independent non-executive director of the Company with effect from 8 January 2021.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the current and prior years.

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Staff cost (including directors' remuneration)

	2022 US$'000	2021 US$'000
Fees	**53**	53
Salaries, allowances and other benefits in kind	**15,552**	18,084
Retirement scheme contributions	**144**	109
	15,749	18,246

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director (2021: Nil) details of whose remuneration are set out in note 10 above. The details of the remuneration of the five non-director (2021: five), highest paid employees are set out below:

	2022 US$'000	2021 US$'000
Salaries, allowances and other benefits in kind	**3,157**	2,821

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of non-directors	
	2022	2021
US$0 to US$128,200 (equivalent to HK$0 to HK$1,000,000)	**1**	1
US$576,901 to US$641,000 (equivalent to HK$4,500,001 to HK$5,000,000)	**1**	3
US$641,001 to US$705,100 (equivalent to HK$5,000,001 to HK$5,500,000)	**1**	–
US$769,201 to US$833,300 (equivalent to HK$6,000,001 to HK$6,500,000)	**–**	1
US$833,301 to US$897,400 (equivalent to HK$6,500,001 to HK$7,000,000)	**1**	–
US$897,401 to US$961,500 (equivalent to HK$7,000,001 to HK$7,500,000)	**1**	–
	5	5

12. INCOME TAX EXPENSE

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

	2022 **US$'000**	2021 US$'000
Current – Hong Kong		
– Charge for the year	**–**	548
– Over-provision for prior years	**(533)**	–
Current – Elsewhere		
– Charge for the year	**440**	614
– Under-provision for prior years	**29**	–
Deferred tax *(note 20)*	**372**	59
Tax charge for the year	**308**	1,221

No Hong Kong profits tax has been provided as the Group has no assessable profits arising in Hong Kong during the year ended 31 December 2022.

Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2021, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

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

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2022 **US$'000**	2021 US$'000
Profit before income tax expense	**880**	6,024
Tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**233**	1,176
Tax effect of non-deductible expenses	**356**	828
Tax effect of non-taxable income	**(456)**	(652)
Tax losses not recognised	**424**	–
Over-provision for previous years, net	**(504)**	–
Tax effect of other temporary differences not recognised	**255**	(131)
Income tax expense	**308**	1,221

13. EARNINGS PER SHARE

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

	2022	2021
	US$'000	US$'000
Earnings		
Profit for the year for the purposes of basic and diluted earnings per share	**572**	4,803
		(Represented)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share *(notes i & ii)*	**352,662,670**	350,331,573

Note i: The weighted average number of ordinary shares for the prior year ended 31 December 2021 has been adjusted for the consolidation of shares implemented during the year. The basic earnings per share for the year ended 31 December 2021 has been adjusted retrospectively accordingly. Details of the consolidation of shares are set out in note 30.

Note ii: The denominators used are the same as those detailed above for both basic and diluted earnings per share. Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding as at 31 December 2021 and 2022.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Plant and machinery US$'000	Furniture, fixtures and computers US$'000	Motor vehicles US$'000	Constructions in progress US$'000	Total US$'000
Cost or valuation:						
At 1 January 2022	8,411	28,774	8,662	183	–	46,030
Exchange differences	(957)	(1,307)	(1,000)	–	(41)	(3,305)
Additions	–	2,620	1,286	–	712	4,618
Disposals	–	(1,858)	–	–	–	(1,858)
Revaluation	730	–	–	–	–	730
At 31 December 2022	8,184	28,229	8,948	183	671	46,215
Representing:						
Cost	–	28,229	8,948	183	671	38,031
Valuation	8,184	–	–	–	–	8,184
	8,184	28,229	8,948	183	671	46,215
Accumulated depreciation:						
At 1 January 2022	–	14,139	7,240	183	–	21,562
Exchange differences	–	(985)	(795)	–	–	(1,780)
Disposals	–	(1,736)	–	–	–	(1,736)
Charge for the year	–	2,580	413	–	–	2,993
At 31 December 2022	–	13,998	6,858	183	–	21,039
Net book value:						
At 31 December 2022	8,184	14,231	2,090	–	671	25,176

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings US$'000	Plant and machinery US$'000	Furniture, fixtures and computers US$'000	Motor vehicles US$'000	Constructions in progress US$'000	Total US$'000
Cost or valuation:						
At 1 January 2021	7,788	26,018	8,486	183	3,798	46,273
Exchange differences	(60)	(91)	(62)	–	–	(213)
Additions	–	1,103	248	–	–	1,351
Disposals	–	(375)	(10)	–	–	(385)
Revaluation, net	683	–	–	–	–	683
Transfer to investment properties *(note 15)*	–	–	–	–	(1,679)	(1,679)
Transfer	–	2,119	–	–	(2,119)	–
At 31 December 2021	8,411	28,774	8,662	183	–	46,030
Representing:						
Cost	–	28,774	8,662	183	–	37,619
Valuation	8,411	–	–	–	–	8,411
	8,411	28,774	8,662	183	–	46,030
Accumulated depreciation:						
At 1 January 2021	–	12,115	6,882	183	–	19,180
Exchange differences	–	(69)	(52)	–	–	(121)
Disposals	–	(375)	(10)	–	–	(385)
Charge for the year	–	2,468	420	–	–	2,888
At 31 December 2021	–	14,139	7,240	183	–	21,562
Net book value:						
At 31 December 2021	8,411	14,635	1,422	–	–	24,468

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of net book value of properties is as follows:

	2022	2021
	US$'000	US$'000
Properties		
– freehold outside Hong Kong	**8,184**	8,411

The freehold land and buildings were revalued on 31 December 2022 on the basis of their open market value by Cooke & Arkwright, an independent firm of chartered surveyors.

