誼礫
Elate Holdings Limited

STOCK CODE : 76

Interim Report 2023

CONTENTS

The Board of Directors (the "Board") of Elate Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2023 together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended	
		30 June 2023	30 June 2022
		Unaudited	Unaudited
	Notes	***US$'000***	*US$'000*
Revenue	*3*	**51,037**	52,918
Cost of sales		**(46,353)**	(42,139)
Gross profit		**4,684**	10,779
Other income		**2,315**	1,904
General and administrative expenses		**(6,044)**	(6,944)
Impairment loss on financial assets, net		**(309)**	(798)
Fair value gain on			
— commodity		**57**	–
— financial assets at fair value through profit or loss		**1**	–
PROFIT FROM OPERATING ACTIVITIES	*4*	**704**	4,941
Finance costs		**(18)**	(21)
PROFIT BEFORE INCOME TAX EXPENSE		**686**	4,920
Income tax expense	*5*	**(386)**	(1,374)
PROFIT FOR THE PERIOD		**300**	3,546
		US cents	*US cents* (Represented)
Earnings per share	*6*		
Basic		**0.08**	1.01
Diluted		**0.08**	1.01

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended	
	30 June	30 June
	2023	2022
	Unaudited	Unaudited
	US$'000	*US$'000*
PROFIT FOR THE PERIOD	**300**	3,546
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**2,000**	(5,211)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,300**	(1,665)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	30 June 2023 Unaudited US$'000	31 December 2022 Audited US$'000
Non-current assets			
Property, plant and equipment	7	**24,963**	25,176
Investment properties		**9,206**	9,311
Right-of-use assets		**545**	713
Intangible assets		**178**	220
Interest in a joint venture		**1,244**	1,235
Financial assets at fair value through profit or loss	10	**1,284**	1,284
Total non-current assets		**37,420**	37,939
Current assets			
Inventories		**340,130**	332,035
Trade receivables	8	**26,214**	17,550
Other receivables, deposits and prepayments	9	**1,066**	8,252
Commodity		**1,186**	1,130
Financial assets at fair value through profit or loss	10	**163**	162
Cash and bank balances		**6,170**	12,074
Total current assets		**374,929**	371,203
Current liabilities			
Trade payables	11	**8,727**	18,253
Other payables and accruals	12	**13,876**	3,682
Contract liabilities		**1**	1
Lease liabilities		**298**	406
Tax payable		**760**	825
Total current liabilities		**23,662**	23,167

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Note	30 June 2023 Unaudited US$'000	31 December 2022 Audited US$'000
Net current assets		**351,267**	348,036
Total assets less current liabilities		**388,687**	385,975
Non-current liabilities			
Leases liabilities		**20**	108
Deferred tax liabilities		**1,195**	695
Total non-current liabilities		**1,215**	803
NET ASSETS		**387,472**	385,172
Capital and reserves attributable to owners of the Company			
Share capital	14	**608,344**	608,344
Reserves		**(220,872)**	(223,172)
TOTAL EQUITY		**387,472**	385,172

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2023

(Expressed in US$'000)

	Share capital	Translation reserve	Revaluation reserve	Accumulated losses	Total equity
At 1 January 2023	**608,344**	**(3,231)**	**6,896**	**(226,837)**	**385,172**
Total comprehensive income for the period	**–**	**2,000**	**–**	**300**	**2,300**
At 30 June 2023	**608,344**	**(1,231)**	**6,896**	**(226,537)**	**387,472**

	Share capital	Translation reserve	Revaluation reserve	Accumulated losses	Total equity
At 1 January 2022	607,060	2,053	6,166	(227,409)	387,870
Total comprehensive income for the period	–	(5,211)	–	3,546	(1,665)
At 30 June 2022	607,060	(3,158)	6,166	(223,863)	386,205

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended	
	30 June 2023	30 June 2022
	Unaudited	Unaudited
	US$'000	*US$'000*
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(6,342)**	7,497
NET CASH USED IN INVESTING ACTIVITIES	**(782)**	(3,453)
NET CASH USED IN FINANCING ACTIVITIES	**(239)**	(225)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(7,363)**	3,819
Cash and cash equivalents at the beginning of period	**12,074**	18,380
Effect of foreign exchange rate changes	**1,459**	(3,700)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**6,170**	18,499

