KAISUN HOLDINGS LIMITED

凱順控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8203)

A Belt & Road Participant

ANNOUNCEMENT OF THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Kaisun Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *for identification purpose only*

Reference is made to the announcements of Kaisun Holdings Limited (the "Company", together with its subsidiaries, the "Group") (i) dated 20 March 2020 in relation to, among other things, the unaudited annual results for the year ended 31 December 2019 (the "Unaudited Results Announcement") and (ii) dated 26 June 2020, 31 August 2020, 04 September 2020 and 10 November 2020 in relation to, among other things, the further delay in publication of audited annual results announcement and annual report (together, the "Announcements"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements. The board (the "Board") of directors (the "Directors") of the Company hereby announces that the Company's auditor, RSM Hong Kong ("RSM"), has completed the audit of the consolidated financial statements of the Group for the year ended 31 December 2019 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, including the financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes as set out thereto. The audited annual results for the year ended 31 December 2019 were reviewed by the audit committee of the Company (the "Audit Committee") on 23 November 2020 and were approved by the Board on 23 November 2020, details of which are set out below.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out as below:

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Re-presented)			
Revenue	**138,566**	146,100	90,680	35,218	18,673
(Loss)/profit before tax	**(339,491)**	7,159	73,754	(3,665)	(107,476)
Income tax credit/(expense)	**14,430**	1,890	4,543	(9,864)	23,936
Less: Loss from discontinued operations	**(3,408)**	(4,071)	—	—	—
Less: Loss/(profit) attributable to non- controlling interests	**10,339**	5,532	(28,990)	113	(7,534)
(Loss)/profit attributable to owners of the Company	**(318,130)**	10,510	49,307	(13,416)	(91,074)

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	340,886	665,872	562,404	306,544	311,784
Total liabilities	(181,710)	(166,475)	(81,870)	(26,849)	(15,782)
Owners' funds	125,312	454,026	439,114	287,206	304,253

Note:

The 2018 comparative figures have been restated and reclassified to conform to the current year's presentation. The comparative loss from discontinued operation has been re-presented under discontinued operation separately in the current year.

CHAIRMAN'S STATEMENT

The 2019 real economic uncertainty globally saw slowdown in development in many emerging markets and frontiers markets in particular China which is the second largest economy of the world and the only growth engine is in real infrastructure and export of funds to Belt and Road countries. The slow down saw the drop in commodity prices and many major mineral and energy suppliers felt the pinch. Australia, Canada, Brazil to mention a few. But the more virtual capital markets however continue to surge in particular in the US which created a bubble and gave a wrong impression as to the global economy was not that bad.

The 2019 anti-extradition bill almost wiped out Hong Kong's domestic economy and as China's window to the West under a One Country Two System for 22 years, many economists foreign and local, investment commentators, business people and politicians also held very negative view on Hong Kong's future being a SAR and a miniature of our Chinese economy.

Kaisun was badly hit by the 2019 riots as we lost the support from financial institutions due to our historic focus on commodities trading and mining operations in the Belt and Road context. "Hong Kong Company" is no longer the favourite of our counterparts. We barely committed new business in the third and fourth quarter of 2019.

The COVID-19 virus did not help either and in 2020 this pandemic finally shut down our business operations of any sort because we could go nowhere to strike new deals nor continue what we had planned in previous year business operations. We cannot even organize our auditors to perform their annual duties in our Mainland and overseas operations and this is the first time in my 35 years of working career I have come across such a situation. My fellow board members also hold similar views.

At the time of writing this Chairman statement we are in March 2020 and I do not expect we can do anything meaningful till June or July when we have a clear picture of the real effect of this pandemic.

Our management team is not stopping our effort to try turnaround this situation but rather busy with internal personnel restructuring and streamlining of our business scope to focus on something we all believe would create value to Kaisun and our shareholders.

In our MD&A our management would walk our shareholders through our business strategies and our action plan so that shareholders can exercise careful and cautious decision on their investments in Kaisun. I believe we can sail through trouble water if we apply our strategy right and timely.

MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW

In 2019, there was a great feeling of economic uncertainty worldwide as many countries, governments and businesses experienced great pressure from global growth slowdown resulted from trade tensions (China and US), European politics complexity (Brexit, Italy) and geopolitical situations (Iran, Hong Kong SAR, Chile). Then comes 2020, when the Corona virus takes the world from murky waters into totally uncharted territories setting the world on fire. What the world is facing now is unprecedented where economies had been effectively shutdown; cross border travels discouraged and physical transportation capacity kept to bare minimum; production and services all over the world came to a grinding halt or at least greatly reduced; events of all scales around the world mostly cancelled or postponed indefinitely. In addition, this epidemic made China realise that we lack enough supply of food. The food price in Mainland shot up 5 times since January. The full economic impact of the virus is difficult to estimate but immediately we saw stock markets around the world experienced the worst performance in the recent 3–4 years. Management of the Group believes there will be a long adjusting period when the pandemic is over because legacy left by this virus will be world changing. Nonetheless, before we get to that point the Group will try to adapt and prepare the best we can.

Overall effect of the Pandemic on the Group

Firstly, this pandemic greatly affected the Group administratively as there had been a number of preventive measures put in place to ensure the health and safety of our employees in Hong Kong and Mainland China to the best of our abilities such as a flexible working hour and work from home protocol, temperature taken and masks distributed to our employees daily if they decide to work in office. The Group will remain vigilant as we navigate through this situation.

On the production side, our mainland operations had been affected by the virus but recently under close monitoring resumed manufacturing. On the events and services front our Girlgamer eSports Festival world finals was successfully held in February 2020 prior to the worldwide virus outbreak. However, this event was very likely the last physical event our division will produce in the near future as clients and brands travelling halted over health concerns and public safety.

Another major effect of the epidemic had been its impact on travelling due to health risks and related quarantine measures. And this affected the Group substantially on two issues, 1) on our ability to complete the annual audit as auditors were unable to travel to complete the exercise in mainland China 2) on our ability to collect some of our receivables because we had been unable to be there physically and also most of our peers are heavily impacted by the downturn in economy.

After communicating with our auditor, it was estimated the earliest the audit work might resume would be around May. Hence, the unaudited results announcement published on 20 March 2020 we did work closely with all relevant parties to ensure the accuracy and proximity to its audited counterpart. Our audit committee fully endorsed our management accounts. Also, after continuous communication with our business partners, selling of some collaterals in mainland China that had been schedule in late 2019 but not able to carry out due to complicated legal process and the intervals caused by Lunar New Year leave and the subsequent novel coronavirus that halted all our business activities, writing off and provision were taken on some of our receivables as our confidence based on assets and cash recovered last year can no longer be a good indication of what is to come this year. We are having a tough lesson given current situation and sticking to our belief on delivering value to our shareholders.

What We Are doing Now under this Pandemic

While the pandemic is out of our control but management of the Group is focusing our efforts on a few core areas:

- On the resumption and ramping up of our energy related business
- Shift focus from physical to online services and taking care of our existing regular customers that signed a long-term contract with us
- Recovering our receivables that are lesser affected by this pandemic
- Potential exit and fundraising of a few businesses in our portfolio
- Continue to streamline our existing business and structure

All things considered, the items above is a continuation of targets set back in 2019 in which the Group went through a company wide review and some strategic actions have been taken.

Actions Taken in 2019

In 2019 the Group appointed 2 new joint CEO heading their respective businesses units and jointly managed the Group's headquarters as part of the group's succession plan. Both businesses underwent great maturity and growth last year and will be discussed in detail in later sections. Nonetheless, management of the Group believed a company wide review and assessment would help us move into the future, in 2019 we had:

(1) an overall assessment of our existing receivables and determine the probability of recovery (there had been changes in 2020 to the recovery confidence due to the pandemic as previously addressed).

(2) a company wide review for streamlining our business and corporate structure to better use our existing resources and hopefully can also cut down some costs.

