2019 ANNUAL REPORT

誼礫
Elate Holdings Limited

STOCK CODE : 76

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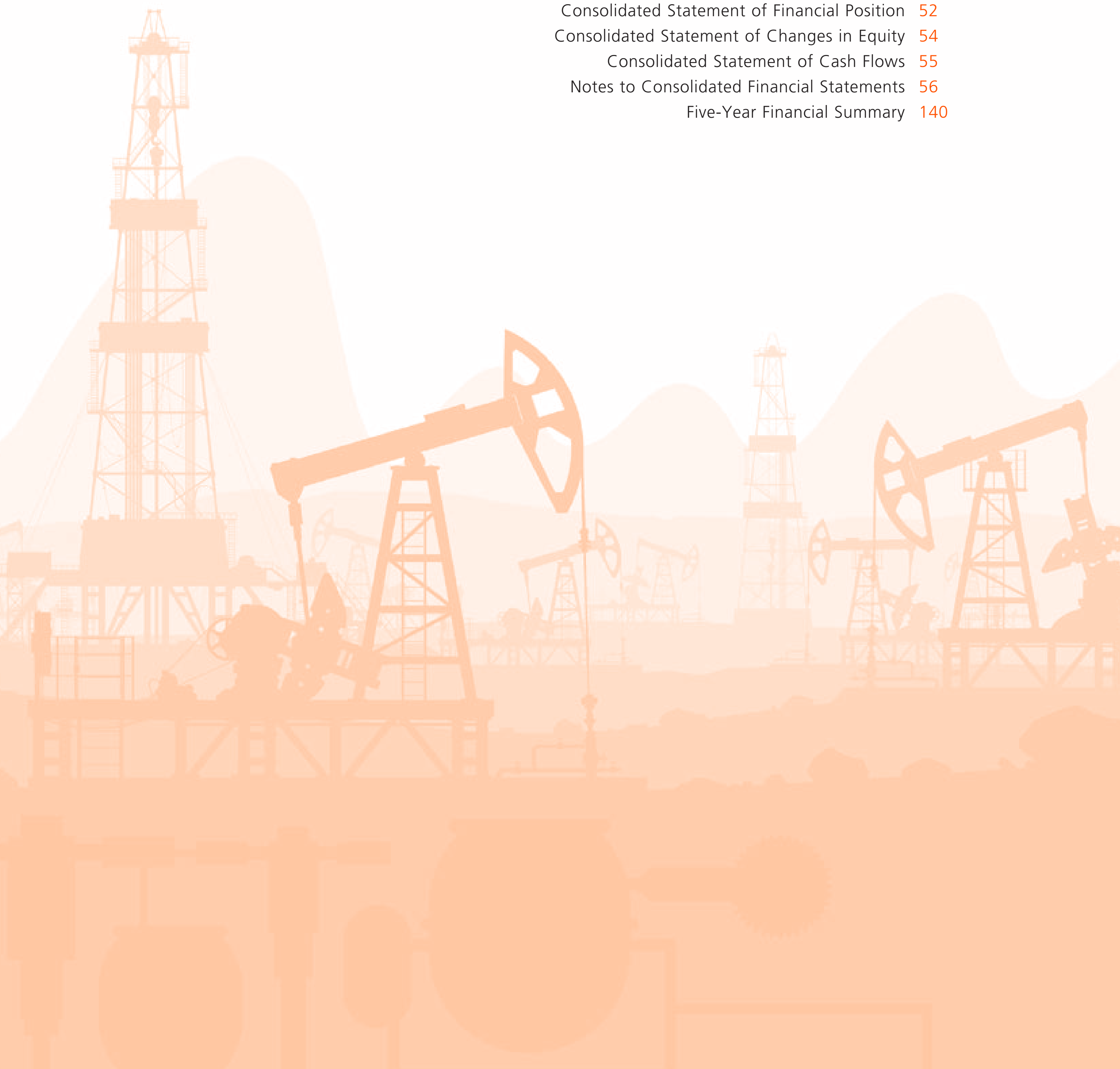

CORPORATE INFORMATION

DIRECTORS

Han Zhi Jun, *Independent Non-Executive Director and Vice-Chairman*
Feng Zhong Yun, *Executive Director and Managing Director*
Zhang Xue, *Executive Director*
Ng Lai Po, *Independent Non-Executive Director*
Chai Woon Chew, *Independent Non-Executive Director*

COMPANY SECRETARY

Lam Lee Yu

REGISTERED OFFICE

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

SHARE REGISTRAR

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

PRINCIPAL BANKER

DBS Bank Ltd.

AUDITOR

BDO Limited

FINANCIAL HIGHLIGHTS

	2019 **US$'000**	2018 US$'000
Revenue	**93,659**	114,874
(Loss)/Profit from Operating Activities	**(8,647)**	1,389
(Loss)/Profit Attributable to Owners of the Company	**(9,334)**	6,909
Total Equity Attributable to Owners of the Company	**369,371**	366,823
(Losses)/Earnings Per Share (US Cents)		
– Basic and diluted	**(0.17)**	0.14

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

(In this report, 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 owners was $9.3 million, or $0.17 cents losses per share, as compared to net profit of $6.9 million, or $0.14 cent earnings per share, for the year of 2018. On the consolidated statement of financial position, 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) manufacture and sales of graphite products, worldwide, (ii) manufacture and sales of electronic products in the United Kingdom, and (iii) development of multi-media production and movie making.

The Company has been engaged in the manufacture and sales 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 United Kingdom ("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 has 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

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 42.6%, 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 0.3%, 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 recognise 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 $12.8 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 report, 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 $0.5 million.

As at 31 December 2019, there was 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 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.

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 executive, 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, and in practice Directors retire once every other year, 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.

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 report, 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

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019, which were approved by the Board of Directors on 30 March 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacture and sales of graphite products worldwide, manufacture and sales of electronic products in the United Kingdom, and development of multi-media production and movie making.

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

BUSINESS REVIEW AND PERFORMANCE

Review of the businesses of the Group and discussion and analysis of the Group's performance (including key performance indicators) during the year ended 31 December 2019 and material factors underlying its results and financial position are provided in the section headed "Management Discussion and Analysis of Financial Condition and Results of Operations" and "Environment, Social and Governance Report" of this annual report.

The aforementioned references under this sub-section to other parts of this annual report form part of the Report of the Directors.

POSSIBLE RISKS AND UNCERTAINTIES

Other than as disclosed in the section headed "Foreign Exchange Exposure" in Management Discussion and Analysis, the Group faces possible risks and uncertainties in changing industrial and macroeconomic environment. To minimise the impact of various risks on the Group's operation, the Group designated the Board, the audit committee of the Board and management of the Group as the responsible parties of risks management.

The Group's management conducts corporate risk assessment on a regular basis and monitors risks continuously and takes appropriate actions targeted to different risks. The management reports the risk assessment and updates of relevant measures taken against material risks to the Board regularly, and the Board subsequently reviews and approves the risk assessment, marketing strategies, business plan and budgets submitted by the management, while the audit committee of the Board review the Group's finance, operation and compliance matters, the results of risks management and internal control system as well as the effectiveness of compliance with the Listing Rules.

The Group is exposed to various risks and uncertainties. The effects of such risks may vary over time. The following sets forth material risks classified by the Group according to its status quo and relevant alleviating measures for each material risk for the management of such risks.

(1) Business Risks: Through its wholly-owned subsidiary Elate Graphite 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. Although the production of the Company's first movie, "Pegasus", was completed, by 31 December 2019, the Company has not obtained the approval for the film release. The uncertainty of the film release and unfavourable change in market condition is a risk that the Company currently encounters.

(2) Financial Risks: Delayed payments of customers who were granted credit period by the Group will increase the Group's exposure to financial risks and have an impact on financial performance and operating cash flows of the Group.

The Group reviews accounts receivable due from major customers on a regular basis and control over it to an appropriate level, and manage and control strictly internally and put additional efforts to collect trade receivables overdue.

More discussion on financial risk management is set out in Note 39 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Detail information on the environmental, social and governance practices of the Group is set out in the Environment, Social and Governance Report. Please refer to pages 35 to 42.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH KEY STAKEHOLDERS

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

Employees

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

Customers

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

Suppliers

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 49.

DIVIDENDS

For the year ended 31 December 2019, the Company did not declare or pay any dividend on its ordinary shares (2018: Nil). The Board does not recommend the payment of a final dividend for the fiscal year of 2019. The Company currently intends to retain all available funds for use in the operations and expansion of its business.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's Property, Plant and Equipment increased to approximately US$27.0 million at 31 December 2019 from approximately US$20.6 million at the end of 2018.

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

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2019 are set out in Note 18 to the consolidated financial statements.

RESERVES

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

SHARE OPTIONS

As of 31 December 2019, there were no share options outstanding.

SHARE CAPITAL

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the Group's purchases from the five largest suppliers accounted for approximately 52.9% of the Group's total purchases and purchases from the largest supplier included therein accounted for approximately 23.8% of the Group's total purchases.

During the year, the Group's sales to the five largest customers accounted for approximately 56.4% of the Group's total turnover and sales to the largest customer included therein accounted for approximately 18.8% of the Group's total sales.

None of the directors of the Company, their associates, nor any shareholders which to the best knowledge of the directors own more than 5% of the Company's issued share capital, had any beneficial interests in the Group's five largest customers and suppliers in 2019 and 2018.

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and financial position of the Group for the last five financial years is set out on page 140.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

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

Independent Non-Executive Directors:
Han Zhi Jun, *Vice Chairman of the Board of Directors*
Ng Lai Po
Chai Woon Chew

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

Directors' Biographical Details

Feng Zhong Yun, age of 52, has been the Company's executive director and Managing Director since 31 December 2012. Prior to that, he was the Company's Independent Non-executive Director from 15 November 2012 to 31 December 2012. Mr. Feng graduated from China Central Academy of Fine Arts and obtained his Bachelor of Arts degree in 1991.

Zhang Xue, age of 42, has been the Company's Executive Director since 2009. She held a bachelor's degree in Accountancy from Qingdao University. From 2001 to 2007, Ms. Zhang served as Accounting Manager in Beifang Mining Group Limited.

Han Zhi Jun, age of 64, has been the Company's independent non-executive director since August 2013. He graduated from the PLA College of Science and Technology, majored in Wireless Communications. Mr. Han joined the People's Liberation Army ("PLA") in 1969, promoted from soldier, platoon leader to officer of the General Staff Department of PLA until retired from the military in 1989. Mr. Han was a committee member of the All-China Federation of Industry and Commerce, a member of the Chinese People's Political Consultative Conference in Beijing, an executive director of the World Outstanding Chinese Fund, a committee member of Beijing Industrial and Commercial Association and Beijing Scientific and Industrial Association of National Defense. Mr. Han is currently the Chairman of Beijing Wanjun Chuangda Technology Development Ltd., the principal business of which is to research, develop and produce high-end national defense products.

Ng Lai Po, age of 52, has been the independent non-executive director of the Company since 31 December 2012. Mr. Ng obtained his Bachelor of Social Sciences from the University of Hong Kong in 1990. Mr. Ng is a fellow member of the Association of Chartered Certified Accountants since 1999. Mr. Ng has over 26 years of experience in finance, accounting and management. Mr. Ng was the Internal Audit Controller of Kader Holdings Company Limited (HK listed stock code 180); the Head of Finance – China of Hong Kong G2000 Group; the Head of Group Financial Control of Chow Sang Sang Holdings International Limited (HK listed stock code 116); the Chief Financial Officer of A&H Manufacturing Group – Asia Region; the Financial Controller of Shenzhen Wanji Pharmaceutical Co., Ltd./Hong Kong Wanji Group Limited; the Financial Controller of Brightway Petroleum Group (Holdings) Ltd. Mr. Ng is currently the Chief Financial Officer of M&L Engineering & Materials Ltd.