The Group's freehold land and buildings were classified under level 3 in the fair value hierarchy. A reconciliation of the opening and closing fair value balance is provided below.

	2022	2021
	US$'000	US$'000
Opening balance (level 3 recurring fair value)	**8,411**	7,788
Exchange differences	**(957)**	(60)
Gains included in other comprehensive income:		
Revaluation of land and buildings	**730**	982
Deficit on revaluation of land and buildings charged to profit or loss	**–**	(299)
Closing balance (level 3 recurring fair value)	**8,184**	8,411

The fair value of freehold land and buildings were determined based on the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of the freehold land and buildings under review. These adjustments are based on unobservable inputs.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Details about the valuation inputs are as follows:

Properties	Location	Level	Valuation technique	Unobservable inputs	Range of unobservable inputs
Land and buildings	United Kingdom	3	Market comparable approach	Discount/Premium on quality and characteristics of properties	– 5% to 5%

Higher premiums or discounts for differences in the quality and characteristics of the Group's properties would result in correspondingly higher or lower fair values.

There has been no change to the valuation technique during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

Had the Group's freehold land and buildings been measured on a historical cost basis, their carrying amount would have been US$4,079,000 (2021: US$4,780,000).

During the year ended 31 December 2022, there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

15. INVESTMENT PROPERTIES

	US$'000
Cost:	
At 1 January 2021	9,456
Transfer from construction in progress *(note 14)*	1,679
Exchange differences	(15)
At 31 December 2021 and 1 January 2022	11,120
Exchange differences	(228)
At 31 December 2022	10,892
Accumulated depreciation:	
At 1 January 2021	891
Charge for the year	363
Exchange differences	(1)
At 31 December 2021 and 1 January 2022	1,253
Charge for the year	360
Exchange differences	(32)
At 31 December 2022	1,581
Net book value:	
At 31 December 2022	9,311
At 31 December 2021	9,867

The Group's investment properties are measured using a cost model and are leased to third parties under operating leases to earn rental income of US$1,423,000 (2021: US$1,410,000).

As at 31 December 2022, in the opinion of directors, the fair value of the Group's investment properties, with reference to recent market transactions valued by Roma Appraisals Limited and Cooke & Arkwright, an independent firm of chartered surveyors, were US$10,454,000 (2021: US$10,453,000).

The directors considered that no provision for impairment loss on the investment properties as they were all rented out and the cash inflows generated therefrom sufficiently cover the cost of the investment properties.

During the year ended 31 December 2022, there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

16. LEASES

(a) Right-of use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Properties US$'000	Plant and machinery US$'000	Total US$'000
At 1 January 2021	293	783	1,076
Depreciation	(218)	(159)	(377)
Exchange differences	–	(5)	(5)
At 31 December 2021 and 1 January 2022	75	619	694
Additions	452	–	452
Depreciation	(226)	(149)	(375)
Exchange differences	–	(58)	(58)
At 31 December 2022	**301**	**412**	**713**

(b) Lease liabilities

The present value of future lease liabilities are analysed as:

	2022 US$'000	2021 US$'000
Current	**406**	276
Non-current	**108**	231
	514	507

16. LEASES (Continued)

(b) Lease liabilities (Continued)

	Leased properties US$'000	Plant and machinery US$'000	Total US$'000
At 1 January 2021	308	628	936
Interest expense	11	23	34
Lease payments	(242)	(220)	(462)
Exchange differences	–	(1)	(1)
At 31 December 2021 and at 1 January 2022	77	430	507
Additions	452	–	452
Interest expense	20	21	41
Lease payments	(242)	(207)	(449)
Exchange differences	–	(37)	(37)
At 31 December 2022	**307**	**207**	**514**

Future lease payments are due as follows:

	Minimum lease payments 2022 US$'000	Interest 2022 US$'000	Present value 2022 US$'000
Not later than one year	**437**	**31**	**406**
Later than one year and not later than two years	**112**	**4**	**108**
	549	**35**	**514**

16. LEASES (Continued)

(b) Lease liabilities (Continued)

	Minimum lease payments 2021 US$'000	Interest 2021 US$'000	Present value 2021 US$'000
Not later than one year	300	24	276
Later than one year and not later than two years	220	22	198
Later than two years and not later than five years	37	4	33
	557	50	507

(c) Operating leases – lessor

The Group's investment properties and property, plant and equipment are leased to third parties under operating leases to earn rental income. The minimum rent receivables under non-cancellable operating leases are as follows:

	2022 US$'000	2021 US$'000
Not later than one year	**2,880**	2,566
Later than one year and not later than two years	**2,880**	2,400
Later than two year and not later than three years	**2,880**	2,400
Later than three year and not later than four years	**2,880**	2,400
Later than four year and not later than five years	**2,834**	2,400
Later than five years	**7,800**	9,600
	22,154	21,766