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation

The condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The financial information relating to the year ended 31 December 2022 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2023 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622). The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

The condensed consolidated financial statements for the six months ended 30 June 2023 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

2. Changes in Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

The following amendments are effective for the period beginning 1 January 2023:

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

3. Revenue and segment information

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment performance for the six months ended 30 June 2023 and 2022 is set out below:

For the six months ended 30 June 2023
(Expressed in US$'000)

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

For the six months ended 30 June 2022
(Expressed in US$'000)

	Manufacture and sales of graphite products	Manufacture and sales of electronic products	Design and manufacturing	Total
Revenue from external customers	16,001	36,804	113	52,918
Segment results	5,104	2,552	(239)	7,417
Unallocated income and expenses				(2,476)
Profit from operating activities				4,941
Finance costs				(21)
Income tax expense				(1,374)
Profit for the period				3,546

4. Profit from operating activities

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

	Six months ended 30 June 2023 Unaudited ***US$'000***	30 June 2022 Unaudited *US$'000*
Depreciation:		
– owned property, plant and equipment and investment properties	**1,813**	1,665
– right-of-use assets	**185**	188
Interest from amount due from a joint venture	**(85)**	(28)

5. Income tax expense

For the six months ended 30 June 2023, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

6. Earnings per share

The calculation of basic and diluted earnings per share is based on the net profit attributable to the owners of the Company for the six months ended 30 June 2023 of US$300,000 (2022: US$3,546,000), and 362,844,073 (2022: 350,331,573 (represented)) weighted average ordinary shares in issue during the period.

The weighted average number of ordinary shares for the six months ended 30 June 2022 has been adjusted for the consolidation of shares implemented during the year ended 31 December 2022. The basic earnings per share for the six months ended 30 June 2022 has been adjusted retrospectively accordingly. Details of the consolidation of shares are set out in note 14.

Diluted earnings per share is of the same amount as the basic earnings per share as there was no potential dilutive ordinary shares outstanding as at 30 June 2023 and 2022.

7. Property, plant and equipment

During the six months ended 30 June 2023 the Group acquired approximately US$786,000 (2022: US$3,508,000) of property, plant and equipment.

8. Trade receivables

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

	30 June 2023 Unaudited *US$'000*	31 December 2022 Audited *US$'000*
0-30 days	**10,937**	7,364
31-60 days	**6,664**	6,668
61-90 days	**4,943**	3,379
Over 90 days	**3,670**	139
	26,214	17,550

9. Other receivables, deposits and prepayments

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

	30 June 2023 Unaudited *US$'000*	31 December 2022 Audited *US$'000*
Other deposits and prepayments	**1,065**	8,251
Other receivables	**1**	1
	1,066	8,252

10. Financial assets at fair value through profit or loss

	30 June 2023 Unaudited *US$'000*	31 December 2022 Audited *US$'000*
Non-current assets		
Shares traded on the OTC Pink Market in the United States	**1,284**	1,284
Current assets		
Hong Kong listed shares	**163**	162
	1,447	1,446

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

11. Trade payables

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

	30 June 2023 Unaudited *US$'000*	31 December 2022 Audited *US$'000*
0-30 days	**4,236**	3,323
31-60 days	**2,256**	11,389
61-90 days	**1,534**	2,504
Over 90 days	**701**	1,037
	8,727	18,253

12. Other payables and accruals

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

	30 June 2023 Unaudited *US$'000*	31 December 2022 Audited *US$'000*
Other payables	**11,311**	414
Accruals	**1,579**	1,846
Other tax payable	**986**	1,422
	13,876	3,682

13. Dividend

The Directors have decided not to declare any interim dividend for the six months ended 30 June 2023 (2022: Nil).

14. Share capital

	Number of ordinary shares	**Amount** *US$' 000*
Issued and fully paid:		
At 1 January 2022 (audited)	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 2022 (audited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	362,844,073	608,344

Note 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. Further details of the Share Swap are set out in the Company's announcement dated 19 September 2022.

Upon the completion of the Share Swap, 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.

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.

15. Fair value measurement of financial instruments

Fair value of financial instruments

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

(i) The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

(ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

(iii) The carrying value of bank and cash balances, trade and other receivables, trade and other payables are assumed to approximate their fair values due to the short term maturities of these assets and liabilities.