Chai Woon Chew, age of 62, has been the Company's independent non-executive director since 2002. From 1994 to present, Mr. Chai has been a partner at Michael Chai & Co., a law firm in Kuala Lumpur, Malaysia. From 1991 to 1994, he was a legal associate with Shook Lin & Bok, a law firm in Kuala Lumpur, Malaysia. Mr. Chai holds a Bachelor of Laws (Hons) degree from the University of Buckingham and a Bachelor of Science (Hons) degree in Chemistry from University of Surrey, UK. Mr. Chai is qualified as Barrister at Law from Lincoln's Inn, England.

There are no family relationships among directors.

Under the Articles of Association of the Company, all of the directors are subject to retirement by rotation and re-election at the annual general meeting. In accordance with Articles of Association of the Company, Mr. Han Zhi Jun and Ms. Zhang Xue will retire by rotation and, being eligible, offer themselves for re-election at the coming annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors and officers of the Company is currently in force and remained in force throughout the year. Throughout the year, the Company has maintained appropriate directors and officers liability insurance which covers providing indemnity against liability, including but not limited to liability in respect of legal action against the Directors and officers thereby sustained or incurred arising from or incidental to execution of duties of his/her offices.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2019, none of the Company's directors are considered to have interests in the business which compete or are likely to compete with the business of the Group pursuant to the Listing Rules.

DIRECTORS' REMUNERATION

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

The emoluments of the directors of the Company (including executive directors and Independent Non-Executive Directors) on a named basis are set out in Note 10 to the consolidated financial statements for the year ended 31 December 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2019, none of the directors and chief executive of the Company had interest in the shares, underlying shares and debentures of the Company and its associated companies, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the directors or the chief executive were deemed or taken to have under such provisions of the SFO, which are required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers ("Model Code") contained in the Listing Rules.

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Company's directors or chief executives to acquire benefits by means of the acquisition of shares in 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.

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

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

PRE-EMPTIVE RIGHTS

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

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report save for the deviation as disclosed in the Corporate Governance Report from pages 20 to 34.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENT AUDITOR

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019 have been audited by BDO Limited, who are eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Feng Zhong Yun
Managing Director

Hong Kong, 30 March, 2020

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2019.

The Company wishes to highlight the importance of the Board in ensuring effective leadership and control of the Company, transparency and accountability of all aspect of operations and that its business is conducted in accordance with applicable laws and regulations.

The Company also recognizes the importance of good corporate governance to the Group's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Group's needs.

CORPORATE GOVERNANCE PRINCIPLES

The Company's corporate governance practices are based on the principles and code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong (the "Listing Rules").

The board periodically reviews and monitors the Company's policies and practices on corporate governance or compliance with legal and regulatory requirements to ensure that the Group's operations are conducted in accordance with the standards of the CG Code and applicable disclosure requirements. For the year ended 31 December 2019, the Company complied with the all the CG Code, 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 executive, 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

Mr. Lu Ren Jie, Mr. Chai Woon Chew and Mr. Han Zhi Jun being independent non-executive directors, were not able to attend the annual general meeting of the Company held on 16 October 2019 due to other business engagements.

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for governing the Company and managing assets entrusted by the shareholders. The Board steers and oversees the management of the Company including, establishing the strategic direction and setting long-term objectives for the Company, monitoring the performance of the management, protecting and maximizing the interests of the Company and its shareholders, and reviewing, considering and approving and the subsequent reviewing and monitoring of the annual operations plan and results. The day-to-day management of the Group's business is delegated to the Executive Directors. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

Matters reserved for the Board include those affecting the Group's overall strategies, operation plans, publication of financial statements, dividend policy, appointment of members to the various Board Committees and major investments. The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

Each director has a duty to act in good faith in the best interests of the Company. The directors are aware of their collective and individual responsibilities to the Company and the shareholders in respect of the manner in which the affairs of the Company are being controlled and managed.

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

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

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

CORPORATE GOVERNANCE REPORT

Board Composition

The Board has a balance of skill, experience and diversity of perspective appropriate to the requirements of the business of the Group.

The Board currently comprises six members, consisting of two Executive Directors and four Independent Non-Executive Directors. More than one-third of the Board is represented by independent Non-Executive Directors with one of whom being a chartered certified accountant. The balanced composition of executive and independent non-executive members upholds the effective exercise of independent judgment of the Board.

The Board currently comprises the following Directors:

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

Independent Non-Executive Directors:
Han Zhi Jun, *Vice Chairman*
Ng Lai Po
Chai Woon Chew

The biographical information of the Directors and their relationships between the members of the Board are set out in the "Director's Report" of this annual report.

Resignation of Independent Non-Executive Director

Mr. Lu Ren Jie resigned as an independent non-executive director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Board of the Directors of the Company with effect from 10 January 2020 due to his retirement plan. Mr. Lu has confirmed that he has no claim against the Company in respect of his resignation and has no disagreement with the Board. Mr. Lu further confirmed that there are no matters relating to his resignation that need to be brought to the attention of the shareholders of the Company or The Stock Exchange of Hong Kong Limited.

Appointment and Re-election of Directors

The Company has established formal and transparent procedures for the appointment and succession planning of Directors. Currently no Directors are appointed for specific tenures but they are subject to retirement by rotation at least once three years and subject to re-election at the annual general meeting.

Independence of Independent Non-Executive Directors

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

The independent non-executive directors possess a wide range of business and financial expertise, experiences and, through participation in board meetings, offer independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conducts. Through taking the lead where potential conflicts of interests arise, serving on the Board committees, examining the Company's performance in achieving corporate goals and objectives and monitoring performance reporting, the independent non-executive Directors has become an integral part of the healthy growth of the Company.

Each of the independent non-executive directors of the Company were not appointed for a specific term, as they were subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

During the year ended 31 December 2019, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, and with at least one of the independent non-executive directors possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company confirms that it has received written annual confirmation from each independent non-executive director concerning his/her independence pursuant to Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent in accordance with the factors set out in Rule 3.13 of the Listing Rules.

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. All Directors are provided with updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to the Board during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices. The Company also, at its expense, arranges and provided suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.

A summary of training received by the Directors during the year ended 31 December 2019 is as follows:

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read Materials	Attended Seminars/ Briefings	Read Materials	Attended Seminars/ Briefings
Executive Directors				
Feng Zhong Yun	✓		✓	
Zhang Xue	✓		✓	
Independent Non-Executive Director				
Han Zhi Jun	✓		✓	
Ng Lai Po	✓		✓	
Chai Woon Chew	✓		✓	
Lu Ren Jie	✓		✓	

Board Meetings and Directors' Attendance

The Board meets regularly to discuss the overall strategy as well as the operation and financial affairs of the Company, and to review and approve the Company's annual and interim results. For regular Board meetings, notices of at least 14 days are given to facilitate maximum attendance of the Directors and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the Managing Director or the Company Secretary to include matters in the agenda for regular board meetings. At the meeting, the Directors are provided with the relevant documents to be considered and approved. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time after the board meeting is held. Minutes of Board meetings are taken by the Company Secretary and are open for inspection by any Director.

Any material transaction or matter which involves conflicting interests of a substantial shareholder or a director, are dealt with by a duly convened physical Board meeting, at which independent non-executive directors having no material interest in the transaction should be present. Any Directors or any of their close associates having material interests in the transaction or matter shall abstain from voting and not to be counted in the quorum at meetings for approving such transactions.

During the year ended 31 December 2019, four board meetings were held. The table below sets out the attendance of each Director at the annual general meeting and the meetings of the Board and other Board committees held during the year:

Directors	Board Meeting	Audit Committee Meeting	AGM	EGM
Mr. Feng Zhong Yun	4/4	N/A	1/1	N/A
Ms. Zhang Xue	4/4	N/A	0/1	N/A
Mr. Han Zhi Jun	4/4	N/A	0/1	N/A
Mr. Ng Lai Po	2/4	2/2	0/1	N/A
Mr. Chai Woon Chew	2/4	2/2	0/1	N/A
Mr. Lu Ren Jie	4/4	2/2	0/1	N/A

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions. Upon specific enquiries, all directors of the Company confirmed that they have complied with the relevant provisions of the securities dealing code throughout the year.

At 31 December 2019, none of the directors and executive officers of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Chairman and Chief Executive Officer

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 executive, 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.

Board Diversity Policy

The Board has adopted a board diversity policy to comply with the Code Provision on board diversity. The policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills. In identifying suitable candidates, the Nomination Committee will consider candidates on merit and against the objective criteria with due regard for the benefits of diversity on the Board. During the year, there were no additions to the Board.

COMPANY SECRETARY

All directors have access to the advice and services of our Company Secretary. The Company Secretary reports to the Managing Director on board governance matters, and is responsible for ensuring that board procedures are followed and for facilitating communications among directors as well as with shareholders and management. The Company Secretary also responsible for the Company's compliance with the continuing obligations of the Listing Rules, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations.

During the year, the Company Secretary has complied with Rule 3.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

BOARD COMMITTEES

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee for overseeing specific aspects of the Company's affairs. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or independent professional advice if considered necessary.

Each Board committee consists of a majority of and is respectively chaired by an independent non-executive Director. Chairman and members of each Board committee as at the date of this report are set out below:

Audit Committee

The audit committee comprises three members, namely:

- Mr. Ng Lai Po *(Chairman)*
- Mr. Lu Ren Jie *(resigned on 10 January 2020)*,
- Mr. Han Zhu Jun *(appointed on 10 January 2020)*, and
- Mr. Chai Woon Chew

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

The main duties of the Audit Committee include, among others, the followings:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditor before submission to the Board;

(b) to review the Company's relationship with the external auditor with reference to the work its performed, its fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and, if appropriate, removal of external auditor;

(c) to review the adequacy and effectiveness of the Company's financial reporting system, the Group's financial control, internal control and risk management systems, including but not limited to adequacy of resources available to its respective functions, staff qualifications and experience and training programmes; and

(d) to consider and identify risks of the Group and consider effectiveness of the Group's decision making processes in crisis and emergency situations and approve major decisions affecting the Group's risk profile or exposure.

The written terms of reference describing the authority and duties of the Audit Committee was prepared and adopted with reference to the CG Code and "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee held two meetings during the year ended 31 December 2019 to review half-yearly and annual financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, effectiveness of internal audit function, the auditor's independence and objectivity. Full minutes of the meetings are duly kept and draft and final versions of the same have been sent to all committee members for comment and records, within reasonable time afterwards in accordance with the relevant Code Provisions. The Audit Committee also met with the Company's auditor twice during the year and recommended the appointment of the Company's external auditor and the Board has taken no different view in respect of the Audit Committee's recommended appointment.

At the end of 2019 and up to the date of this report, there are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Company's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

Nomination Committee

The nomination committee comprises three independent non-executive directors, namely:

- Mr. Han Zhi Jun *(Chairman, appointed on 10 January 2020)*
- Mr. Lu Ren Jie *(Chairman, resigned on 10 January 2020)*
- Mr. Ng Lai Po
- Mr. Chai Woon Chew

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

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

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

(iii) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

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

The nomination committee held one meeting during the year. In the meeting, the nomination committee (i) reviewed the existing structure, size and composition of the Board; (ii) reviewed the independence of independent non-executive directors; and (iii) made recommendations to the Board on the proposed re-election of the retiring directors at the forthcoming annual general meeting.

Remuneration Committee

The Remuneration committee comprises three members, namely:

- Mr. Chai Woon Chew *(Chairman)*
- Mr. Lu Ren Jie *(resigned on 10 January 2020)*,
- Mr. Han Zhi Jun *(appointed on 10 January 2020)*, and
- Mr. Ng Lai Po

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

The principal duties of the remuneration committee are to provide advices and recommendations to the Board on:

(i) the remuneration packages to the directors and senior management;

(ii) any specific remuneration package with reference to market conditions, performance of the Group and the individuals and with reference to the goals as set by the Board from time to time; and

(iii) if necessary, any compensation arrangement for termination of office of directors or senior management.