17. INTANGIBLE ASSETS

	Goodwill US$'000	Customer contract US$'000	Total US$'000
Cost:			
At 1 January 2021	171	625	796
Exchange differences	–	(4)	(4)
At 31 December 2021 and 1 January 2022	171	621	792
Exchange differences	–	(68)	(68)
At 31 December 2022	**171**	**553**	**724**
Accumulated amortisation and impairment:			
At 1 January 2021	–	380	380
Charge for the year	–	95	95
Exchange differences	–	(3)	(3)
At 31 December 2021 and 1 January 2022	–	472	472
Charge for the year	–	89	89
Exchange differences	–	(57)	(57)
At 31 December 2022	**–**	**504**	**504**
Carrying amount:			
At 31 December 2022	**171**	**49**	**220**
At 31 December 2021	171	149	320

17. INTANGIBLE ASSETS (Continued)

Goodwill and customer contract arose from the acquisition of 100% equity interest in Greeve Limited on 20 July 2016. Customer contract represents a sales agreement entered by Greeve Limited with a customer in the United Kingdom for 7 years. It was identified as an intangible asset upon the acquisition of Greeve Limited. The cost of the customer contract was measured at fair value at the date of acquisition. Subsequently, the customer contract is carried at cost less accumulated amortisation and accumulated impairment losses.

The recoverable amounts of Greeve Limited as at 31 December 2022 to which the goodwill and customer contract allocated were determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows over the five-year period are using an estimated weighted average growth rate of 0% (2021: 0%). Key assumptions were based on past performance, management estimation on market development and general inflation based on the growth rates which did not exceed the long-term average growth rates for the businesses in which the CGUs operates. The discount rates used for value in use calculations are pre-tax and reflected specific risks relating to the relevant CGUs.

The key assumptions used for value in use calculations are as follows:

	2022	2021
Discount rate	**15.0%**	6.81%
Terminal growth rate	**2%**	2%

Apart from the considerations described above in determining the value in use of the CGUs, management was not aware of any other probable changes that would necessitate changes in the key assumptions.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2022	2021
	US$'000	US$'000
Unlisted shares, at cost	**65**	65
Amounts due from subsidiaries	**74,663**	77,172
	74,728	77,237
Provision for impairment	**(51,533)**	(51,533)
Carrying amount at 31 December	**23,195**	25,704

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Details of the subsidiaries as at 31 December 2022 and 2021 are as follows:

Company	Form of business structure	Place of incorporation	Place of operations	Issued/registered share capital	Percentage of issued share capital held by the Group 2022 %	2021 %	Principal activities
Axiom Manufacturing Services Limited	Limited liability company	United Kingdom	United Kingdom	13,564,002 ordinary shares of British Pound ("GBP") 1 each	**100** [(1)]	100 [(1)]	Assembly of electronic components
Axiom MS Limited	Limited liability company	United Kingdom	United Kingdom	1,000 ordinary shares of GBP1 each	**100** [(1)]	100 [(1)]	Property holding
Cityhill Limited	Limited liability company	Cayman Islands	Hong Kong	1 ordinary share of US$1 each	**100**	100	Investment holding
Comp International Limited	Limited liability company	British Virgin Islands	Hong Kong	64,300 ordinary shares of US$1 each	**100**	100	Dormant
Comp Media & Advertising Limited	Limited liability company	Hong Kong	Hong Kong	200 ordinary shares of HK$200	**100** [(2)]	100 [(2)]	Dormant

18. INTERESTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries as at 31 December 2022 and 2021 are as follows: (Continued)

Company	Form of business structure	Place of incorporation	Place of operations	Issued/registered share capital	Percentage of issued share capital held by the Group 2022 %	2021 %	Principal activities
Elate Graphite Limited	Limited liability company	Hong Kong	Hong Kong	1 ordinary share of HK$1	**100** (1)	100 (1)	Manufacture and sales of graphite products
Great Admirer Limited	Limited liability company	Hong Kong	Hong Kong	200 ordinary shares of HK$200	**100**	100	Investment holding and securities trading and development of cultural industry and multi-media production
Greeve Limited	Limited liability company	United Kingdom	United Kingdom	700 ordinary shares of GBP1 each	**100** (1)	100 (1)	Design and manufacturing
Elate (PTE.) Limited*	Limited liability company	Singapore	Singapore	1 ordinary share of US$1 each	**–**	100	Dormant

* Dissolved during the year ended 31 December 2022

(1) Held indirectly

(2) 99.5% held directly and 0.5% held indirectly

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

19. INTEREST IN A JOINT VENTURE

The primary activity of Group's joint venture is trading of gold, which is in line with the Group's strategy to explore new business opportunities.

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with the joint venture. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

	2022	2021
	US$'000	US$'000
Share of net assets	**–**	–
Amount due from a joint venture	**3,558**	3,553
Less: Provision for impairment (see below)	**(2,323)**	(1,420)
	1,235	2,133

The amount due from a joint venture is secured by the gold bullion held by the joint venture with a value equivalent to US$930,000 (2021: unsecured), interest bearing at 5% per annum and repayable at the end of the second year after the joint venture generates profits from its operations. The amount due from a joint venture will not be repaid to the Group on or before 31 December 2023. Therefore, it is included in non-current assets. The maximum exposure to credit risk as at 31 December 2022 was the carrying amount mentioned above. The Group measures impairment loss based on the 12-months ECLs.

