ELATE HOLDINGS LIMITED
誼礫控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 076)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the "Board") of Elate Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 together with the comparative figures in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Notes	**2019** ***US$'000***	2018 *US$'000*
CONTINUING OPERATIONS			
Revenue	*3*	**93,659**	114,874
Cost of sales		**(86,513)**	(96,897)
Gross profit		**7,146**	17,977
Other income		**3,437**	6,527
General and administrative expenses		**(19,236)**	(20,057)
Fair value gain/(loss) on financial assets at fair value through profit or loss		**6**	(3,058)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	*4*	**(8,647)**	1,389
Finance costs		**(42)**	(26)
Share of losses of a joint venture, net of tax		**–**	(13)
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE		**(8,689)**	1,350
Income tax expense	*5*	**(645)**	(2,457)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(9,334)**	(1,107)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation		**–**	(459)
Gain on disposal of discontinued operation		**–**	8,475
Profit for the year from discontinued operation		**–**	8,016
(LOSS)/PROFIT FOR THE YEAR		**(9,334)**	6,909

	Note	2019 US$'000	2018 US$'000
ATTRIBUTABLE TO:			
Owners of the Company			
– Loss for the year from continuing operations		**(9,334)**	(1,107)
– Profit for the year from discontinued operation		**–**	8,016
		(9,334)	6,909
Non-controlling interests		**–**	–
(LOSS)/PROFIT FOR THE YEAR		**(9,334)**	6,909
(Losses)/earnings per share from continuing and discontinued operations	*6*	***US cents***	*US cents*
Basic		**(0.17)**	0.14
Diluted		**(0.17)**	0.14
Losses per share from continuing operations			
Basic		**(0.17)**	(0.02)
Diluted		**(0.17)**	(0.02)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	US$'000	*US$'000*
(Loss)/profit for the year	**(9,334)**	6,909
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**2,421**	(4,275)
Items that will not be reclassified to profit or loss:		
Gain on revaluation of land and buildings	**295**	250
Other comprehensive income for the year	**2,716**	(4,025)
Total comprehensive income for the year	**(6,618)**	2,884
Attributable to:		
Owners of the Company	**(6,618)**	2,884
Non-controlling interests	**–**	-
Total comprehensive income for the year	**(6,618)**	2,884

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	**2019** **US$'000**	2018 US$'000
Non-current assets			
Property, plant and equipment		**26,956**	20,574
Investment properties		**8,798**	8,830
Right-of-use assets		**3,634**	–
Prepaid lease payments		**–**	2,501
Intangible assets		**1,268**	5,323
Interest in a joint venture		**–**	–
Deferred tax assets		**202**	611
Loan receivable	*9*	**–**	3,587
Total non-current assets		**40,858**	41,426
Current assets			
Inventories		**316,487**	324,062
Trade receivables	*8*	**12,445**	23,460
Other receivables, deposits and prepayments	*9*	**12,033**	21,864
Amount due from a joint venture		**684**	965
Financial assets at fair value through profit or loss		**236**	310
Cash and bank balances		**11,518**	14,369
		353,403	385,030
Assets of a disposal group classified as held-for-sale	*14*	**18,079**	–
Total current assets		**371,482**	385,030
Current liabilities			
Trade payables	*10*	**7,815**	15,837
Other payables and accruals	*11*	**12,920**	24,028
Contract liabilities		**3,508**	2,339
Lease liabilities		**384**	–
Obligations under finance leases		**–**	33
Tax payable		**249**	17,313
		24,876	59,550
Liabilities of a disposal group classified as held-for-sale	*14*	**17,300**	–
Total current liabilities		**42,176**	59,550

	Note	**2019**	2018
		US$'000	*US$'000*
Net current assets		**329,306**	325,480
Total assets less current liabilities		**370,164**	366,906
Non-current liabilities			
Lease liabilities		**725**	–
Deferred tax liabilities		**62**	77
Total non-current liabilities		**787**	77
NET ASSETS		**369,377**	366,829
Capital and reserves attributable to owners of the Company			
Share capital	*13*	**599,596**	590,430
Reserves		**(230,225)**	(223,607)
Total equity attributable to owners of the Company		**369,371**	366,823
Non-controlling interests		**6**	6
TOTAL EQUITY		**369,377**	366,829

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and adoption of new or revised Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRS") 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, and certain financial instruments, which are measured at revalued amount or fair values.

In preparing these consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16.