The remuneration committee held one meeting during the year. In the meeting, the remuneration committee reviewed and recommended for the remuneration packages of the directors and senior management for the year approved by the Board.

Executive Directors' Remuneration

The remuneration paid to the executive directors of the Company in 2019 was as below:

Name of Executive Directors	**Compensation Per Annum** (US$'000)
Mr. Feng Zhong Yun	15
Ms. Zhang Xue	32

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

Remuneration of Non-Executive Directors

The role of non-executive directors has become more complex and demanding due to regulatory changes and the increasing part they play in the governance of listed companies. The Company believes that the level of remuneration for any particular non-executive directors should reflect the likely workload, the scale and complexity of the business and the responsibility involved.

Non-Executive Directors of the Company are paid fees in line with market practice. Executive Directors serving on the board and board committees are not entitled to any directors' fees. The non-executive directors of the Company received no other compensation from the Company except for the fees disclosed in this Annual Report.

Directors' and Officers' Insurance

The Company has arranged for appropriate insurance coverage in respect of potential legal actions against the Directors and officers against losses or liabilities sustained or incurred arising from or incidental to execution of their duties. The insurance coverage is reviewed on an annual basis or any intervals as deemed appropriate by the Board. For the year ended 31 December 2019, no claims under the insurance policy were made.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board acknowledges its responsibilities for overseeing the preparation of the financial statements of the Group for the year ended 31 December 2019. The Board ensures that the financial statements of the Group are prepared as to give a true and fair view of the Group's state of affairs, the results and cash flow for the year, and on a going concern basis in accordance with statutory requirements and applicable accounting and financial reporting standards.

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

The report from the auditor of the Company regarding their responsibilities and opinion on the financial statements of the Group for the year ended 31 December 2019 is set out in the "Independent Auditor's Report" in this annual report.

AUDITORS' REMUNERATION

The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment, removal and remuneration of the external auditor. The external auditor's independence and objectivity, and the effectiveness of the audit process are also reviewed and monitors by the Audit Committee on a regular basis.

The following table sets forth the fees paid to our independent auditors during the financial years ended 31 December 2019 and 2018:

Fee Category	**2019** **US$'000**	2018 US$'000
Audit fees	**576**	385
Other services	**14**	27

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

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board acknowledges its responsibility in maintaining a sound and effective system of internal control for the Group to safeguard interests of the shareholders and assets of the Company at all times.

The Group's system of internal control which includes a defined management structure with limit of authority is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for external publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in the operational systems and achievement of the Group's objectives.

Under Code Provision C.2.5, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal department. Given the Group's operating structure it is decided that the Board would directly responsible for risk management and internal control systems of the Group. The Board through the Audit Committee had conducted an annual review on the risk management and internal control systems of the Group. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to management the risks. No major issues were raised for improvement. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processed.

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

COMMUNICATIONS WITH SHAREHOLDERS

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meetings, annual reports, interim reports, various notices, announcements and circulars.

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

Shareholders and the investment community shall be provided with designated contacts, email addresses and enquiry lines of the Company, which are available on the Company website, in order to enable them to make any query in respect of the Company or to make a request for the Company's information to the extent such information is publicly available.

Shareholders' questions about their shareholdings should be directed to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

The Company has complied with the requirements of the Listing Rules and the Articles of Association in respect of voting by poll and other related matters.

SHAREHOLDERS' RIGHTS

The Company has only one class of shares, and all shares have the same voting rights and are entitled to the dividends declared.

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

Subject to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Hong Kong Companies Ordinance"), the Directors shall on the requisition of shareholders of the Company (the "Shareholder(s)") representing at least 5% of the total voting rights of all the shareholder(s) having a right to vote at general meetings of the Company, forthwith proceed duly to convene an EGM of the Company.

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

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

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

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

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

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

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

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

Shareholders' Enquiries

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

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

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

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.

The amended Articles of Association of the Company has been posted on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

On Behalf of the Board

Feng Zhong Yun
Managing Director

Hong Kong, 30 March, 2020

The Company is pleased to present the Environmental, Social and Governance Report ("ESG") for the year ended 31 December 2019. This is the third ESG report we have disclosed to the public regarding our ESG management philosophy and performance of our practices.

The Company commits, not only to achieving strong financial results, but also to promoting environmental protection, social responsibility and effective corporate governance. In 2019, the Company strengthened its management efforts on the protection of environment, the quality management of products, the management of supply chains, the management of administration and personnel, public health and the utilization of resources. In order to create long-term value for its key stakeholders, including employees, customers, shareholders, suppliers and the community as a whole, the Company also communicates with them on an on-going basis and comprehensively evaluates and identifies the relevant matters relating to the ESG.

A. ENVIRONMENTAL PROTECTION

The Company undertakes environmental protection as part of its corporate responsibilities, and the Company is fully aware of the importance of sustainable environmental development in achieving sustainability in its operations. The Company has implemented a number of measures such as reducing carbon emission, hazardous and non-hazardous waste, increasing energy efficiency and conserving water resources in order to deliver its commitment to environmental protection. For the year ended 31 December 2019, the Company is not aware of any material non-compliance with applicable standards, rules and regulations relating to the aspects discussed in this report.

A.1. Emissions

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

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

- Air conditioning is controlled.
- All waste paper, cardboard, and soft plastics are recycled.
- Energy saving light bulbs is used in the factory, car parks and for road lighting.
- Monitor water usage; however water is not used in the production process.
- No smoking is permitted within the building.
- Recycling of plastic bottles, aluminium cans, batteries take place.
- Electronic equipment is disposed of by specialist recycling companies.

A1.1 Type of Emissions

A1.2 Greenhouse Gas Emissions:

Energy Type	Consumption	CO_2 Emissions	CO_2 Emissions/Person
Electricity	2,636,459 kWh	926.9 tonnes CO_2 equivalent	2.952 tonnes CO_2 equivalent
Gas	1,272,882 kWh	234.3 tonnes CO_2 equivalent	0.748 tonnes CO_2 equivalent
Diesel	11,086 litres	28.8 tonnes CO_2 equivalent	0.093 tonnes CO_2 equivalent
Total		1,190.0 tonnes CO_2 equivalent	3.803 tonnes CO_2 equivalent

A1.3 Hazardous Waste Produced

A1.4 Non-Hazardous Waste Produced

A1.5 Measures to Mitigate Emissions:

Type	Quantity	Quantity/Person	Reduction Measure
Hazardous	25 tonne	0.080 tonne	Move to using unleaded solder paste in the manufacturing process
Non-Hazardous	50.0 tonne	0.159 tonne	This is all the material that cannot currently be recycled. Move to recycling more and more waste
Cardboard	31.8 tonne	0.101 tonne	Encourage customers to use returnable packaging
Soft Plastics	6.0 tonne	0.019 tonne	Request supplier to use reusable packaging and move away from shrink wrapping and bubble wrapping raw material
Wood/Pallets	10.0 tonne	0.032 tonne	Rebate scheme in place for the return of good pallets

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

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

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

For the year under review, the Company and its subsidiaries complied with all the laws and regulations of environmental protection and emission of the locations the Company operates.

A.2. Use of Resources

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

At our subsidiary Axiom Manufacturing Services Limited:

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

A2.1 Direct & Indirect energy consumption

Type	Consumption	Consumption/Person
Electricity	2,636,459 kWh	8,423.2 kWh
Gas	1,272,882 kWh	4,066.7 kWh
Water	8,077 m^3	25.81 m^3

A2.2 Water consumption:

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

A2.3 Energy use efficiency initiatives:

- LED lighting
- Temperature control systems have been updated to reduce energy consumption

A2.4 Sourcing of water, and efficiency initiatives

- Water is source from the local regulatory authority

A2.5 Total packaging material used for finished products

- Only cardboard that can be recycled is used with finished products
- Some customers use returnable packaging

A.3. Environment and natural resources

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

The effective implementation of environmental measures relies on the support of the internal and the external stakeholders. Therefore, the Company is committed to ensuring that its employees have clear understanding in the relevant policies and the specific requirements of the Company and to encouraging its business partners to align with the Company's policies to operate in a sustainable manner and achieve continuous improvement.

- All production equipment is CE marked to comply with European Union regulations
- Environmental guidelines are issued to all contractors
- Axiom has accreditation to ISO14001
- Axiom supports local Bee keeping allowing Bee hives to be kept in the garden and wooded area of the site
- All employees undertake environmental awareness at induction

B. SOCIAL COMMITMENT

B.1. Employment and Labour Practices

To ensure that the Company is able to operate according to professional and ethical labour practices, the Company has developed clear work processes with robust control mechanisms which have been clearly communicated to all employees. Certain policies to govern employees' affairs such as payroll, attendance and termination are clearly set out in staff appointment letters in compliance with Hong Kong Employment Ordinance. The Company's subsidiaries in China, Indonesia, and the UK are in compliance with the relevant labour laws and regulations in China, Indonesia and the UK, respectively.

The Company also aims to promote the diversity of workforce, including in terms of age, gender and nationality, as well as a culture of equal opportunity. The management regularly reviews the Company's remuneration policy in relation to relevant market standards.

B.2. Health and Safety

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

- The facilities operated by employees should meet safety and health standards;
- Expert advice should be obtained to identify health and safety risk in the operations and the corresponding mitigating actions that should be taken; and
- Relevant information and training should be provided to employees in respect of risks to their health and safety which may arise out of their work.

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

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

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

- Risk assessments are conducted on all equipment purchased by the company
- COSHH data available to all employees
- Fire Alarm testing every week and evacuations twice a year
- Accident and incident reports every month
- First aiders trained on site
- The company provides an Occupation Health for all employees
- Visual acuity testing is conducted annually on all manufacturing employees (56.3% of the workforce)
- Health and Safety awareness is provided to all employees on induction
- Annual Private Medical cover is provided for all employees
- Employee consultation group every month, where improvement suggestions are collated
- Health & Safety group meet monthly to identify improvements

For the year ended 31 December 2019, the Company has strictly implemented the requirements and has had no safety accidents. The Company also has had no casualties relating to occupational diseases and work-related injuries.

B.3. Development and Trainings

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

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

B.4. Labour Standards

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

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

B.5. Supply Chain Management

The Company values the partnership with suppliers and works together to promote sustainable development of the industries they operate. The Company continuously optimizes and improves the supplier management system, regulates the access, supervision, evaluation and departure of suppliers, and constantly increase specialization and transparency of supply chain management. The evaluation of a supplier mainly includes background, qualification, quality control of service, financial status, past performance in similar service, fulfilment of contract, professionalism of project team, operation in good integrity, social responsibility are evaluated. Whether the supplier is qualified is determined based on the evaluation results, and those suppliers failed to meet the requirements ultimately will be disqualified. The Company values communication with suppliers, including continuous communication with suppliers in routine work and establishing strategic cooperation with suppliers through technical support and unique competitive advantage, which can achieve win-win situation and strengthen the cooperation with each other.

B.6. Product Responsibility

The Company aims to achieve the highest possible standard with all the products and services provided. The Company has established relevant policies which cover product or service quality guarantee, safety, fair advertising and after-sale service in order to ensure relevant measures comply with the laws and regulations.

The Company pays highly attention to the quality and safety of its products and services. The Company sets up relevant quality and safety inspection policies for different type of products and services, communicates and confirms the working plans with customers before the productions or services start and actively coordinate the process of the productions or projects with customers.

The Company and its subsidiaries have close connection with their customers. If the customers do not satisfy the quality and the safety of the products or services, the Company will arranges sufficient channels and staffs for customers to communicate and provide the solutions to the problems as soon as possible.

The Company may involve the intellectual property rights of customers, suppliers and the Company in its business operations from time to time, therefore protection of intellectual property rights is extremely important. The Company adds protective clauses to the contracts entered into with customers and suppliers to safeguard the intellectual property rights whenever it is applicable.