The following table reconciles the impairment allowance of amount due from a joint venture for the year:

	2022	2021
	US$'000	US$'000
At 1 January	**1,420**	1,397
Impairment loss on amount due from a joint venture	**903**	23
At 31 December	**2,323**	1,420

19. INTEREST IN A JOINT VENTURE (Continued)

Details of the joint venture are as follows:

Company	Place of incorporation	Place of operations	Issued/registered share capital	Percentage of issued share capital held by the Group 2022 %	2021 %	Principal activities
Gold Gold Gold Limited	Hong Kong	Hong Kong	10,000 ordinary shares of HK$10,000	**50**	50	Trading of gold

The Group has discontinued recognition of its share of losses of the joint venture. The amounts of unrecognised share of the joint venture, extracted from the relevant management accounts of the joint venture, both for the year and cumulatively, are as follows:

	2022 US$'000	2021 US$'000
Accumulated unrecognised share of losses of the joint venture in prior years	**1,587**	1,290
Unrecognised share of losses of the joint venture for the year	**271**	297
	1,858	1,587

19. INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information of the joint venture, adjusted for any differences in accounting policies, is presented below:

	2022	2021
	US$'000	US$'000
As at 31 December		
Current assets	**1,264**	5,569
Current liabilities	**(993)**	(4,885)
Net liabilities	**(4,119)**	(3,577)
Included in the above amounts are:		
Cash and cash equivalents	**187**	1,379
Year ended 31 December		
Revenue	**5,192**	279
Loss from operating activities	**(543)**	(593)
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**(543)**	(593)
Included in the above amounts are:		
Depreciation and amortisation	**1**	1
Finance costs	**214**	178

20. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior years.

	Depreciation US$'000	Intangible asset US$'000	Total US$'000
At 1 January 2021	284	46	330
Charged/(credited) to profit or loss *(note 12)*	77	(18)	59
Exchange differences	(2)	–	(2)
At 31 December 2021 and 1 January 2022	359	28	387
Charged/(credited) to profit or loss *(note 12)*	389	(17)	372
Exchange differences	(62)	(2)	(64)
At 31 December 2022	**686**	**9**	**695**

Deferred tax asset has not been recognised for the following:

	2022 US$'000	2021 US$'000
Unused tax losses	**3,069**	3,223

The unused tax losses are subject to the final assessment by the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future profit streams.

21. INVENTORIES

	2022 US$'000	2021 US$'000
Raw materials	**328,891**	312,890
Work in progress	**707**	4,313
Finished goods	**2,437**	189
	332,035	317,392

The amount of inventories expected to be recovered after more than one year is US$304,266,000 (2021: US$291,380,000). All of the other inventories are expected to be recovered within one year.

During the year, a write-down of inventories of US$239,000 (2021: US$330,000) is recorded in cost of sales as presented in the consolidated statement of profit or loss.

22. TRADE RECEIVABLES

	2022 US$'000	2021 US$'000
Trade receivables	**17,550**	26,297

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	2022 US$'000	2021 US$'000
0 – 30 days	**7,364**	7,592
31 – 60 days	**6,668**	6,500
61 – 90 days	**3,379**	2,448
Over 90 days	**139**	9,757
	17,550	26,297

22. TRADE RECEIVABLES (Continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

As at 31 December 2022, the Group collectively assessed trade receivables and recognised a net impairment loss of US$73,000 (2021: US$2,491,000) on the trade receivables.

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables according to their past due dates:

	Expected loss rate	**Gross carrying amount US$'000**	**Loss allowance US$'000**	**Net carrying amount US$'000**
At 31 December 2022				
Current	**0%**	**9,705**	**(42)**	**9,663**
1 – 30 days	**0%**	**7,219**	**(15)**	**7,204**
31 – 60 days	**1%**	**607**	**(7)**	**600**
61 – 90 days	**5%**	**41**	**(2)**	**39**
Over 90 days	**22%**	**51**	**(7)**	**44**
		17,623	**(73)**	**17,550**

	Expected loss rate	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000
At 31 December 2021				
Current	0%	18,028	(1)	18,027
1 – 30 days	0%	1,944	–	1,944
31 – 60 days	0%	2,254	–	2,254
61 – 90 days	0%	2,529	–	2,529
Over 90 days	62%	4,033	(2,490)	1,543
		28,788	(2,491)	26,297

22. TRADE RECEIVABLES (Continued)

The following table reconciles the impairment allowance of trade receivables for the year:

	2022 US$'000	2021 US$'000
At 1 January	**2,491**	1,680
(Reversal of impairment loss)/impairment loss on trade receivables, net	**(2,418)**	811
At 31 December	**73**	2,491

All receivables are due for settlement no more than 60 days after issue and collectability is reviewed on an ongoing basis.

The maximum exposure to credit risk as at 31 December 2022 was the carrying amount mentioned above. In general, the Group does not hold any collateral or other credit enhancements over these balances.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 US$'000	2021 US$'000
Other deposits and prepayments	**8,251**	7,648
Other receivables	**1**	493
	8,252	8,141

For the balances of other receivables, deposits and prepayments, the Group does not hold any collateral as security.