Except as describe below, the consolidated financial statements have been prepared in accordance with the same accounting policies and the method of the computation adopted by the Group in the consolidated financial statements for the year ended 31 December 2018.

Adoption of new or revised HKFRSs – effective 1 January 2019

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the group's accounting policies.

Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16 is disclosed below.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

	31 December 2018 *US$'000*	**Impact of adoption of HKFRS 16** *US$'000*	**1 January 2019** *US$'000*
Property, plant and equipment	20,574	(328)	20,246
Prepaid lease payment	2,501	(2,501)	–
Right-of-use assets	–	3,355	3,355
Obligations of finance lease	33	(33)	–
Lease liabilities (current)	–	246	246
Lease liabilities (non-current)	–	313	313

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	US$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 December 2018	475
Less: commitments relating to short term leases	(163)
Add: leases that include extension option which the Group considers reasonably certain to exercise	247
Less: future interest expenses	(33)
Add: finance leases liabilities as of 31 December 2018	33
Total lease liabilities as of 1 January 2019	559

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 5.03%.

The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all lease components and any associated non-lease components as a single lease component for all leases.

2. Adoption of new or revised HKFRSs – effective 1 January 2019

Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices 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 (the Group has leased mobile phones, laptop computers and photocopying machines) 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.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be 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 fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. 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 should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be 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 shall use 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, a lessee shall measure 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.

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group has also leased machinery, the leases of which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

3. Revenue and segment information

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

An analysis of the Group's revenue and results for the year by business segments is as follows:

For the year ended 31 December 2019

	Continuing operations					
	Manufacture and sales of graphite products *US$'000*	**Manufacture and sales of electronic products** *US$'000*	**Trading securities** *US$'000*	**Film production** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
Revenue from external customers	28,380	64,791	–	–	488	93,659
Segment results	(2,294)	3,279	(3,022)	(3,975)	(70)	(6,082)
Unallocated expense						
Unallocated depreciation						(59)
Impairment of amount due from a joint venture						(684)
Staff costs						(201)
Corporate overhead						(1,621)
Loss from operating activities						(8,647)
Finance costs						(42)
Income tax expense						(645)
Loss for the year						(9,334)
Segment assets	346,971	29,559	636	769	361	378,296
Reconciliation of segment assets:						
Unallocated corporate assets						34,044
Total assets						412,340
Segment liabilities	(17,542)	(14,065)	(7,733)	–	(252)	(39,592)
Reconciliation of segment liabilities:						
Unallocated corporate liabilities						(3,371)
Total liabilities						(42,963)
Depreciation	1,499	1,143	226	–	3	2,871
Significant non-cash expenses	1,714	–	9,166	3,975	–	14,855
Capital expenditure additions	7,057	2,284	–	–	17	9,358

For the year ended 31 December 2018

	Continuing operations							Discontinued operation	
	Manufacture and sales of graphite products *US$'000*	Manufacture and sales of electronic products *US$'000*	Trading securities *US$'000*	Develop and sales of mobile phones *US$'000*	Film production *US$'000*	Others *US$'000*	Subtotal *US$'000*	Oil *US$'000*	Total *US$'000*
Revenue from external customers	49,437	64,950	–	–	–	487	114,874	–	114,874
Segment results	10,131	4,618	(6,375)	(63)	(7,393)	10	928	8,016	8,944
Unallocated income									
Exchange gain							1,443	–	1,443
Unallocated expense									
Staff costs							(59)	–	(59)
Corporate overhead							(923)	–	(923)
Profit from operating activities							1,389	8,016	9,405
Share of losses of a joint venture, net of tax							(13)	–	(13)
Finance costs							(26)	–	(26)
Income tax expense							(2,457)	–	(2,457)
(Loss)/profit for the year							(1,107)	8,016	6,909
Segment assets	359,065	50,083	2,121	360	13,184	908	425,721	–	425,721
Reconciliation of segment assets:									
Unallocated corporate assets							735	–	735
Total assets							426,456	–	426,456
Segment liabilities	(22,429)	(20,312)	(16,777)	–	–	(96)	(59,614)	–	(59,614)
Reconciliation of segment liabilities:									
Unallocated corporate liabilities							(13)	–	(13)
Total liabilities							(59,627)	–	(59,627)
Depreciation	849	973	–	–	–	60	1,882	–	1,882
Significant non-cash expenses	788	273	3,058	–	7,392	–	11,511	–	11,511
Capital expenditure additions	5,605	2,527	–	–	1,635	–	9,767	–	9,767