With respect to fair advertising, the Company requires that accurate and true information on the Company's products or services have to be provided with the customers. Hotline and e-mail are also available for customers' enquiries on products and service details in order to provide better before-and-after-sale services.

For the year ended 31 December 2019, the Company had not received any complaints from the regulatory body or consumers regarding product safety, intellectual property rights, and data privacy, nor had it recalled any product due to product safety or health issues.

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

The Company promotes integrity and prevents unethical pursuits throughout its operations and tolerates no corruption or bribery in any form. The Company strictly complies with laws or regulations relating to anti-corruption, bribery, extortion, fraudulent behaviour and money-laundering. The Company encourages the reporting of suspected business irregularities and provides clear channels specifically for this purpose. When suspected wrongdoings are identified, such as breach of duty, abuse of power, receiving bribes, staff should report to the Board of the Directors for investigation and verification, and report to the regulator and or to law enforcement authority when necessary.

For the year ended 31 December 2019, the Company had not been involved in any litigation related to corruption, and there had been no complaints about the involvement of its employees in corruption cases.

B.8. Community Investment

With social responsibility in mind, the Company and its subsidiaries have been supporting education, arts and culture, sports, and other charitable activities in many ways. The Company strives to promote social development and progress by contributing to education, charity and other areas:

- Support local Primary Education Schools – with day visits to the manufacturing facility to encourage children to study Engineering – seven visits this year.
- Linked with local colleges – via our Apprenticeship Scheme and two open days.
- Support Local Universities – through two Graduate open days and intern placements.
- Sponsorship of local Sports teams (Football and Rugby) and a local Choir.
- Donation of 80 Science kits to 8 local primary schools.

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

On Behalf of the Board

Feng Zhong Yun
Managing Director

Hong Kong, 26 March, 2020

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TO THE MEMBERS OF ELATE HOLDINGS LIMITED
(FORMERLY KNOWN AS SOUTH SEA PETROLEUM HOLDINGS LIMITED)
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Elate Holdings Limited (formerly known as South Sea Petroleum Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 139, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment of inventories in Madagascar

(refer to notes 4(o), 5(b)(v) and 21 to the consolidated financial statements)

As at 31 December 2019, the Group had inventories with carrying amount of US$316,487,000, of which US$306,309,000 belonged to graphite ores in Madagascar.

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

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

Our response:

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

- Appointing a qualified expert to have a site visit for the graphite ores held in Madagascar and estimate the quantities with carrying amount of US$306,309,000 at 31 December 2019;

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

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

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

KEY AUDIT MATTERS (Continued)

Impairment of intangible asset – film right

(refer to notes 4(k), 5(b)(vii) and 17 to the consolidated financial statements)

As at 31 December 2019, the carrying amount of the Group's film right included in intangible assets, net of impairment, amounted to US$769,000.

Management of the Company has carried out impairment assessment on the film right in accordance with the Group's accounting policies. By estimating the value-in-use amount with reference to the current market condition and a valuation conducted by an independent valuer engaged by the Group, management concluded that there was an additional impairment of US$3,975,000 as set out in note 17 to the consolidated financial statements.

We consider this a key audit matter because the estimation of the recoverable amount of the film right involves significant judgements and assumptions.

Our response:

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

- Evaluating the competence, capability and objectivity of the independent valuer;
- Assessing the appropriateness of the valuation methods applied by the independent valuer;
- Evaluating the assumptions underpinning the discounted cash flow models, which included budgeted box office revenue, revenues from other sources and distribution expenses by comparing them with the future business plan and the historical cashflows incurred in relation to the film;
- Assessing the discount rate used in the discounted cash flow models by checking market data and certain film specific parameters; and
- Performing the sensitivity analysis on the inputs used in the valuation.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Chan Tsz Hung
Practising Certificate no. P06693

Hong Kong, 30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Continuing operations			
Revenue	*6,7*	**93,659**	114,874
Cost of sales		**(86,513)**	(96,897)
Gross profit		**7,146**	17,977
Other income	*7*	**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	*24*	**6**	(3,058)
(Loss)/profit from operating activities	*8*	**(8,647)**	1,389
Finance costs	*9*	**(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	*12*	**(645)**	(2,457)
Loss for the year from continuing operations		**(9,334)**	(1,107)
Discontinued operation	*36(a)*		
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
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		**–**	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
(Loss)/profit for the year		**(9,334)**	6,909
(Losses)/earnings per share from continuing and discontinued operations	*13*	**US cents**	US cents
Basic		**(0.17)**	0.14
Diluted		**(0.17)**	0.14
Losses per share from continuing operations	*13*		
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

	Note	2019 US$'000	2018 US$'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	*14*	**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	*14*	**26,956**	20,574
Investment properties	*15*	**8,798**	8,830
Right-of-use assets	*16(a)*	**3,634**	–
Prepaid lease payments	*16(b)*	**–**	2,501
Intangible assets	*17*	**1,268**	5,323
Interest in a joint venture	*19*	**–**	–
Deferred tax assets	*20*	**202**	611
Loan receivable	*23*	**–**	3,587
Total non-current assets		**40,858**	41,426
Current assets			
Inventories	*21*	**316,487**	324,062
Trade receivables	*22*	**12,445**	23,460
Other receivables, deposits and prepayments	*23*	**12,033**	21,864
Amount due from a joint venture	*19*	**684**	965
Financial assets at fair value through profit or loss	*24*	**236**	310
Cash and bank balances		**11,518**	14,369
		353,403	385,030
Assets of a disposal group classified as held-for-sale	*37*	**18,079**	–
Total current assets		**371,482**	385,030
Current liabilities			
Trade payables	*25*	**7,815**	15,837
Other payables and accruals	*26*	**12,920**	24,028
Contract liabilities	*27*	**3,508**	2,339
Lease liabilities	*28*	**384**	–
Obligations under finance leases	*28*	**–**	33
Tax payable		**249**	17,313
		24,876	59,550

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019 US$'000**	2018 US$'000
Liabilities of a disposal group classified as held-for-sale	*37*	**17,300**	–
Total current liabilities		**42,176**	59,550
Net current assets		**329,306**	325,480
Total assets less current liabilities		**370,164**	366,906
Non-current liabilities			
Lease liabilities	*28*	**725**	–
Deferred tax liabilities	*20*	**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	*30*	**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

On behalf of the board of directors

Feng Zhong Yun
Managing Director

Zhang Xue
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company						
	Share capital US$'000	**Translation reserve US$'000**	**Revaluation reserve US$'000**	**Accumulated losses US$'000**	**Total US$'000**	**Non-controlling interests US$'000**	**Total equity US$'000**
At 1 January 2019	**590,430**	**(2,644)**	**4,889**	**(225,852)**	**366,823**	**6**	**366,829**
Loss for the year	**–**	**–**	**–**	**(9,334)**	**(9,334)**	**–**	**(9,334)**
Other comprehensive income for the year	**–**	**2,421**	**295**	**–**	**2,716**	**–**	**2,716**
Total comprehensive income for the year	**–**	**2,421**	**295**	**(9,334)**	**(6,618)**	**–**	**(6,618)**
Issue of shares upon conversion of convertible debentures	**9,166**	**–**	**–**	**–**	**9,166**	**–**	**9,166**
At 31 December 2019	**599,596**	**(223)**	**5,184**	**(235,186)**	**369,371**	**6**	**369,377**

	Attributable to owners of the Company						
	Share capital US$'000	Translation reserve US$'000	Revaluation reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2018	590,430	1,631	4,639	(232,761)	363,939	6	363,945
Profit for the year	–	–	–	6,909	6,909	–	6,909
Other comprehensive income for the year	–	(4,275)	250	–	(4,025)	–	(4,025)
Total comprehensive income for the year	–	(4,275)	250	6,909	2,884	–	2,884
At 31 December 2018	590,430	(2,644)	4,889	(225,852)	366,823	6	366,829

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Net cash generated from operating activities	*32(a)*	**4,726**	16,451
Cash flows from investing activities			
Additions of property, plant and equipment		**(8,195)**	(8,032)
Additions of investment properties		**(222)**	–
Additions of prepaid lease payments		**–**	(100)
Dividend income received		**15**	17
Cash inflow on disposal of a subsidiary		**–**	600
Acquisition of financial assets at fair value through profit or loss		**–**	(1,529)
Receipts from disposal of financial assets at fair value through profit or loss		**80**	1,852
Acquisition of film right		**–**	(1,635)
Interest received		**335**	3
Proceeds from disposal of property, plant and equipment		**–**	16
Capital injection to a joint venture company		**–**	(13)
Net cash used in investing activities		**(7,987)**	(8,821)
Cash flows from financing activities			
Repayment of interest on lease liabilities		**(42)**	–
Repayment of principal portion of lease liabilities		**(403)**	(212)
Net cash used in financing activities		**(445)**	(212)
Net (decrease)/increase in cash and cash equivalents		**(3,706)**	7,418
Cash and cash equivalents at beginning of the year		**14,369**	10,165
Effect of foreign exchange rates		**2,131**	(3,214)
Cash and cash equivalents at end of the year		**12,794**	14,369
Analysis of cash and cash equivalents			
Cash and bank balances		**11,518**	14,369
Cash and bank balances classified as held-for-sale		**1,276**	–
		12,794	14,369

1. CORPORATE INFORMATION

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

Pursuant to a special resolution duly passed at the annual general meeting of the Company held on 16 October 2019, together with the approval of the Registrar of Companies of Hong Kong on 23 October 2019, the name of the Company has been changed from "South Sea Petroleum Holdings Limited (南海石油控股有限公司)" to "Elate Holdings Limited (誼礫控股有限公司)" with effect from 23 October 2019.

The Group's businesses consist of (i) manufacture and sales of graphite products worldwide, (ii) manufacture and sales of electronic products in the United Kingdom, and (iii) development of multi-media production and movie making.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") 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, as explained in the accounting policies set out below.

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

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

2. BASIS OF PREPARATION (Continued)

Fair value measurement (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group measures the following items at fair value:

- Revalued land and buildings – Property, plant and equipment (note 14); and
- Financial assets at fair value through profit or loss ("FVTPL") (note 24).

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

Basis of consolidation

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

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

2. BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

3. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs – effective 1 January 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- 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.

(i) 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, please refer to section (ii) to (v) of this note.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2019 (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

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 under finance leases	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 included in 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%.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2019 (Continued)

(ii) 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 each lease component and any associated non-lease components as a single lease component for all leases.

(iii) 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.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2019 (Continued)

(iii) Accounting as a lessee (Continued)

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.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2019 (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability (Continued)

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.

(iv) 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.

(v) 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.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2019 (Continued)

(v) Transition (Continued)

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 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.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income ("FVOCI") if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs – effective 1 January 2019 (Continued)

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

3. ADOPTION OF HKFRSs (Continued)

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

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020.

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKAS 1 and HKAS 8 – Definition of a Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

3. ADOPTION OF HKFRSs (Continued)

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

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combinations (Continued)

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

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

(b) Subsidiaries

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

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

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

(ii) rights arising from other contractual arrangements; and

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

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

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangements (Continued)

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

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

(d) Goodwill

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

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

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

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

(e) Depreciation, depletion and amortisation of oil properties

The capitalised costs of proven oil properties, are depleted/depreciated using the unit of production method based on estimated proven oil reserves. Plant and equipment are depreciated at rates from 10% to 50% per annum.

The capitalised costs of significant unproven oil properties are assessed regularly to determine whether an impairment in value has occurred, in which case such amount is included in the profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Land and buildings

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

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

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

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

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

Freehold land	Nil
Buildings	10 to 36 years
Investment properties	10 to 36 years
Machinery and equipment	10% – 20%
Furniture, fittings and computers	14% – 50%
Motor vehicles	10% – 30%

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

(h) Construction in progress

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

(i) Investment properties

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Intangible assets (other than goodwill)

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

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

Customer contract	7 years

(ii) *Impairment*

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

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

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

(k) Film rights

Film rights are rights acquired or licensed from outsiders for exhibition and other exploitation of the films.