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above. Further details on the Group's credit policy and credit risk arising from other receivables and deposits are set out in note 37(d).

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The following table reconciles the impairment allowance of other receivables and deposits for the year:

	2022 **US$'000**	2021 US$'000
At 1 January	**–**	34
Reversal of impairment loss on other receivables and deposits	**–**	(34)
At 31 December	**–**	–

24. COMMODITY

The commodity held by the Group as of 31 December 2022 is as follows:

	2022 **US$'000**	2021 US$'000
Gold bullion	**1,130**	–

Movements during the year is as follows:

	Note	**2022** **US$'000**	2021 US$'000
As at 1 January		**–**	–
Additions		**1,222**	–
Net unrealised losses		**(92)**	–
As at 31 December	*(i)*	**1,130**	–
Total unrealised loss recognised in profit or loss related to commodity held by the Group for the year		**(92)**	–

Note:

(i) Commodity held by the Group is gold bullion. Its fair value is based on London Bullion Market morning fixing price ("LBMA Gold Price AM"). Therefore, the commodity is classified as Level 1 investments in the fair value hierarchy.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 US$'000	2021 US$'000
Non-current assets		
Shares traded on the OTC Pink Market in the United States	**1,284**	–
Current assets		
Hong Kong listed shares	**162**	162
	1,446	162

Movements during the year is as follows:

	Notes	2022 US$'000	2021 US$'000
As at 1 January		**162**	164
Additions	*(i)*	**1,284**	–
Net unrealised losses	*(ii)*	**–**	(2)
As at 31 December	*(iii)*	**1,446**	162
Total net loss recognised in profit or loss related to financial assets at FVTPL held by the Group for the year		**–**	(2)

Notes:

(i) On 19 September 2022, the Company entered into a share swap agreement (the "Share Swap Agreement") with an individual shareholder (the "Swap Shareholder") of Scientific Energy, Inc. ("SEI"). SEI is a company incorporated in the United States and its shares are traded on the OTC Markets in the United States. SEI is the ultimate holding company of another equity owner of the Group's joint venture. Pursuant to the Share Swap Agreement, the Company agreed to issue and allot a total of 250,250,000 ordinary shares to the Swap Shareholder for a total of 26,000,000 ordinary shares of SEI owned by the Swap Shareholder at a total market value of approximately US$1,284,000 (the "Share Swap"). The Share Swap was completed on 25 October 2022, and since then the Company owns 9.87% of the issued equity interest of SEI and the Swap Shareholder owns 3.45% of the shares of the Company. Further details of the Share Swap are set out in the Company's announcement dated 19 September 2022.

SEI's shares are traded on the OTC Markets in the United States. As at 31 December 2022, the Group adopts its quoted closing price to measure its fair value and the investment was classified as Level 1 investment in the fair value hierarchy. During the year ended 31 December 2022, no fair value change was recognised in profit or loss as there is no significant movement of the share price since its initial recognition during the year.

(ii) During the year ended 31 December 2022, the Group did not recognised any unrealised gain or losses on listed securities (2021: losses of US$2,000).

(iii) The maximum exposure to credit risk as at 31 December 2022 and 2021 is the carrying amounts mentioned above. In general, the Group does not hold any collateral or other credit enhancements over these balances.

26. TRADE PAYABLES

	2022	2021
	US$'000	US$'000
Trade payables	**18,253**	9,197

The ageing analysis of the trade payables is as follows:

	2022	2021
	US$'000	US$'000
0 – 30 days	**3,323**	5,491
31 – 60 days	**11,389**	1,708
61 – 90 days	**2,504**	1,842
Over 90 days	**1,037**	156
	18,253	9,197

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases ranged from 30 to 90 days.

27. OTHER PAYABLES AND ACCRUALS

	2022	2021
	US$'000	US$'000
Other payables	**414**	374
Accruals	**1,846**	5,736
Other tax payable	**1,422**	1,116
	3,682	7,226

28. CONTRACT LIABILITIES

	2022 US$'000	2021 US$'000
Contract liabilities arising from:		
Sales of graphite products	**1**	1,129

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of graphite products
As noted above, the receipts in advance received from the customers remains as a contract liability until the goods have been transferred and accepted by the customer.

	2022 US$'000	2021 US$'000
At 1 January	**1,129**	90
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,129)**	(90)
Increase in contract liabilities as a result of amounts received in advance from customers for goods that have not yet been transferred and/or not yet accepted by the customer	**1**	1,129
At 31 December	**1**	1,129

29. CONVERTIBLE DEBENTURES

Convertible Debenture 4 April 2021
On 11 April 2011, the Company entered into a subscription agreement with RTM Financial Corp., ("RTM") for an aggregate of US$250 million 3% interest convertible debentures due 4 April 2021 ("Convertible Debenture 4 April 2021").

RTM shall have the right to make subscription and conversion of Convertible Debenture 4 April 2021 in whole or in part in multiples within the conversion period.

The Company will issue the portion of debenture which is fully paid. RTM has the right to convert at US$0.50 (equivalent to HK$3.90) per share, or the then effective par value at the time of conversion. However, due to the prolonged low prices of the Company's shares, RTM stated that they would not subscribe any Convertible Debenture 4 April 2021 within the conversion period. Accordingly, the subscription agreement had expired on 4 April 2021.