Disaggregation of revenue from contracts with customers

Continuing operations

	Revenue		Total assets		Capital expenditure	
	2019	2018	**2019**	2018	**2019**	2018
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
United Kingdom	**65,279**	65,436	**49,133**	50,992	**2,301**	2,527
America	**–**	–	**985**	1,341	**–**	–
Hong Kong	**–**	9,809	**25,816**	10,602	**–**	1,635
China	**19,389**	12,930	**13,383**	42,270	**28**	134
Macau	**–**	–	**10,535**	1,927	**–**	–
Madagascar	**8,991**	26,699	**312,488**	319,324	**7,029**	5,471
	93,659	114,874	**412,340**	426,456	**9,358**	9,767

Information about major customers

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

	2019	2018
	US$'000	*US$'000*
Customer A *(note)*	**N/A**	26,699
Customer B	**17,584**	14,230
Customer C	**14,095**	15,456
Customer D *(note)*	**N/A**	13,820

Note: The customer contributed less than 10% of the Group's revenue for the year ended 31 December 2019.

	2019	2018
	US$'000	*US$'000*
Continuing operations		
Revenue from contracts with customers		
Manufacture and sales of graphite products	**28,380**	49,437
Manufacture and sales of electronic products	**64,791**	64,950
Others	**488**	487
	93,659	114,874

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

	31 December 2019	31 December 2018
	US$'000	*US$'000*
Trade receivables	**12,445**	23,460
Contract liabilities	**3,508**	2,399

4. (Loss)/profit from operating activities

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

	2019	2018
	US$'000	*US$'000*
Continuing operations		
Depreciation:		
– owned property, plant and equipment and investment properties	**2,358**	1,720
– leased property, plant and equipment	**–**	162
– right-of-use assets included within *(note)*:		
– prepaid lease payments	**36**	–
– properties	**226**	–
– plant and machinery	**310**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17		
– land and buildings	**–**	259
– plant and machinery	**–**	79
Costs of inventories sold	**86,513**	96,897
Staff costs (including directors' remuneration)	**13,746**	13,917
Auditor's remuneration		
– audit fee	**576**	385
– other services	**14**	27
Impairment of inventories	**161**	400
Impairment of trade receivables, net	**802**	661
Impairment of other receivables	**118**	–
Impairment of amount due from a joint venture	**684**	–
Impairment of intangible assets	**3,975**	7,392
Short-term lease expense	**51**	–
Foreign exchange loss/(gain), net	**472**	(208)
Discontinued operation		
Staff costs	**–**	459

Note:

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated.

5. Income tax expense

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

	2019	2018
	US$'000	*US$'000*
Hong Kong profits tax charge		
– Current	**43**	–
Overseas tax charge		
– Current	**199**	1,802
– Deferred tax	**403**	655
Tax charge for the year	**645**	2,457

During the year ended 31 December 2019, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, 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 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

No provision for Hong Kong profits tax had been made as, in the opinion of the Company's directors, the Group did not have any estimated assessable profits in Hong Kong for the year ended 31 December 2018.

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 UK subsidiaries.

6. (Losses)/earnings per share

For continuing and discontinued operations

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

(Losses)/earnings

	2019	2018
	US$'000	*US$'000*
(Losses)/earnings for the purposes of basic and diluted (losses)/earnings per share	**(9,334)**	6,909
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (losses)/earnings per share	**5,422,588,600**	4,982,709,078

For continuing operations

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

Losses figures are calculated as follows:

	2019 *US$'000*	2018 *US$'000*
(Losses)/earnings for the year attributable to owners of the Company	**(9,334)**	6,909
Less:		
Earnings for the year from discontinued operation	**–**	8,016
Loss for the purposes of basic losses per share from continuing operations	**(9,334)**	(1,107)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (losses)/earnings per share	**5,422,588,600**	4,982,709,078

The denominators used are the same as those detailed above for both basic and diluted (losses)/earnings per share.

From discontinued operation

Basic earnings per share for the discontinued operation is Nil (2018: US$0.16 cents) per share and diluted earnings per share for the discontinued operation Nil (2018: US$0.16 cents) per share, based on the earnings for the year from the discontinued operation of Nil (2018: US$8,016,000) and the denominators detailed above for the both basic and diluted (losses)/earnings per share.

Diluted (losses)/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 2019 and 2018.

7. Dividend

The Directors have decided not to declare any dividend for the year ended 31 December 2019 (2018: Nil).

8. Trade receivables

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.