Fair value measurement recognised in the condensed consolidated financial statements

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

- Level 1 fair values measurement are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair values measurement are those derived from inputs other than quoted prices include within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair values measurement are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**30 June 2023 Total Unaudited**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Recurring fair value measurements:				
Commodity – Gold bullion	**1,186**	**–**	**–**	**1,186**
Financial assets at fair value through profit or loss	**1,447**	**–**	**–**	**1,447**
	2,633	**–**	**–**	**2,633**

	Level 1	Level 2	Level 3	31 December 2022 Total Audited
	US$'000	*US$'000*	*US$'000*	*US$'000*
Recurring fair value measurements:				
Commodity – Gold bullion	1,130	–	–	1,130
Financial assets at fair value through profit or loss	1,446	–	–	1,446
	2,576	–	–	2,576

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

16. Compensation of key management personnel

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

	Six months ended	
	30 June 2023	30 June 2022
	Unaudited	Unaudited
	US$'000	*US$'000*
Salaries, allowances and benefits in kind	**1,130**	2,683

17. Related party transactions

Saved as disclosed elsewhere in the condensed consolidated financial statement, the Group has not entered into other material related party transaction for the six months ended 30 June 2023 and 2022.

18. Approval of the Condensed Consolidated Interim Financial Statements

The Board of Directors of the Company approved the condensed consolidated interim financial statements on 30 August 2023.

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

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

For the six months ended 30 June 2023, the revenue of the Group was approximately $51.0 million, a decrease of approximately $1.9 million, or 3.6%, as compared to approximately $52.9 million for the same period of prior year. The net profit attributable to owners was approximately $0.3 million, as compared to net profit of approximately $3.5 million, for the same period of the prior year. As at 30 June 2023, the total assets of the Group were approximately $412.3 million, as compared to approximately $409.1 million at 31 December 2022, and the net assets of the Group were approximately $387.5 million at 30 June 2023, as compared to approximately $385.2 million at 31 December 2022.

Business Review

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

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

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. 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.

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. MED is the No.1 mobile platform of ordering and delivery services for restaurants or other merchants in Macau. MED's businesses are built on its Aomi platform, which connects restaurants/merchants with consumers and delivery riders. For the year ended 31 December 2022, MED's platform generated over 11,799,000 transactions, totaling $1,285 million MOP (approximately US$160 million) in gross merchandise volume. As of 31 December 2022, MED had approximately 832,700 registered platform customers and served over 4,000 partnered merchants.

The main reason for the acquisition of the SEI shares was business diversification. Covid-19 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.

Web 3.0 Related Business

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

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 inflation, driven by energy and gas prices. This has directly affected the energy costs of our graphite production and Axiom's electronic manufacturing business, and indirectly driven up material and labour costs, which gets passed on in supplier pricing and wage increase expectations. 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. During the six-month period ended 30 June 2023, the Group was not affected materially by any climate-related issues.

Results of Operations

For the six months ended 30 June 2023, the Group's turnover was approximately $51.0 million, a decrease of approximately $1.9 million, or 3.6%, as compared to approximately $52.9 million for the same period of the last year.

The turnover of the Group's graphite operations for the six months ended 30 June 2023 was approximately $15.0 million as compared to approximately $16.0 million for the same period of the last year, a decrease of 6.3%. In 2022, a number of manufacturers in China irrationally launched too many artificial graphite projects, hoping seize profits from batteries on electric vehicles. The production capacity of the artificial graphite exceeded 10 million tons, while the current market demand was less than 2 million tons per year. The overcapacity made the price of artificial anodes all the way down, and forced sales prices of artificial graphite below its production costs in the first half of 2023. This situation has had not only an adverse impact on our selling price of natural graphite products, but also pushed up our production costs. Because of these two aspects, our profits from graphite operations during the first half of 2023 were lower than the same period of 2022.

For the six months ended 30 June 2023, the turnover of the Group's electronics manufacturing service operation was approximately $35.9 million, representing a decrease of approximately $0.9 million, or 2.4%, as compared to approximately $36.8 million for the same period of the last year. Although Axiom's sales, in Sterling terms, rose slightly, profits were lower than last year, mainly due to lower gross margins.

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.