Film rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of film over their estimated useful lives which are determined based on individual title basis for two years after the showing of the respective film.

(l) Financial instruments

(i) *Financial assets*

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

(i) Financial assets (Continued)

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

Debt instruments

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

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

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

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

(ii) Impairment loss on financial assets

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Convertible debentures

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

(v) Effective interest method

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

(vi) Equity instruments

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

(vii) Derecognition

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

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

(m) Leasing (accounting policies applied from 1 January 2019)

(i) Accounting as a lessee

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

Right-of-use asset

The right-of-use asset should be 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Leasing (accounting policies applied from 1 January 2019) (Continued)

(i) Accounting as a lessee (Continued)

Right-of-use asset (Continued)

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

Lease liability

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

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

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Leasing (accounting policies applied from 1 January 2019) (Continued)

(ii) Accounting as a lessor

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

(n) Leasing (accounting policies applied until 31 December 2018)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

(i) The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(ii) The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Inventories

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

(p) Revenue recognition

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Revenue recognition (Continued)

(i) *Manufacture and sales of graphite products*

Customers obtain control of the minerals products when the goods are delivered to and have been accepted based on the shipping terms. Revenue is recognised upon when the customers accepted the minerals products. There is generally only one performance obligation. Invoices are usually payable within 90-120 days.

(ii) *Manufacture and sales of electronic products*

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

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

(iii) *Other income*

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Contract liabilities

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

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

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

(r) Government grants

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

(s) Income taxes

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income taxes (Continued)

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

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

(t) Foreign currency

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Foreign currency (Continued)

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

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

(u) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plan

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

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

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

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

(iii) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets constituting the discontinued operation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(x) Provisions and contingent liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Segmental reporting

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

The Group has identified the following reportable operating segments:

Continuing operations

Manufacture and sales of graphite products

Through a wholly-owned subsidiary, Elate Graphite Limited (formerly known as Unicorn Arts Limited), the Company is engaged in the business of manufacture and sales of graphite products worldwide.

Manufacture and sales of electronic products

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

Trading securities

Through its wholly-owned subsidiary, Great Admirer Limited, the Company is engaged in trading of securities.

Film production

Through its wholly-owned subsidiary, Elate Graphite Limited, the Company developed a cultural industry business and multi-media products, including making movies, TV shows and Internet programs.

Others

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

Discontinued operation

Oil

On 5 March 2018, the Group disposed of the entire interests in Kalrez, at a consideration of US$600,000. The oil business is presented as discontinued operation.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgments in applying accounting policies

(i) Determination of functional currency

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

(ii) Power to exercise significant influence

For certain investments with equity interests over 20%, management has assessed but there is an absence of any control, jointly control nor exercise significant influence over these companies as the Group did not participate in the financial and operating decisions of these companies during the year. Accordingly the Directors are in the opinion that the investments are not deemed to be associates and accounted for as financial assets at FVTPL.

(b) Key sources of estimation uncertainty

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

(i) Impairment of goodwill and intangible assets

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

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

(b) Key sources of estimation uncertainty (Continued)

(ii) Income taxes

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

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

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

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

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

(iv) Depreciation of property, plant and equipment

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

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

(b) Key sources of estimation uncertainty (Continued)

(v) Estimation of provision of inventories

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

(vi) Impairment loss on trade and other receivables

As disclosed in note 39(d), the measurement of impairment loss under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment loss and the assessment if a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

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

(vii) Impairment of film rights

The management of the Group regularly reviews the recoverability of the Group's film rights with reference to its intended use and current market environment. Impairment of film rights are recognised in profit or loss when there is objective evidence that the asset is impaired. In determining whether impairment of film rights is required, the Group takes into consideration the distribution and license agreements entered into by the Group and the current market environment to project cash flows expected to be received through box office receipts and distribution and licensing income. Impairment loss is recognised in the period in which the recoverable amount is less than the carrying amount.

6. SEGMENT REPORTING

The Group has five reportable operating segments from continuing operations, which are described in note 4(z).

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment performance for the years ended 31 December 2019 and 2018 is set out below:

6. SEGMENT REPORTING (Continued)

(a) Business segments

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

6. SEGMENT REPORTING (Continued)

(a) Business segments (Continued)

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

6. SEGMENT REPORTING (Continued)

(b) 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

(c) Information about major customers

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

	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.

7. REVENUE AND OTHER INCOME

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 other income is as follows:

	2019 US$'000	2018 US$'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
Timing of revenue recognition		
At a point in time	**93,659**	114,874
Other income		
Bank interest income	**4**	3
Interest from other loan receivable	**331**	–
Dividend income	**15**	17
Government subsidy	**–**	454
Rental income	**2,413**	2,197
Reversal of impairment of other receivables	**–**	2,859
Sundry income	**674**	997
	3,437	6,527

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

	2019 US$'000	2018 US$'000
Trade receivables *(note 22)*	**12,445**	23,460
Contract liabilities *(note 27)*	**3,508**	2,339

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

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is US$3,508,000 (2018: US$2,339,000). This amount represents revenue expected to be recognised in the future from partially-completed contracts of sales of graphite products. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 12 to 36 months.

8. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	2019 US$'000	2018 US$'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**	–
Amortisation of prepaid lease payments	**–**	38
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 *(note 10)*)	**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 expenses	**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. See note 3(a).

9. FINANCE COSTS

	2019 US$'000	2018 US$'000
Interest on lease liabilities (2018: obligations under finance leases)	**42**	26

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

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

Name of directors	**Fees US$'000**	**Salaries, allowances and benefits in kind US$'000**	**Retirement scheme contributions US$'000**	**2019 Total US$'000**
Executive directors				
Zhang Xue	**–**	**31**	**1**	**32**
Feng Zhong Yun	**–**	**15**	**–**	**15**
Independent non-executive directors				
Lu Ren Jie*	**20**	**–**	**–**	**20**
Chai Woon Chew	**15**	**–**	**–**	**15**
Ng Lai Po	**15**	**–**	**1**	**16**
Han Zhi Jun	**15**	**–**	**–**	**15**
	65	**46**	**2**	**113**

Name of directors	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Retirement scheme contributions US$'000	2018 Total US$'000
Executive directors				
Zhang Xue	–	31	1	32
Feng Zhong Yun	–	15	–	15
Independent non-executive directors				
Lu Ren Jie	20	–	–	20
Chai Woon Chew	15	–	–	15
Ng Lai Po	15	–	1	16
Han Zhi Jun	15	–	–	15
	65	46	2	113

* Mr. Lu Ren Jie resigned as an independent non-executive director of the Company with effect from 10 January 2020.

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

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

(b) Staff cost (including directors' remuneration)

Continuing operations

	2019 **US$'000**	2018 US$'000
Fees	**65**	65
Salaries, allowances and other benefits in kind	**13,603**	13,251
Retirement scheme contributions	**78**	601
	13,746	13,917

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director (2018: Nil) details of whose remuneration are set out in note 10 above. The details of the remuneration of the five non-directors (2018: five), highest paid employees are set out below:

	2019 **US$'000**	2018 US$'000
Salaries, allowances and other benefits in kind	**1,029**	1,099

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

	Number of non-directors	
	2019	2018
US$0 to US$128,200	**1**	1
US$128,201 to US$192,300	**–**	3
US$192,301 to US$256,400	**3**	1
US$256,401 to US$320,500	**1**	–
	5	5

12. INCOME TAX EXPENSE

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

	2019 US$'000	2018 US$'000
Hong Kong profits tax charge		
– Current	**43**	–
Overseas tax charge		
– Current	**199**	1,802
Deferred tax charge *(note 20)*	**403**	655
	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.

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

	2019 US$'000	2018 US$'000
Continuing operations		
(Loss)/profit before income tax expense	**(8,689)**	1,350
Tax on (loss)/profit before tax, calculated at the rates applicable to profits in the countries concerned	**(1,175)**	1,053
Tax effect of non-deductible expenses	**1,247**	10,738
Tax effect of non-taxable income	**(458)**	(9,722)
Tax effect of tax losses not recognised	**970**	257
Tax loss recognised	**(344)**	(536)
Others	**405**	667
Income tax expense	**645**	2,457

13. (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 US$'000	2018 US$'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.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Plant and machinery US$'000	Furniture, fittings and computers US$'000	Motor vehicles US$'000	Constructions in progress US$'000	Total US$'000
Cost or valuation:						
At 31 December 2018 as originally presented	9,821	18,561	7,351	222	961	36,916
Initial application of HKFRS 16	–	(1,101)	–	–	–	(1,101)
At 1 January 2019 (restated)	9,821	17,460	7,351	222	961	35,815
Exchange differences	105	329	205	–	4	643
Additions	–	6,903	442	–	850	8,195
Transfer	–	1,252	–	–	(1,252)	–
Revaluation	295	–	–	–	–	295
At 31 December 2019	10,221	25,944	7,998	222	563	44,948
Representing:						
Cost	3,933	25,944	7,998	222	563	38,660
Valuation	6,288	–	–	–	–	6,288
	10,221	25,944	7,998	222	563	44,948
Accumulated depreciation:						
At 31 December 2018 as originally presented	1,270	9,098	5,761	213	–	16,342
Initial application of HKFRS 16	–	(773)	–	–	–	(773)
At 1 January 2019 (restated)	1,270	8,325	5,761	213	–	15,569
Exchange differences	(21)	231	159	–	–	369
Charge for the year	187	1,513	352	2	–	2,054
At 31 December 2019	1,436	10,069	6,272	215	–	17,992
Net book value:						
At 31 December 2019	8,785	15,875	1,726	7	563	26,956

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings US$'000	Plant and machinery US$'000	Furniture, fittings and computers US$'000	Motor vehicles US$'000	Constructions in progress US$'000	Total US$'000
Cost or valuation:						
At 1 January 2018	10,132	11,066	7,206	214	9,350	37,968
Exchange differences	(561)	(651)	(423)	(2)	–	(1,637)
Additions	–	1,983	568	10	5,471	8,032
Transfer	–	6,511	–	–	(13,860)	(7,349)
Disposal	–	(348)	–	–	–	(348)
Revaluation	250	–	–	–	–	250
At 31 December 2018	9,821	18,561	7,351	222	961	36,916
Representing:						
Cost	3,995	18,561	7,351	222	961	31,090
Valuation	5,826	–	–	–	–	5,826
	9,821	18,561	7,351	222	961	36,916
Accumulated depreciation:						
At 1 January 2018	1,145	8,822	5,788	214	–	15,969
Exchange differences	(70)	(490)	(341)	(2)	–	(903)
Charge for the year	195	1,098	314	1	–	1,608
Disposal	–	(4)	–	–	–	(4)
Written back	–	(328)	–	–	–	(328)
At 31 December 2018	1,270	9,098	5,761	213	–	16,342
Net book value:						
At 31 December 2018	8,551	9,463	1,590	9	961	20,574

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2019 US$'000	2018 US$'000
Properties		
– freehold outside Hong Kong	**6,288**	5,826
– medium lease outside Hong Kong	**2,497**	2,725
	8,785	8,551

The freehold land and buildings were revalued on 31 December 2019 on the basis of their open market value by Cooke & Arkwright, an independent firm of chartered surveyors.

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

	2019 US$'000	2018 US$'000
Opening balance (level 3 recurring fair value)	**5,826**	5,909
Exchange differences	**167**	(333)
Gains included in other comprehensive income:		
Revaluation of land and buildings	**295**	250
Closing balance (level 3 recurring fair value)	**6,288**	5,826

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

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Details about the valuation inputs are as follows:

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

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

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

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

Had the Group's freehold land and buildings been measured on a historical cost basis, their carrying amount would have been US$3,903,000 (2018: US$3,922,000).