During the year ended 31 December 2021, no Convertible Debenture 4 April 2021 was issued by the Company.

29. CONVERTIBLE DEBENTURES (Continued)

Convertible Debenture 31 December 2021

On 30 December 2015, the Company entered into a subscription agreement with Sinocreative Limited ("Sinocreative") for an aggregate amount of HK$1,000 million 0% interest convertible debentures due on 31 December 2021 ("Convertible Debenture 31 December 2021"). Sinocreative has the right to make subscription of the Convertible Debenture 31 December 2021 one-off or by stages within the conversion period. Sinocreative is obliged to fully subscribe the Convertible Debenture 31 December 2021 and as an undertaking Sinocreative had paid HK$1,000,000 upfront deposit to the Company. The deposit will be refunded only when Convertible Debenture 31 December 2021 are fully subscribed.

The Company will issue the portion of debenture which is fully paid. Sinocreative has the right to convert at HK$0.125 per share.

During the year ended 31 December 2021, no Convertible Debenture 31 December 2021 was issued by the Company. The subscription agreement had expired on 31 December 2021, and accordingly the upfront deposit of HK$1,000,000 was recognised as other income in profit or loss during the year ended 31 December 2022.

The fair value of the debt component and the equity component was determined at each date of the issue of convertible debentures as it meets the fixed-for-fixed criteria.

Convertible Debenture 2028

On 25 April 2018, the Company entered into a subscription agreement with China Minerals International Limited ("CMI") for an aggregate amount of HK$600 million 0% interest convertible debentures due on 25 April 2028 ("Convertible Debenture 2028"). CMI shall have the right to make subscription and conversion of Convertible Debenture 2028 in whole or in part in multiples of HK$10,000 within the conversion period.

The Company will issue the portion of debenture which is fully paid. CMI has the right to convert at HK$0.06 per share before the consolidation of shares as set out in note 30 becoming effective on 16 December 2022. The outstanding news shares may be issued was 8,208,500,000. After the consolidation of shares becoming effective, the conversion price becomes HK$1.20 per share and new shares may be issued are 410,425,000.

During the years ended 31 December 2022 and 2021, no Convertible Debenture 2028 was issued by the Company.

It is the mutual agreement between the Company and the subscribers of the convertible debentures that immediate upon each subscription, the issued convertible debenture would be converted into shares of the Company.

Upon each conversion, the fair value of the issued convertible debentures (i.e. the amount received by the Company) was immediately be reclassified to the Company's share capital and therefore there would be no unconverted issued convertible debentures at the end of each reporting period. Accordingly, as at 31 December 2022 and 31 December 2021, no financial liability or equity component is recorded in the consolidated financial statements.

30. SHARE CAPITAL

	The Company			
	2022		2021	
	Number of ordinary shares	**Amount US$'000**	Number of ordinary shares	Amount US$'000
Issued and fully paid:				
At 1 January	**7,006,631,478**	**607,060**	7,006,631,478	607,060
Issue of shares on swap of a financial asset at fair value through profit or loss *(note i)*	**250,250,000**	**1,284**	–	–
Share consolidation *(note ii)*	**(6,894,037,405)**	**–**	–	–
At 31 December	**362,844,073**	**608,344**	7,006,631,478	607,060

Note i: Upon the completion of the Share Swap as set out in note 25, the Company issued and allotted a total of 250,250,000 ordinary shares to the Swap Shareholder for a total of 26,000,000 ordinary shares of SEI at a market value of approximately US$1,284,000 owned by the Swap Shareholder.

Note ii: Pursuant to a resolution passed at the extraordinary general meeting of the Company on 14 December 2022, a consolidation of share was approved with effect from 16 December 2022. Every twenty existing issued and unissued ordinary shares in the share capital of the Company were consolidated into one ordinary share. Details of the consolidation of shares are set out in the Company's circular dated 21 November 2022 and the Company's announcement dated 14 December 2022.

31. PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment		–	1
Right-of-use assets		301	75
Interests in subsidiaries	*18*	23,195	25,704
Amount due from a joint venture		1,181	2,038
Financial assets at fair value through profit or loss		1,284	–
		25,961	27,818
Current assets			
Other receivables, deposits and prepayments		63	162
Commodity		33	–
Financial assets at fair value through profit or loss		3	2
Cash and bank balances		190	195
		289	359
Current liabilities			
Other payables and accruals		446	575
Lease liabilities		230	77
		676	652
Net current liabilities		(387)	(293)
Total assets less current liabilities		25,574	27,525
Non-current liabilities			
Lease liabilities		78	–
NET ASSETS		25,496	27,525
CAPITAL AND RESERVES			
Share capital	*30*	608,344	607,060
Reserves	*31(a)*	(582,848)	(579,535)
		25,496	27,525

On behalf of the directors

FENG ZHONG YUN
Managing Director

ZHANG XUE
Executive Director

31. PARENT COMPANY STATEMENT OF FINANCIAL POSITION (Continued)

(a) The movement of reserves during the year is as follows:

	Translation reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2021	128	(577,232)	(577,104)
Loss and total comprehensive income for the year	–	(2,431)	(2,431)
At 31 December 2021 and 1 January 2022	128	(579,663)	(579,535)
Loss and total comprehensive income for the year	–	(3,313)	(3,313)
At 31 December 2022	**128**	**(582,976)**	**(582,848)**