Due to the impact of the conflict between Russia and Ukraine, higher production costs, and current overcapacity of artificial graphite, it is estimated that the natural graphite market in 2023 will not be stable, and our graphite business will face more challenges in terms of orders and production costs. We have taken measures to adjust our production arrangement and this unreasonable situation cannot last for long, we believe that we should be able to get through this turbulent period smoothly.

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 30 June 2023, the Group's cash and bank balances were approximately $6.2 million as compared to approximately $12.1 million as at 31 December 2022. As at 30 June 2023, the Group recorded net current assets of approximately $351.3 million (31 December 2022: $348.0 million). The Group had no bank borrowings as at 30 June 2023. As at 30 June 2023, the Group's gearing ratio, calculated as the lease liabilities divided by the amount of total equity, was 0.1% (31 December 2022: 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 30 June 2023, the Company has utilized approximately HK$90,134,000 (approximately US$11,555,600). The detailed breakdown and description of the proceeds that were used are as below:

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

The amount of the unconverted debentures 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 and recent business uncertainties have significantly increased economic and demand uncertainty across the world, which cloud the outlook for the economy. Consequently, the Company has taken certain measures to help mitigate the effects of such uncertainties, including modifying its construction timeframe of graphite production lines in Madagascar. At the same time, under the influence of the recent overall destocking of the battery industry chain, the recovery of the anode material market was not as good as expected. As a result, the Company did not use up its production line construction funds as previously planned. The Company aims to remain flexible and dynamic to optimize and grow its business operations as appropriate. Except the modified timeframe due to the outbreak of Covid-19 and recent overall destocking of the battery industry chain, there were no material changes for the use of proceeds.

Indebtedness

As at 30 June 2023:

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

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

The Company did not have any bank overdrafts.

As at 30 June 2023 and up to the date of this report, there has been no material adverse change to the indebtedness of the Group.

Contingent Liabilities and Pledge of Assets

The Group did not have any material contingent liabilities and did not pledge any assets as at 30 June 2023.

Capital Commitments

As at 30 June 2023, there were no capital commitments to the Group related to the purchase of fixed assets (2022: Nil).

Significant Investments Held

As at 30 June 2023, 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 six months ended 30 June 2023.

Capital Structure

For the six months ended 30 June 2023, there were no change in capital structure of the Company. The capital of the Company comprises ordinary shares and other reserves.

Employees and Remuneration Policies

As at 30 June 2023, the Group had 344 (2022: 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.

Interim Dividend

The Directors have decided not to declare any interim dividend for the six months ended 30 June 2023 (2022: Nil).

Share Capital

During the six months ended 30 June 2023, there were no changes in the total number of shares and the issued share capital of the Company.

Material Uncertainties

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

Legal Proceedings

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

Significant Events after the Reporting Period

There were no significant events after the reporting period.

ADDITIONAL INFORMATION

Compliance with the Code of Corporate Governance Practices

The Company has complied with all the code provisions of the prevailing Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2023, except for one deviation as below:

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

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

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 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 six months ended 30 June 2023.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2023, neither the Company, nor any of its subsidiaries, purchased, sold, or redeemed any of the Company's securities.

Directors' and Chief Executives' Interests in Shares

At 30 June 2023, none of the Directors and executive officers of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations that were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register referred to therein or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Person's Interest in Shares

As at 30 June 2023, no person had registered an interest, short position, or lending pool in the shares or underlying shares or debentures of the Company that was required to be kept by the Company pursuant to Section 336 of the SFO.

Review of the Unaudited Consolidated Interim Financial Statements

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

The Audit Committee of the Company consists of three independent non-executive directors: Mr. Ng Lai Po, Ms. Ye Yi Fan and Dr. Yan Shao Shi. Mr. Ng is the Audit Committee's Chairman, who has appropriate professional qualifications or accounting or related financial management expertise as set forth in 3.10(2) of the Listing Rules. The Audit Committee has adopted the terms of reference which are in line with Corporate Governance Code as set forth in Appendix 14 to the Listing Rules.

The Audit Committee has reviewed with the Company's management the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters, including the review of this unaudited interim results of the Company for the six months ended 30 June 2023.

Publication of Interim Results

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

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

Hong Kong, 30 August 2023

As at the date of this report, the Board of Directors is comprised of Mr. Feng Zhong Yun and Ms. Zhang Xue being executive directors, Mr. Ng Lai Po, Ms. Ye Yi Fan and Dr. Yan Shao Shi being independent non-executive directors.