	2019 *US$'000*	2018 *US$'000*
0-30 days	**6,885**	8,981
31-60 days	**4,020**	8,963
61-90 days	**1,438**	2,805
Over 90 days	**102**	2,711
	12,445	23,460

9. Other receivables, deposits and prepayments

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

	2019	2018
	US$'000	*US$'000*
Purchase deposits	**4,011**	12,166
Other deposits and prepayments	**294**	6,881
Other receivables and loan receivable	**7,728**	6,404
	12,033	25,451
Represented by:		
Current	**12,033**	21,864
Non-current	**–**	3,587
	12,033	25,451

10. Trade payables

The ageing analysis of the trade payables is as follows:

	2019	2018
	US$'000	*US$'000*
0-30 days	**3,593**	3,534
31-60 days	**2,475**	4,472
61-90 days	**1,279**	3,708
Over 90 days	**468**	4,123
	7,815	15,837

11. Other payables and accruals

The analysis of other payables and accruals is as follows:

	2019	2018
	US$'000	*US$'000*
Other payables	**7,454**	16,968
Accruals	**3,579**	4,388
Other tax payable	**1,887**	2,672
	12,920	24,028

12. Convertible debentures

During the year ended 31 December 2019, the Company issued convertible debentures in the aggregate principal amount, net of expenses, of approximately HK$71,490,000 (equivalent to US$9,166,000). Immediate following the issue of the convertible debentures, 1,002,422,400 shares of the Company were issued.

13. Share capital

	Company			
	2019		2018	
	Number of ordinary shares	**Amount** *US$'000*	Number of ordinary shares	Amount *US$'000*
Issued and fully paid:				
At 1 January	**4,982,709,078**	**590,430**	4,982,709,078	590,430
Issue of shares upon conversion of the convertible debentures *(note)*	**1,002,422,400**	**9,166**	–	–
At 31 December	**5,985,131,478**	**599,596**	4,982,709,078	590,430

Note: During the year ended 31 December 2019, 1,002,422,400 (2018: Nil) ordinary shares were issued by exercising the convertible debentures for an aggregate principal amount, net of expenses, of approximately HK$71,490,000 (2018: Nil).

14. Assets and liabilities of a disposal group classified as held-for-sale

During the year ended 31 December 2019, the directors of the Company resolved to dispose of the entire equity interest in Global Select Limited and its subsidiaries (the "GS Group"). As of the end of the reporting period, the Group received several expressions of interest in the acquisition of GS Group. The proposed disposal of the GS Group does not constitute a discontinued operation as it does not represent a separate major line of business or a geographical area of the Group but assets and liabilities of the GS Group were classified as held for sale as at 31 December 2019.

Assets classified as held-for-sale at 31 December 2019:

	US$'000
Inventories	**43**
Trade receivables	**4,195**
Other receivables, deposits and prepayments	**12,565**
Cash and bank balances	**1,276**
	18,079

Liabilities directly associated with assets classified as held-for-sale at 31 December 2019:

	US$'000
Tax payable	**17,300**

15. Events after the Reporting Period

The outbreak of coronavirus disease (COVID-19) has caused disruptions to many industries in China as well as other countries and regions. Despite the challenges, governments and international organisations have implemented a series of measures to contain the epidemic. The Group will closely monitor the development of the epidemic and assess its impact on its operations.

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

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

For the year ended 31 December 2019, the turnover of the Group was $93.7 million, representing a decrease of $21.2 million, or 18.5%, as compared to $114.9 million for the prior year. The net loss attributable to shareholders was $9.3 million, or $0.17 cents loss per share, as compared to net profit of $6.9 million, or $0.14 cent profit per share, for the year of 2018. On the balance sheets, at 31 December 2019 the total assets of the Group were $412.3 million, as compared to $426.5 million at 31 December 2018, and the net assets of the Group were $369.4 million at 31 December 2019, as compared to $366.8 million at 31 December 2018.

BUSINESS REVIEW

The Group's businesses primarily consist of (i) production and trading of minerals, primarily graphite products, worldwide, (ii) provision of electronic manufacturing services in the United Kingdom, and (iii) multi-media development and motion picture production.

The Company has been engaged in the production and sale of graphite products worldwide for more than 10 years. The graphite business operations are considered by the Company as its main path for profit growth. 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 U.K ("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 and North America.

Through its wholly-owned subsidiary Elate Graphite Limited (formerly known as "Unicorn Arts Limited"), the Company's cultural and multi-media business operations include motion picture production, television and online programming, and introduction of valuable foreign movies to Mainland China, etc. The production of the Company's first movie, "Pegasus", a black-humor feature film with an anti-war and anti-nuclear weapons theme, has been completed.