At 31 December 2022, the Company had no reserves (2021: Nil), as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap.622), available for distribution to shareholders.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash generated from/(used in) operating activities

	Notes	2022 US$'000	2021 US$'000
Profit before income tax expense		**880**	6,024
Dividend income	7	**(6)**	(7)
Interest income	7	**(167)**	(165)
Interest on lease liabilities	9	**41**	34
Fair value loss on financial assets at FVTPL	25	**–**	2
Unrealised loss on commodity	24	**92**	–
Gain on disposal of items of property, plant and equipment	7	**(5)**	–
Deficit on revaluation of land and buildings	14	**–**	299
Depreciation	8	**3,728**	3,628
Amortisation of customer contract	8	**89**	95
Impairment loss on inventories	8	**239**	330
Impairment loss on amount due from a joint venture	8	**903**	23
(Reversal of impairment loss)/impairment loss on trade receivables, net	8	**(2,418)**	811
Reversal of impairment loss on other receivables and deposits, net	8	**–**	(34)
Operating profit before working capital		**3,376**	11,040
Increase in inventories		**(14,882)**	(2,741)
Decrease/(increase) in trade receivables		**11,165**	(6,325)
Increase in other receivables, deposits and prepayments		**(111)**	(5,483)
Increase in trade payables		**9,056**	1,965
(Decrease)/increase in contract liabilities		**(1,128)**	1,039
Decrease in other payables and accruals		**(3,544)**	(400)
Cash generated from/(used in) operating activities		**3,932**	(905)
Tax paid		**(580)**	(52)
Net cash from/(used in) operating activities		**3,352**	(957)

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	2022 US$'000	2021 US$'000
Lease liabilities *(note 16(b))*		
At 1 January	**507**	936
Changes from financing cash flows:		
Repayment of principal portion	**(408)**	(428)
Repayment of interest	**(41)**	(34)
Total changes from financing activities	**(449)**	(462)
Other changes:		
Additions	**452**	–
Interest expense	**41**	34
Exchange differences	**(37)**	(1)
At 31 December	**514**	507

(c) Major non-cash transactions

As set out in notes 25 and 30, during the year, the Company has issued and allotted 250,250,000 ordinary shares to exchange 26,000,000 ordinary shares of SEI at a market value of approximately US$1,284,000.

33. CAPITAL COMMITMENTS

The Group had no capital commitment as at 31 December 2022 and 2021.

34. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in note 10(a) and certain of the highest paid employees as disclosed in note 11, is as follows:

	2022 US$'000	2021 US$'000
Salaries, allowances and benefits in kind	**3,775**	2,867

Total remuneration is included in "staff costs" as disclosed in note 10(b).

35. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group has the following transaction with related party during the year:

	2022 US$'000	2021 US$'000
Joint venture:		
Purchases of gold bullion	**846**	–

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2022 US$'000	2021 US$'000
Financial assets		
Financial assets at FVTPL	**1,446**	162
Financial assets measured at amortised cost		
Trade receivables	**17,550**	26,297
Other receivables and deposits	**22**	515
Amount due from a joint venture	**1,235**	2,133
Cash and bank balances	**12,074**	18,380
	32,327	47,487
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	**18,253**	9,197
Other payables and accruals	**3,682**	7,226
Lease liabilities	**514**	507
	22,449	16,930

37. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group intends to use a combination of financial instruments to manage its financial risks.

The risk management of the Company, and its subsidiaries, are centralised at head office level in accordance with the Group's risk management policy. The Group identifies, evaluates and monitors financial risks closely with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, price risk, credit risk, liquidity risk, use of non-derivative financial instruments and cash management.

(a) *Foreign exchange risk*

The Group's entities have only a small amount of sales that are denominated in currencies other than the functional currency of that group entities. Therefore, the Group is not exposed much to foreign exchange.

The Group's reporting currency is US$. Foreign currency exposures of the Group primarily arise from the Group's operations in the United Kingdom, whose functional currency are GBP. Foreign exchange swaps or forward contract and foreign exchange option may be employed to minimise the net exposure to foreign currency fluctuations.

(b) *Interest rate risk*

The interest rate risk arises from debt borrowing. Borrowing issued at variable rates exposes the Group to cash flow interest rate risk while borrowing issued at fixed rates expose the Group to fair value interest rate risk.

(c) *Price risk*

The Group is exposed to equity price risk through its investment in listed equity securities in Hong Kong and the United States. The management manage this exposure by maintaining a portfolio of investments with different risk and return profiles.

At 31 December 2022, it is estimated that an increase/decrease of 10%, 30% and 50% in market value of the trading securities, with all other variable held constant, profit for the year and the equity would increase/decrease by US$145,000, US$434,000 and US$723,000 respectively.

The Group is affected by the price volatility of gold bullion. The Group estimates the future reasonably possible market price fluctuations for gold on an overall basis. It is estimated that a reasonably possible strengthening in the LBMA Gold Price AM of 20% at 31 December 2022 would increase the profit for the year and the net assets attributable to owners of the Company by US$226,000; an equal change in the LBMA Gold Price AM in the opposite direction would decrease the profit for the year and the net assets attributable to owners of the Company by an equal but opposite amount. The analysis assumes that all other variables, in particular, interest rates remain constant.

37. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(d) Credit risk

The credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group's credit risk is primarily attributable to its trade receivables, other receivables and deposits and amount due from a joint venture. The Company's credit risk is primarily attributable to its other receivables and deposits, amounts due from subsidiaries and amount due from a joint venture. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's and the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 30% (2021: 17%) and 74% (2021: 86%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Trade receivables
Impairment on trade receivables under the ECLs model is set out in note 22.

The Group and the Company have adopted general approach to measure ECLs on other receivables and deposits, amount due from a joint venture and amount due from subsidiaries. Under the general approach, the Group and Company apply the "3-stage" impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

– Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

– Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

37. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(d) Credit risk (Continued)

Trade receivables (Continued)

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

When determining whether the risk of default has increased significantly since initial recognition, the Group and Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit risk assessment and including forward-looking information.

At the end of each reporting period, the Group and the Company assess whether a financial asset is credit-impaired. The Group and the Company considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group and the Company has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure of default. The assessment of the probability of default and loss given default is based on historical data and adjusted for forward-looking information through the use of country risk and experienced credit judgment to reflect the qualitative factors, and through the use of multiple probability-weighted scenarios.

Other receivables and deposits

The ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Amount due from a joint venture

Impairment on amount due from a joint venture under the ECLs model is set out in note 19.

Cash and cash equivalents

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited with credit worthy financial institutions.

37. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(e) Liquidity risk

Liquidity risk is prudently managed by maintaining sufficient amount of available committed credit facilities. In addition, the Group actively manages and extends its debt maturity profile to ensure that the Group's maturing debt each year will not exceed the anticipated cash flow and the Group's ability to refinance the debt in that year.

The contractual maturity of the lease liabilities is shown on note 16(b). The following non-derivative financial liabilities of the Group are repayable within one year or on demand.

	2022	2021
	US$'000	US$'000
Trade payables	**18,253**	9,197
Other payables and accruals	**3,682**	7,226
	21,935	16,423

The amounts of undiscounted cash flows of the above liabilities are equal to their carrying amounts.

Fair value of financial instruments

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

(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) Commodity held by the Group is gold bullion, its fair value is based on LBMA Gold Price AM.

(iii) 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.

(iv) The carrying value of bank and cash balances, trade and other receivables and trade and other payables are assumed to approximate their fair values due to the short term maturities of these assets and liabilities.

37. FINANCIAL RISK MANAGEMENT (Continued)

Fair value measurement recognised in the 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).

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Recurring fair value measurements:				
Commodity – Gold bullion	**1,130**	**–**	**–**	**1,130**
Financial assets at FVTPL	**1,446**	**–**	**–**	**1,446**
	2,576	**–**	**–**	**2,576**

	2021			
	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Recurring fair value measurements:				
Financial assets at FVTPL	162	–	–	162

During the year, 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. During the years ended 31 December 2022 and 2021, there were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy.

38. CAPITAL RISK MANAGEMENT

The purpose of the Group's capital management is to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of debt, which includes obligations under finance leases, cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, issuance of new capital shares, convertible debentures or new debts.

The gearing ratio at the end of reporting period was as follows:

	2022 **US$'000**	2021 US$'000
Lease liabilities	**514**	507
Less: cash and bank balances	**(12,074)**	(18,380)
	(11,560)	(17,873)
Equity attributable to owners of the Company	**385,172**	387,870
Net debt to equity ratio	**N/A**	N/A

39. DIVIDEND

The directors of the Company have decided not to declare any dividend for the year ended 31 December 2022 (2021: Nil).

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 30 March 2023.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

For the years ended 31 December

	2022	2021	2020	2019	2018
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**100,189**	101,259	94,713	93,659	114,874
Profit/(loss) before income tax expense	**880**	6,024	3,624	(8,689)	1,350
Income tax expense	**(308)**	(1,221)	(650)	(645)	(2,457)
Profit/(loss) for the year from continuing operations	**572**	4,803	2,974	(9,334)	(1,107)
Profit for the year from discontinued operation	**–**	–	–	–	8,016
Profit/(loss) for the year	**572**	4,803	2,974	(9,334)	6,909
Non-controlling interests	**–**	–	–	–	–
Net profit/(loss) attributable to owners of the Company	**572**	4,803	2,974	(9,334)	6,909

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

As at 31 December

	2022	2021	2020	2019	2018
	US$'000	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment	**25,176**	24,468	27,093	26,956	20,574
Investment properties	**9,311**	9,867	8,565	8,798	8,830
Right-of-use assets	**713**	694	1,076	3,634	–
Prepaid lease payments	**–**	–	–	–	2,501
Intangible assets	**220**	320	416	1,268	5,323
Interest in a joint venture	**1,235**	2,133	1,992	–	–
Deferred tax assets	**–**	–	–	202	611
Loan receivables	**–**	–	–	–	3,587
Financial assets at fair value through profit or loss	**1,284**	–	–	–	–
Current assets	**371,203**	370,372	359,925	371,482	385,030
Total assets	**409,142**	407,854	399,067	412,340	426,456
Total liabilities	**(23,970)**	(19,984)	(16,642)	(42,963)	(59,627)
Non-controlling interests	**–**	–	–	(6)	(6)
	385,172	387,870	382,425	369,371	366,823