During the year ended 31 December 2019 there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

The net book value of plant and machinery held under finance leases of the Group was US$328,000 as at 31 December 2018. On initial adoption of HKFRS 16, the plant and machinery is recognised as right-to-use asset at its carrying value (note 3(a)).

15. INVESTMENT PROPERTIES

	US$'000
Cost:	
At 1 January 2018	1,856
Transfer from constructions in progress	7,349
Exchange differences	(102)
At 31 December 2018 and 1 January 2019	9,103
Additions	222
Exchange differences	54
At 31 December 2019	9,379
Accumulated depreciation:	
At 1 January 2018	–
Change for the year	274
Exchange differences	(1)
At 31 December 2018 and 1 January 2019	273
Change for the year	304
Exchange differences	4
At 31 December 2019	581
Net book value:	
At 31 December 2019	8,798
At 31 December 2018	8,830

The Group's investment properties are measured using a cost model and are leased to third parties under operating leases to earn rental income of US$1,401,000 (2018: US$1,404,000).

As at 31 December 2019, in the opinion of directors, the fair value of the Group's investment properties, with reference to recent market transactions, were US$9,050,000 (2018: US$8,903,000).

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

During the year ended 31 December 2019 there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

16. LEASES

(a) Right-of use assets

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

	Prepaid lease payment US$'000	Properties US$'000	Plant and machinery US$'000	Total US$'000
At 1 January 2019	**2,501**	**526**	**328**	**3,355**
Additions	**–**	**–**	**941**	**941**
Depreciation	**(36)**	**(226)**	**(310)**	**(572)**
Exchange differences	**(38)**	**–**	**(52)**	**(90)**
At 31 December 2019	**2,427**	**300**	**907**	**3,634**

(b) Prepaid lease payments (before 1 January 2019)

	2018 US$'000
At 1 January	2,581
Additions	100
Amortisation	(38)
Exchange differences	(142)
At 31 December	2,501

The Group's leasehold land is situated in the PRC.

The cost of land use rights is amortised over 50 years on a straight-line basis.

17. INTANGIBLE ASSETS

	Goodwill US$'000	Customer contract US$'000	Film right US$'000	Total US$'000
Cost:				
At 1 January 2018	171	643	14,088	14,902
Additions	–	–	1,635	1,635
Disposal	–	–	(3,587)	(3,587)
Exchange differences	–	(57)	–	(57)
At 31 December 2018 and 1 January 2019	171	586	12,136	12,893
Exchange differences	–	16	–	16
At 31 December 2019	**171**	**602**	**12,136**	**12,909**
Accumulated amortisation and impairment:				
At 1 January 2018	–	118	–	118
Charge for the year	–	92	–	92
Impairment	–	–	7,392	7,392
Exchange differences	–	(32)	–	(32)
At 31 December 2018 and 1 January 2019	–	178	7,392	7,570
Charge for the year	–	90	–	90
Impairment	–	–	3,975	3,975
Exchange differences	–	6	–	6
At 31 December 2019	**–**	**274**	**11,367**	**11,641**
Carrying amount:				
At 31 December 2019	**171**	**328**	**769**	**1,268**
At 31 December 2018	171	408	4,744	5,323

17. INTANGIBLE ASSETS (Continued)

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

The recoverable amounts of Greeve Limited as at 31 December 2019 to which the goodwill and customer contract allocated were determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0% (2018: 0%). Key assumptions were based on past performance, management estimation on market development and general inflation based on the growth rates which did not exceed the long-term average growth rates for the businesses in which the CGUs operates. The discount rates used for value in use calculations are pre-tax and reflected specific risks relating to the relevant CGUs.

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

	2019	2018
Discount rate	**9.01%**	9.4%
Terminal growth rate	**3%**	3%

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

As at 31 December 2019, the recoverable amount of the Group's film right was determined based on value in use calculation. The discount rate used for value in use calculation was 15.89% (2018: 21.3%). An impairment of US$3,975,000 (2018: US$7,392,000) was recognised in profit or loss for the year ended 31 December 2019 due to unfavourable change in market condition which delayed the expected date of release of the film.

18. INTERESTS IN SUBSIDIARIES

	2019 **US$'000**	2018 US$'000
Unlisted shares, at cost	**414**	414
Amounts due from subsidiaries	**552,794**	554,626
	553,208	555,040
Provision for impairment	**202,544**	(177,693)
Carrying value at 31 December	**350,664**	377,347

18. INTERESTS IN SUBSIDIARIES (Continued)

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

Details of the subsidiaries are as follows:

Company	Form of business structure	Place of incorporation	Place of operations	Issued/registered share capital	Percentage of issued share capital held by the Group 2019 %	2018 %	Principal activities
Axiom Manufacturing Services Limited	Limited liability company	United Kingdom	United Kingdom	13,564,002 ordinary shares of British Pound ("GBP") 1 each	100 (1)	100 (1)	Assembly of electronic components
Axiom MS Limited	Limited liability company	United Kingdom	United Kingdom	1,000 ordinary shares of GBP1 each	100 (1)	100 (1)	Property holding
China Resources Development Group Limited	Limited liability company	Hong Kong	Hong Kong	85,000,000 ordinary shares of HK$1 each	100 (1)	100 (1)	Investment holding
Cityhill Limited	Limited liability company	Cayman Islands	Hong Kong	1 ordinary share of US$1 each	100	100 (1)	Dormant
Comp Hotel International Limited	Limited liability company	British Virgin Islands	PRC	1 ordinary share of US$1 each	100	100	Properties investment
Comp International Limited	Limited liability company	British Virgin Islands	Hong Kong	64,300 ordinary shares of US$1 each	100	100	Dormant
Comp Media & Advertising Limited	Limited liability company	Hong Kong	Hong Kong	200 ordinary shares of HK$1 each	100 (2)	100 (2)	Dormant
Comp Property International Limited	Limited liability company	British Virgin Islands	Hong Kong	1 ordinary share of US$1 each	100	100	Dormant
Cowley Technologies Inc.	Corporate	USA	USA	16,100,000 ordinary shares of US$0.0001 each	88.51 (1)	88.51 (1)	Investment holding

18. INTERESTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows: (Continued)

Company	Form of business structure	Place of incorporation	Place of operations	Issued/registered share capital	Percentage of issued share capital held by the Group 2019 %	2018 %	Principal activities
Easton Technologies Corp	Corporate	USA	USA	5,000,000 ordinary shares of US$0.0001 each	85 (1)	85 (1)	Dormant
Elate Graphite Limited (formerly known as Unicorn Arts Limited)	Limited liability company	Hong Kong	Hong Kong	1 ordinary share of HK$1 each	100 (1)	100 (1)	Development of cultural industry and multi-media production and trading of graphite products
Global Select Limited	Limited liability company	British Virgin Islands	Madagascar	3 ordinary shares of US$1 each	100	100	Investment holding, trading of graphite products and subletting of oil properties
Great Admirer Limited	Limited liability company	Hong Kong	Hong Kong	200 ordinary shares of HK$1 each	100	100	Investment holding and securities trading
Greenway Technologies Inc.	Corporate	USA	USA	2,000,000 ordinary shares of US$0.0001 each	85	85	Dormant
Greeve Limited	Limited liability company	United Kingdom	United Kingdom	700 ordinary shares of GBP1 each	100 (1)	100 (1)	Design and manufacturing
Kalrez Petroleum (Seram) Limited*	Limited liability company	British Virgin Islands	Indonesia	1 ordinary share of US$1 each	–	100 (1)	Investment holding

18. INTERESTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows: (Continued)

Company	Form of business structure	Place of incorporation	Place of operations	Issued/registered share capital	Percentage of issued share capital held by the Group 2019 %	2018 %	Principal activities
Liaoning Sinorth Resources Co. Limited	Wholly foreign owned enterprise	PRC	PRC	RMB70,461,854	100 (1)	100 (1)	Production and selling of graphite products
Moderation Limited	Limited liability company	Hong Kong	Hong Kong	6 ordinary shares of HK$1 each	100 (1)	100 (1)	Investment holding
South Sea Graphite (Luobei) Co., Limited	Wholly foreign owned enterprise	PRC	PRC	RMB90,023,000	100 (1)	100 (1)	Investment holding, leasing of property, plant and equipment exploration, production and selling of graphite products
South Sea Petroleum Holdings Limited	Limited liability company	Hong Kong	Hong Kong	1 ordinary share of HK$1 each	100	–	Dormant
South Sea Properties (Global) Ltd.	Limited liability company	British Virgin Islands	–	US$50,000	100	100	Dormant
Unicorn Arts (Beijing) Limited	Limited liability company	PRC	PRC	RMB3,000,000	100 (1)	100 (1)	Development of cultural industry and multi-media production

* disposed during the year ended 31 December 2018

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

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

19. INTEREST IN A JOINT VENTURE

On 23 January 2018, the Group entered into an agreement with an independent third party, to form a joint venture company, Gold Gold Gold Limited. The joint venture was formed on 9 February 2018. Both parties injected HK$100,000 (equivalent to approximately US$13,000) to the joint venture company.

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

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

	2019	2018
	US$'000	US$'000
Share of net assets	**–**	–
Amount due from a joint venture	**1,368**	965
Less: Provision for impairment	**(684)**	–
	684	965

The amount due from a joint venture was unsecured, interest free and repayable on demand. The maximum exposure to credit risk as at 31 December 2019 was the carrying amount mentioned above. In general, the Group does not hold any collateral or other credit enhancements over the balance. The Group measures impairment loss based on the 12-months ECLs.

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

	2019	2018
	US$'000	US$'000
At 1 January	**–**	–
Impairment of amount due from a joint venture	**684**	–
At 31 December	**684**	–

19. INTEREST IN A JOINT VENTURE (Continued)

Details of the joint venture are as follows:

Company	Place of incorporation	Place of operations	Issued/registered share capital	Percentage of issued share capital held by the Group 2019 %	2018 %	Principal activities
Gold Gold Gold Limited	Hong Kong	Hong Kong	10,000 ordinary shares of HK$1.00 each	50	50	Trading of gold

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

	2019 US$'000	2018 US$'000
As at 31 December		
Current assets	**1,620**	2,445
Current liabilities	**(3,132)**	(3,387)
Net liabilities	**(1,512)**	(942)
Included in the above amounts are:		
Cash and cash equivalents	**956**	2,232

	For the year ended 31 December 2019 US$'000	For the period from 9 February 2018 to 31 December 2018 US$'000
Revenue	**–**	–
Profit or loss from continuing operations	**(568)**	(968)
Other comprehensive income for the year/period	**–**	–
Total comprehensive income for the year/period	**–**	–
Included in the above amounts are:		
Interest income	**2**	2

20. DEFERRED TAX

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

	Depreciation US$'000	Tax losses carried forward US$'000	Intangible asset US$'000	Total US$'000
At 1 January 2018	1,466	(121)	(107)	1,238
(Charge)/credit to profit or loss *(note 12)*	(536)	(144)	25	(655)
Exchange differences	(65)	11	5	(49)
At 31 December 2018 and 1 January 2019	865	(254)	(77)	534
(Charge)/credit to profit or loss *(note 12)*	(1,039)	619	17	(403)
Exchange differences	10	1	(2)	9
At 31 December 2019	**(164)**	**366**	**(62)**	**140**

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 US$'000	2018 US$'000
Deferred tax assets	**202**	611
Deferred tax liabilities	**(62)**	(77)

Deferred tax asset has not been recognised for the following:

	2019 US$'000	2018 US$'000
Unused tax losses	**12,352**	12,077

No deferred tax asset has been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams.

21. INVENTORIES

	2019 US$'000	2018 US$'000
Production supplies and raw materials	**314,390**	13,030
Work in progress	**–**	4,490
Finished goods	**2,097**	306,542
	316,487	324,062

During the year, a write-down of inventories of US$161,000 (2018: US$400,000) was recognised in profit or loss.