Graphite Production

The Company has been engaged in graphite business for more than 10 years. 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.

As its main development focus for profit growth, in 2016 the Company seized an opportunity of purchasing a large amount of semi-finished graphite as strategic reserve, just like land reserves for real estate developers. The purchased graphite reserve will be mainly used as the Company's raw material for high-grade graphite products, which laid the foundation for the Company to further grow its graphite business. In 2017, the Company built graphite production lines and a warehouse in Madagascar, Africa. In January 2018, the newly built graphite production lines started to produce graphite products.

In order to grow and gain more profit, in addition to expand its existing graphite production facilities, the Company also planned to build additional graphite production lines in Madagascar. To finance the new graphite production lines, the Company decided to issue HK$600 million nil interest 10-year convertible debentures, which have been approved by the shareholders of the Company at its extraordinary general meeting held on 9 November 2018.

Semi-finished Graphite Swap

The Company held a large amount of semi-finished graphite in inventory. In November 2019, Global Select Limited ("GSL"), a wholly-owned subsidiary of the Company, entered into a "Swap of Graphite Ore and Semi-finished Graphite Contract" (the "Contract") with Madagascar Graphite Limited ("MGL"), a supplier of graphite materials of the Company. Pursuant to the Contracts, (1) GSL shall, from its inventory of semi-finished graphite purchased from MGL (the "Semi-finished Graphite"), according to 1:11 proportion, swap 5,000 tons of the Semi-finished Graphite with 55,000 tons of graphite ore exploited from the mines owned by MGL in Madagascar (the "Graphite Ore"); and (2) GSL has right to swap in 1:11 proportion of all the Semi-finished Graphite in its inventory with MGL's Graphite Ore. Time, quantity and ore types of swapping are in sole discretion of GSL.

The swap brings two significant benefits but no harm to the Company. First of all, the swap increases the Company's flexibility of using of raw material, because all finished products that can be produced by the Semi-finished Graphite can also be produced by graphite ore. However, certain orders with specific requests for certain volume density or grain size cannot be produced from the Semi-finished Graphite, only particular types of graphite ore can meet the requirements. Secondly, before the swap, every ton of finished products needs approximately 20 tons of graphite ore as raw materials, which costs about US$300. By swapping in 1:11 proportion, the graphite ore costs for producing each ton of finished products can be reduced from US$300 to US$200.

The swap ratio (1:11) was determined by both parties by the respective average carbon contents of the Semi-finished Graphite and the Graphite Ore, plus 10% of allowance for wastage and other loss factors. During the year ended 31 December 2019, all Semi-finished Graphite the Company owned have been swapped into Graphite Ore.

In connection with the swap, the Company engaged an independent professional mineral valuer with the Australian Institute of Mineral Valuers and Appraisers, who is also a JORC & KCMI accredited expert, to assist the swap inspection and conduct graphite ore stocktaking, carbon content verification, volume and tonnage estimate, and valuation on the Graphite Ore swapped in Madagascar.

Film Production

The Company's cultural and multi-media business operations include motion picture production, television and online programming, and introduction of valuable foreign movies to Mainland China, etc. The production of the Company's first movie, "Pegasus", a black-humor feature film with an anti-war and anti-nuclear weapons theme, has been completed.

RESULTS OF OPERATIONS

Continuing operations

For the year ended 31 December 2019, the Group's revenue was $93.7 million, a decrease of $21.2 million, or 18.5%, as compared to $114.9 million for the year of 2018. In 2019, the Group's turnover of graphite operations was $28.4 million, a decrease of 42%, as compared to $49.4 million in 2018. The decrease in sales of graphite products was primarily because during the year the Company decided not to sell its semi-finished graphite, instead swap for graphite ore as raw materials for making high value products.

For the year ended 31 December 2019, the turnover of the Group's electronics manufacturing service operation was $64.8 million, representing an decrease of $0.2 million, or 0.4 %, as compared to $65.0 million for the prior year. The decrease in electronics manufacturing service revenue was primarily due to change in exchange rates. During the year, the exchange rate of British Pound vs U.S. dollar depreciated approximately 4.3%.

Although the production of the Company's first movie, "Pegasus", was completed, for the period under review, the Company's cultural operations generated no revenues because, as at 31 December 2019, the Company did not obtain the approval for the film release. Due to the uncertainty of the film release and unfavourable change in market condition, after its review of the recoverability of the film rights with reference to its intended use and current market environment, the management of the Company decided to recognize the impairment loss of $3,975,000 of the film rights in profit or loss for the year ended 31 December 2019.