22. TRADE RECEIVABLES

	2019 US$'000	2018 US$'000
Trade receivables	**12,445**	23,460

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

22. TRADE RECEIVABLES (Continued)

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

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

As at 31 December 2019, the Group collectively assessed trade receivables and recognised a net impairment loss of US$802,000 on the trade receivables.

During the year ended 31 December 2018, the directors individually assessed trade receivables that have significant credit risk and the ECLs of US$635,000 was recognised. For the remaining trade receivables, the Group collectively assessed that there are no significant credit risk due to the past payment history and taking into account of the sound financial performance and position of the debtors to meet contractual cash flow obligations in the near term. The ECLs rate on the remaining trade receivables was assessed to be minimal and no further provision was made for the year.

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

	2019	2018
	US$'000	US$'000
At 1 January	**635**	–
Reversal of impairment of trade receivables	**(633)**	–
Impairment of trade receivables	**1,435**	661
Classified as assets held-for-sale	**(1,435)**	–
Exchange differences	**(2)**	(26)
At 31 December	**–**	635

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

The maximum exposure to credit risk as at 31 December 2019 was the carrying amount mentioned above. In general, the Group does not hold any collateral or other credit enhancements over these balances.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

As at 31 December 2019, other receivables under current portion included a loan with a principal amount of US$3,600,000 (2018: non-current portion of US$3,600,000) which was unsecured, interest bearing at 5% per annum and repayable within 1 year.

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

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above. Further details on the Group's credit policy and credit risk arising from deposits and other receivables are set out in note 39(d).

The following table reconciled the impairment allowance of other receivables, deposits and prepayments for the year:

	2019 US$'000	2018 US$'000
At 1 January	**–**	–
Impairment of other receivables, deposits and prepayments	**118**	–
Classified as assets held-for-sale	**(74)**	–
At 31 December	**44**	–

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 US$'000	2018 US$'000
Hong Kong listed shares	**236**	310

Movement during the year is as follows:

	Notes	2019 US$'000	2018 US$'000
As at 1 January		**310**	3,691
Additions		**–**	1,529
Disposals	*(ii)*	**(80)**	(1,852)
Net realised (losses)/gains on disposals	*(ii)*	**(80)**	235
Net unrealised gains/(losses)	*(i), (ii)*	**86**	(3,293)
As at 31 December		**236**	310
Total net gain/(loss) recognised in profit or loss related to financial assets at FVTPL held by the Group for the year		**6**	(3,058)

Notes:

(i) During the year ended 31 December 2018, a fair value loss of US$3,150,000 was recognised in profit or loss in connection with the Group's investments in 15 million shares of a company traded on the OTC Market in the United States of America. Such company was no longer actively traded on the OTC Market and hence a fair value loss, which was determined by using market approach by reference to the sale transaction between the Group and a third party, was recognised. 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.

(ii) During the year, the Group disposed certain listed securities and recognised net realised losses on disposals of US$80,000 (2018: gains of US$235,000).

During the year, the Group recognised unrealised gains on listed securities of US$86,000 (2018: losses of US$143,000).

(iii) The maximum exposure to credit risk as at 31 December 2019 and 2018 was the carrying amounts mentioned above. In general, the Group does not hold any collateral or other credit enhancements over these balances.

25. 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

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

26. OTHER PAYABLES AND ACCRUALS

	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

27. CONTRACT LIABILITIES

	2019	2018
	US$'000	US$'000
Contract liabilities arising from:		
Sales of graphite products	**3,508**	2,339

27. CONTRACT LIABILITIES (Continued)

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

Sale of graphite products

As noted above, the receipts in advance received from the customers remains as a contract liability until the goods have been transferred and accepted by the customer.

	2019	2018
	US$'000	US$'000
Balance at 1 January	**2,339**	–
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(2,329)**	–
Increase in contract liabilities as a result of received receipts in advance from the customers that the goods have not yet transferred and not yet accepted by the customer	**3,547**	2,433
Exchange differences	**(49)**	(94)
Balance at 31 December	**3,508**	2,339

28. LEASE LIABILITIES

The present value of future lease liabilities and obligations under finance leases are analysed as:

		2019		2018	
		Current	**Non-current**	Current	Non-current
		US$'000	**US$'000**	US$'000	US$'000
Lease liabilities	(a)	**384**	**725**	–	–
Obligations under finance leases	(b)	**–**	**–**	33	–
		384	**725**	33	–

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. See note 3(a) for further details about transition.

The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 4(m).

28. LEASE LIABILITIES (Continued)

(a) Lease liabilities

	Leased properties US$'000	Plant and machinery US$'000	Total US$'000
At 1 January 2019	526	33	559
Additions	–	941	941
Interest expense	20	22	42
Lease payments	(233)	(212)	(445)
Foreign exchange movements	–	12	12
At 31 December 2019	313	796	1,109

Future lease payments are due as follows:

	Minimum lease payments 31 December 2019 US$'000	Interest 31 December 2019 US$'000	Present value 31 December 2019 US$'000
Not later than one year	415	31	384
Later than one year and not later than two years	336	24	312
Later than two years and not later than five years	460	47	413
	1,211	102	1,109

	Minimum lease payments 1 January 2019 US$'000	Interest 1 January 2019 US$'000	Present value 1 January 2019 US$'000
Not later than one year	266	20	246
Later than one year and not later than two years	202	10	192
Later than two years and not later than five years	124	3	121
	592	33	559

28. LEASE LIABILITIES (Continued)

(b) Obligations under finance leases

	Minimum lease payments 31 December 2018 US$'000	Interest 31 December 2018 US$'000	Present value 31 December 2018 US$'000
Not later than one year	33	–	33

(c) Operating leases – lessee

Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2018 US$'000
Land and buildings expiring:	
Within one year	308
In the second to fifth years inclusive	167
	475

(d) Operating leases – lessor

The minimum rent receivables under non-cancellable operating leases are as follows:

	2019 US$'000	2018 US$'000
Not later than one year	**204**	155
Later than one year and not later than five years	**161**	582
	365	737

29. CONVERTIBLE DEBENTURES

Convertible Debenture 4 April 2021

On 11 April 2011, the Company entered into a subscription agreement with RTM Financial Corp., ("RTM") for an aggregate of US$250 million 3% interest convertible debentures due 4 April 2021 ("Convertible Debenture 4 April 2021").

RTM shall have the right to make subscription and conversion of Convertible Debenture 4 April 2021 in whole or in part in multiples within the conversion period.

The Company will issue the portion of debenture which is fully paid. RTM has the right to convert at US$0.50 (equivalent to HK$3.90) per share, or the then effective par value at the time of conversion.

During the year ended 31 December 2019, no (2018: Nil) Convertible Debenture 4 April 2021 was issued by the Company.

Convertible Debenture 31 December 2021

On 30 December 2015, the Company entered into a subscription agreement with Sinocreative Limited ("Sinocreative") for an aggregate amount of HK$1,000 million 0% interest convertible debentures due on 31 December 2021 ("Convertible Debenture 31 December 2021"). Sinocreative has the right to make subscription of the Convertible Debenture December 31 December 2021 one-off or by stages within the conversion period. Sinocreative is obliged to fully subscribe the Convertible Debenture 31 December 2021 and as an undertaking Sinocreative had paid HK$1,000,000 up front deposit to the Company. The deposit will be refunded only when Convertible Debenture 31 December 2021 are fully subscribed.

The Company will issue the portion of debenture which is fully paid. Sinocreative has the right to convert at HK$0.125 per share.

During the year ended 31 December 2019, the Company issued Convertible Debenture 31 December 2021 in the aggregate principal amount, net of expenses, of approximately HK$27,600,000 (equivalent to US$3,539,000). Immediate following the issue of the Convertible Debenture 31 December 2021, 232,422,400 shares of the Company were issued.

The fair value of the debt component and the equity component was determined at each date of the issue of Convertible Debenture 31 December 2021 during the year ended 31 December 2019 as it meets the fixed-for-fixed criteria.

During the year ended 31 December 2018, no Convertible Debenture 31 December 2021 was issued by the Company.

29. CONVERTIBLE DEBENTURES (Continued)

Convertible Debenture 2028

On 25 April 2018, the Company entered into a subscription agreement with China Minerals International Limited ("CMI") for an aggregate amount of HK$600 million 0% interest convertible debentures due on 25 April 2028 ("Convertible Debenture 2028"). CMI shall have the right to make subscription and conversion of Convertible Debenture 2028 in whole or in part in multiples of HK$10,000 within the conversion period.

The Company will issue the portion of debenture which is fully paid. CMI has the right to convert at HK$0.06 per share.

During the year ended 31 December 2019, the Company issued Convertible Debenture 2028 in the aggregate principal amount, net of expenses, of approximately HK$43,890,000 (equivalent to US$5,627,000). Immediate following the issue of the Convertible Debenture 2028, 770,000,000 shares of the Company were issued.

During the year ended 31 December 2018, no Convertible Debenture 2028 was issued by the Company.

It is the mutual agreement between Company and the subscribers of the convertible debentures that immediate upon each subscription, the issued convertible debenture would be converted into shares of the Company.

Upon each conversion, the fair value of the issued CDs (i.e. the amount received by the Company) was immediately be reclassified to the Company's share capital and share premium and therefore there would be no unconverted issued convertible debentures at the end of each reporting period. Accordingly as at 1 January 2018, 31 December 2018 and 31 December 2019, no financial liability or equity component is recorded in the consolidated financial statements.

30. SHARE CAPITAL

	Company			
	2019		2018	
	Number of ordinary shares	**Amount**	Number of ordinary shares	Amount
		US$'000		US$'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 (equivalent to US$9,166,000) (2018: Nil) (note 29).

31. PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2019 US$'000	2018 US$'000
Non-current assets			
Property, Plant and equipment		**–**	–
Right-of-use assets		**301**	–
Interests in subsidiaries	*18*	**350,664**	377,347
		350,965	377,347
Current assets			
Financial assets at fair value through profit or loss		**3**	3
Other receivables, deposits and prepayments		**99**	121
Cash and bank balances		**226**	1,240
		328	1,364
Current liabilities			
Other payables and accruals		**7,419**	16,777
Lease liabilities		**193**	–
		7,612	16,777
Net current liabilities		**(7,284)**	(15,413)
Total assets less current liabilities		**343,681**	361,934
Non-current liabilities			
Lease liabilities		**121**	–
NET ASSETS		**343,560**	361,934
CAPITAL AND RESERVES			
Share capital	*30*	**599,596**	590,430
Reserves	*31(a)*	**(256,036)**	(228,496)
		343,560	361,934

On behalf of the directors

FENG ZHONG YUN
Managing Director

ZHANG XUE
Executive Director

31. PARENT COMPANY STATEMENT OF FINANCIAL POSITION (Continued)

(a) The movement of reserves during the year is as follows:

	Translation reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2018	128	(226,619)	(226,491)
Loss and total comprehensive income for the year	–	(2,005)	(2,005)
At 31 December 2018 and 1 January 2019	128	(228,624)	(228,496)
Loss and total comprehensive income for the year	–	(27,540)	(27,540)
At 31 December 2019	**128**	**(256,164)**	**(256,036)**

At 31 December 2019, the Company had no reserves (2018: Nil), as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap.622), available for distribution to shareholders.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash generated from operating activities