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 2019, the Group's cash and cash equivalents were $11.5 million as compared to $14.4 million as at 31 December 2018. As at 31 December 2019, the Group recorded net current assets of approximately $329.3 million (2018: $325.5 million). The Group had no bank borrowings as at 31 December 2019. As at 31 December 2019, the Group's gearing ratio, calculated as the finance lease on lease liabilities divided by the amount of total equity, was 0.3% (2018: 0.01%).

INDEBTEDNESS

As at 31 December 2019:

- 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 2019 and up to the date of this announcement, there has been no material adverse change to the indebtedness of the Group.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

COMMITMENTS

As at 31 December 2018, the Group's operating lease commitments was approximately US$0.5 million.

As at 31 December 2019, there were no capital commitments to the Group related to the purchase of fixed assets (2018: Nil).

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2019, the Group has no significant investment held.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2019, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

CAPITAL STRUCTURE

There has been no change in capital structure of the Company in 2019. The capital of the Company comprises ordinary shares and other reserves.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 339 (2018: 348) employees in the United Kingdom, China, Madagascar and Hong Kong. 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, respectively. For the year ended 31 December 2019, the Group did not enter into any foreign currency forward contracts or use any derivative contracts to hedge against the risk incurred from its currency exposure. The Group manages its currency risk by closely monitoring the movement of foreign currency rates and may consider hedging significant foreign currency exposure should the need arise.

DIVIDENDS

The Directors have decided not to declare any dividend for the year ended 31 December 2019 (2018: Nil).

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

Subsequent to the year end, the outbreak of coronavirus disease (COVID-19) has caused disruptions to many industries in China as well as other countries and regions. Despite the challenges, governments and international organizations have implemented a series of measures to contain the epidemic. The Group will closely monitor the development of the epidemic and assess its impact on its operations.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2019, except for three deviations as below:

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

Code provision A.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 exective and Mr. Feng Zhong Yun currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Group to make and implement decisions promptly and effectively. After taking into account the overall circumstances of the Group, 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 A.4.1: Non-executive directors should be appointed for a specific term

Under the code provision A.4.1 of the Code, non-executive Directors (including independent non-executive directors) shall be appointed for a specific term and subject to re-election. None of the Company's existing independent non-executive Directors was appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, the Company's Articles of Association stipulate that all independent non-executive directors shall retire and be re-elected at least once every three years, which is an adequate measure to ensure that the Company's corporate governance complies with the same level to that required under the Code on Governance Practices and Corporate Governance Code.

On 16 October 2019, Mr. Feng Zhong Yun was re-elected as an executive director; and Mr. Ng Lai Po and Mr. Chai Woon Chew were re-elected as an independent non-executive director, respectively.

Code Provision A.6.7: Independent non-executive directors and non-executive directors should attend general meeting

All independent non-executive directors were not able to attend the annual general meeting of the Company held on 16 October 2019 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 2019.

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

During the year ended 31 December 2019, 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 2019, 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 2019, 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 2019, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short position in the shares which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding Interest *
Zhao Jie	Beneficial Owner	1,125,000,000	18.80%

* Based on a total of 5,985,131,478 issued shares of the Company as at 31 December 2019.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The Audit Committee consists of the following independent non-executive directors: Mr. Ng Lai Po (Chairman), Mr. Han Zhi Jun and Mr. Chai Woon Chew. The Audit Committee has adopted the terms of reference which are in line with Corporate Governance 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 2019.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December, 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

CHANGE OF COMPANY NAME AND CONSTITUTIONAL DOCUMENTS

In order to be consistent with the new Hong Kong Companies Ordinance (Cap. 622) and consistent with the Company's business development, the Company proposed to change its corporate name from South Sea Petroleum Holdings Limited to Elate Holdings Limited and amend its Articles of Association at its Annual General Meeting. The proposed name change and the amendment to the Articles of Association were approved by the majority of the Company's shareholders on its Annual General Meeting on 16 October 2019 and the change of the Company name was approved by the Registrar of Companies and was effective on 23 October 2019.

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.

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors is comprised of Mr. Feng Zhong Yun and Ms. Zhang Xue being executive directors, Mr. Han Zhi Jun, Mr. Chai Woon Chew, and Mr. Ng Lai Po being independent non-executive directors.

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

Hong Kong, 30 March, 2020