	Notes	2019 US$'000	2018 US$'000
(Loss)/profit before income tax expense			
– Continuing operations		**(8,689)**	1,350
– Discontinued operation		**–**	8,016
Dividend income received	*7*	**(15)**	(17)
Interest income	*7*	**(335)**	(3)
Interest expenses	*9*	**42**	26
Fair value (gain)/loss on financial assets at fair value through profit or loss	*24*	**(6)**	3,058
Depreciation	*8*	**2,930**	1,882
Amortisation of prepaid lease payments	*16(b)*	**–**	38
Amortisation of customer contract	*17*	**90**	92
Impairment of film right	*17*	**3,975**	7,392
Impairment of inventories	*21*	**161**	400
Impairment of amount due from a joint venture	*19*	**684**	–
Impairment of trade receivables, net	*22*	**802**	661
Impairment/(reversal of impairment) of other receivables	*39(d) & 8*	**118**	(2,859)
Gain on disposal of a subsidiary	*36*	**–**	(8,475)
Share of losses of a joint venture	*19*	**–**	13
Operating (loss)/profit before working capital		**(243)**	11,574
Decrease in inventories		**7,371**	13,755
Decrease/(increase) in trade receivables		**6,018**	(6,428)
Decrease in other receivables, prepayments and deposits		**735**	12,008
Increase in amount due from a joint venture		**(403)**	(965)
Decrease in trade payables		**(8,022)**	(30,829)
Increase in contract liabilities		**1,218**	2,339
(Decrease)/increase in other payables and accrued expenses		**(1,942)**	15,411
Cash generated from operating activities		**4,732**	16,865
Interest paid		**–**	(26)
Overseas taxes paid		**(6)**	(388)
Net cash generated from operating activities		**4,726**	16,451

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	2019 US$'000	2018 US$'000
Lease liabilities (2018: Obligations under finance leases) *(note 28)*		
At 1 January	**33**	245
Initial adoption of HKFRS 16	**526**	–
Restated balance at 1 January	**559**	–
Changes from financing cash flows:		
Proceeds	**941**	–
Repayment of principal portion	**(403)**	(212)
Repayment of interest	**(42)**	–
Total changes from financing activities	**496**	(212)
Other changes:		
Interest expense	**42**	26
Interest paid	**–**	(26)
Exchange differences	**12**	–
At 31 December	**1,109**	33

	2019 US$'000	2018 US$'000
Liability component of convertible debentures *(note 29)*		
At 1 January	**–**	–
Other changes:		
Net proceeds from issue of convertible debentures which was settled against other payables	**6,609**	–
Conversion to shares	**(6,609)**	–
At 31 December	**–**	–

(c) Major non-cash transactions

During the year ended 31 December 2019, the Company issued convertible debentures with aggregate principal amount, net of expenses, of approximately HK$71,490,000 (equivalent to US$9,166,000). The proceeds were settled against the amounts prepaid by the subscribers in previous years, which was recognised as other payables as at 31 December 2018.

33. CAPITAL COMMITMENTS

The Group had no capital commitment as at 31 December 2019 and 2018.

34. COMPENSATION OF KEY MANAGEMENT PERSONNEL

During the year, the remuneration of directors and other member of key management was as follows:

	2019	2018
	US$'000	US$'000
Salaries, allowances and benefits in kind		
– Continuing operation	**1,103**	1,173

35. RELATED PARTY TRANSACTIONS

Saved for disclosed elsewhere in the consolidated financial statements, the Group has not entered into other material related party transactions during the years ended 31 December 2019 and 2018.

36. DISPOSAL OF KALREZ PETROLEUM (SERAM) LIMITED

On 8 March 2018, the Group disposed of its entire interest in its subsidiary, Kalrez Petroleum (Seram) Limited, at a consideration of US$600,000, representing the Group's oil business. Therefore, the results of the oil business segment operated by this subsidiary have been presented as discontinued operation in the consolidated financial statements for the year ended 31 December 2018.

(a) The results of the discontinued operation were as follows:

	2018
	US$'000
Revenue	–
General and administration expenses	(459)
Loss before income tax expense	(459)
Income tax expense	–
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

36. DISPOSAL OF KALREZ PETROLEUM (SERAM) LIMITED (Continued)

(b) Analysis of the cash flow from discontinued operation:

	2018 US$'000
Net cash from operating activities	–
Net cash from investing activities	–
Net cash from financing activities	–
	–

(c) The net assets of Kalrez Petroleum (Seram) Limited at the date of disposal were as follows:

	US$'000
Oil properties	72
Inventories	444
Other receivables, deposits and prepayments	385
Trade payables	(606)
Other payable and accruals	(5,065)
Provision	(3,105)
Net liabilities disposed	(7,875)
Cash consideration	600
Gain on disposal	(8,475)
Net cash inflow arising on disposal:	
Cash consideration received	600

37. 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 classified as held-for-sale at 31 December 2019:

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

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2019 US$'000	2018 US$'000
Financial assets		
Financial assets at fair value through profit or loss	**236**	310
Financial assets measured at amortised cost		
Trade receivables	**12,445**	23,460
Other receivables and deposits	**7,748**	6,525
Amount due from a joint venture	**684**	965
Cash and bank balances	**11,518**	14,369
	32,631	45,629
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	**7,815**	15,837
Other payables and accruals	**12,920**	24,028
Lease liabilities	**1,109**	–
Obligations under finance leases	**–**	33
	21,844	39,898

39. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group intends to use a combination of financial instruments to manage its financial risks.

The risk management of the Company, and its subsidiaries, are centralised at head office level in accordance with the Group's risk management policy. The Group identifies, evaluates and monitors financial risks closely with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, price risk, credit risk, liquidity risk, use of non-derivative financial instruments and cash management.

39. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(a) Foreign exchange risk

The Group's entities have only a small amount of sales that are denominated in currencies other than the functional currency of that group entities. Therefore, the Group is not exposed much to foreign exchange.

The Group's reporting currency is US$. Foreign currency exposures of the Group primarily arise from the Group's operations in China and United Kingdom, whose functional currency are Renminbi and Pound Sterling. Foreign exchange swaps or forward contract and foreign exchange option may be employed to minimise the net exposure to foreign currency fluctuations.

(b) Interest rate risk

The interest rate risk arises from debt borrowing. Borrowing issued at variable rates exposes the Group to cash flow interest rate risk while borrowing issued at fixed rates expose the Group to fair value interest rate risk.

(c) Price risk

The Group is exposed to equity price risk through its investment in listed equity securities in Hong Kong and OTC Bulletin Board in the United States. The management manage this exposure by maintaining a portfolio of investments with different risk and return profiles.

At 31 December 2019 it is estimated that an increase/decrease of 10%, 30% and 50% in market value of the trading securities, with all other variable held constant, profit for the year and the equity would increase/decrease by US$24,000, US$71,000 and US$118,000 respectively.

(d) Credit risk

The credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group's credit risk is primarily attributable to its trade receivables, other receivables and deposits and amount due from a joint venture. The Company's credit risk is primarily attributable to its other receivables and deposits and amount due from subsidiaries. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

39. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(d) Credit risk (Continued)

The Group's and the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 13% (2018: Nil) and 82% (2018: 60%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Trade receivables
Impairment on trade receivables under the ECLs model is set out in note 22.

The Group and the Company have adopted general approach to measure ECLs on other receivables and deposits, amount due from a joint venture and amount due from subsidiaries. Under the general approach, the Group and Company apply the "3-stage" impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

– Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

– Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

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

39. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(d) Credit risk (Continued)

Trade receivables (Continued)

At the end of each reporting period, the Group and the Company assess whether a financial asset is credit-impaired. The Group and the Company considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group and the Company has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure of default. The assessment of the probability of default and loss given default is based on historical data and adjusted for forward-looking information through the use of country risk and experienced credit judgment to reflect the qualitative factors, and through the use of multiple probability-weighted scenarios.

Other receivables and deposits

The ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. Impairment of US$118,000 for these financial assets as at 31 December 2019 (2018: Nil) was recognised of which US$74,000 was classified as held-for-sale.

Amount due from a joint venture

Impairment on amount due from a joint venture under the ECLs model is set out in note 19.

Amount due from a subsidiary

The ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. No impairment for these financial assets as at 31 December 2019 (2018: Nil) was recognised as the amount of impairment measured under the ECLs model is insignificant.

Cash and cash equivalents

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited with credit worthy financial institutions.

39. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(e) *Liquidity risk*

Liquidity risk is prudently managed by maintaining sufficient amount of available committed credit facilities. In addition, the Group actively manages and extends its debt maturity profile to ensure that the Group's maturing debt each year will not exceed the anticipated cash flow and the Group's ability to refinance the debt in that year.

The contractual maturity of the lease liabilities (2018: obligations under finance leases) is shown on note 28. The following non-derivative financial liabilities (other than obligations under finance leases) of the Group are repayable within one year or on demand.

	2019	2018
	US$'000	US$'000
Trade payables	**7,815**	15,837
Other payables and accruals	**12,920**	24,028
	20,735	39,865

The amounts of undiscounted cash flows of the above liabilities are equal to their carrying amounts.

Fair value of financial instruments

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

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

(ii) The fair value of other financial assets and financial liabilities (including derivative instruments) 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, amounts due from subsidiaries and trade and other payables are assumed to approximate their fair values due to the short term maturities of these assets and liabilities.

39. FINANCIAL RISK MANAGEMENT (Continued)

Fair value measurement recognised in the consolidated financial statements

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

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

		2019		
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Recurring fair value measurements:				
Financial assets at fair value through profit or loss	**236**	**–**	**–**	**236**

		2018		
	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss	310	–	–	310

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

39. FINANCIAL RISK MANAGEMENT (Continued)

Fair value measurement recognised in the consolidated financial statements (Continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Financial assets at fair value through profit or loss

	2018 US$'000
At 1 January	–
Transfer from level 1	3,150
Additions	1,529
Disposal	(1,710)
Net realised gain on disposal	181
Net unrealised loss	(3,150)
At 31 December	–

40. CAPITAL RISK MANAGEMENT

The purpose of the Group's capital management is to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of debt, which includes obligations under finance leases, cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

40. CAPITAL RISK MANAGEMENT (Continued)

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, issuance of new capital shares, convertible debentures or new debts.

The gearing ratio at the end of reporting period was as follows:

	2019	2018
	US$'000	US$'000
Lease liabilities (2018: Obligations under finance leases)	**1,109**	33
Less: cash and bank balances	**(12,794)**	(14,369)
	(11,685)	(14,336)
Equity attributable to owners of the Company	**369,371**	366,823
Net debt to equity ratio	**N/A**	N/A

41. DIVIDEND

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

42. 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.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 30 March 2020.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

For the years ended 31 December

	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000
Revenue	**93,659**	114,874	62,880	55,386	83,649
(Loss)/profit before income tax expense	**(8,689)**	1,350	(1,529)	(31,658)	(8,243)
Income tax expense	**(645)**	(2,457)	(498)	(234)	35
Loss for the year from continuing operations	**(9,334)**	(1,107)	(2,027)	(32,037)	–
(Loss)/profit for the year from discontinued operation	**–**	8,016	(4,881)	145	–
Profit/(loss) for the year	**(9,334)**	6,909	(6,908)	(31,892)	(8,208)
Non-controlling interests	**–**	–	2,669	(361)	(538)
Net (loss)/profit attributable to shareholders	**(9,334)**	6,909	(9,577)	(31,531)	(7,670)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

As at 31 December

	2019 US$'000	2018 US$'000	Restated 2017 US$'000	Restated 2016 US$'000	2015 US$'000
Property plant and equipment	**26,956**	20,574	21,999	16,266	19,963
Investment properties	**8,798**	8,830	1,856	5,225	5,188
Right-of-use assets	**3,634**	–	–	–	–
Prepaid lease payments	**–**	2,501	2,581	4,563	5,000
Intangible assets	**1,268**	5,323	14,784	10,748	537
Interest in a joint venture	**–**	–	–	–	–
Available-for-sale investment	**–**	–	–	6,293	293
Deferred tax assets	**202**	611	1,345	1,238	1,693
Loan receivables	**–**	3,587	–	–	–
Current assets	**371,482**	385,030	401,690	437,489	367,817
Total assets	**412,340**	426,456	444,255	481,822	400,491
Total liabilities	**(42,963)**	(59,627)	(80,310)	(135,838)	(43,311)
Non-controlling interests	**(6)**	(6)	(6)	(1,767)	(2,253)
	369,371	366,823	363,939	344,217	354,927