(3) an overall assessment of our assets/businesses for potential exit plan and capture profits wherever possible.

The Results from the Assessment in 2019

(a) management of the Group decided to shut down the Central Asia business unit after analysing the overall country risk, exchange rate risk, commodity prices, our own personnel and capital resources against the potential returns from the Central Asia business and believed our we should direct our resources to other existing businesses. The discontinuation of the unit also affected part of our receivables because management of the Group believed it was no longer economical to spend extra resources to make the recovery as the net result was likely to be insignificant.

(b) a company wide reduction in administrative costs which included staff downsizing in addition to our Central Asia unit employees, closing of one of our physical office, some management took a significant pay-cut or no pay leave (action that carried through 2020 because of the pandemic). The effect of this exercise is reflected in our financials and is likely to carry forward to 2020.

    The aforementioned had been very difficult decisions but also necessary. The necessity nature was even more apparent as we moved into 2020 due to immobility.

(c) pinpointed a few candidates for the exit of our assets in which a significant portion of our Hong Kong listed stock portfolio were sold. Also, a couple of mature businesses were identified as candidates of a potential exit in which management of the Group had been following up closely on the progress.

LOOKING FORWARD

Survival is main theme for a majority of companies worldwide, in the past few months there has been already a numerous of companies in trouble and we believe it will be the trend for at least a while. The positive factor is that the Group went through an exercise to release some of the burden last year which will make our journey this year a bit easier. However, management of the Group still sees very rough roads ahead and would like to wish our shareholders, business partners, and every stakeholder to stay safe and hopefully we can all get out of this stronger and better.

MANAGEMENT DISCUSSION AND ANALYSIS

Mining, Manufacturing of Machinery & Supply

i. Shandong — Mining and Metallurgical Machinery Production

Tengzhou Kaiyuan Industrial Co., Ltd. ("Tengzhou Kaiyuan"), a joint venture of a subsidiary company of the Group, specializes in mining and metallurgical machinery production and owns 32 sets of safety certificates for mining products. Its major products are overhead manned cableway device and its accessories, as well as technical consultancy services including equipment installation, technical support and after-sales services.

Updates on China's demand and regulations of coal mining machineries in 2020

China's growing demand for mining machineries is attributable to favorable coal prices, low capital expenditure over the years and lack of investment on mining machineries. In addition, amid growing mining accidents caused mainly by outdated mining machineries, mine owners are aware mining machineries with improved safety and automated features are important to achieve safer and stable mining out. Hence, mine owners are seeking to upgrade or replace their older mining equipments at hand.

The demand for mining machinery upgrades also comes from the need to maintain its current level of coal exploitation and output. As overall production environment for mining machineries are usually harsh and abrasive, mining machineries deteriorate at a rapid pace, ending up with a shorter lifespan. As a result, frequent upgrading is required for mining machineries, and frequent maintenance will result in frequent replacement of mining machineries.

The quality and safe modern product supplied by Tengzhou Kaiyuan fulfilled the need of clients who are mine owners, and is well recognized by the market.

(Retrieved source: https://www.zhitongcaijing.com/content/detail/239444.html)
(Retrieved source: http://www.bjxintian.net/jixiexinwen/4456.html)

Tengzhou Kaiyuan Highlight for the year

Tengzhou Kaiyuan's revenue in 2019 was HK$27.39 million, representing a year-on-year increase of 36.9%.

Mr. Joseph Chan, Kaisun's Chairman, delivered the opening speech at the opening ceremony of Tengzhou Kaiyuan moving into Mo Zi Innovation and Technology Park in early 2019.

- As the results of Tengzhou Kaiyuan was rising steadily with its production capacity expanded, Tengzhou Kaiyuan was well recognized by local government of Tengzhou, and was invited by Tengzhou government to enjoy preferential rental policy. Having started moving into Mo Zi Innovation and Technology Park at the beginning of 2019, Tengzhou Kaiyuan subsequently moved the production facilities into the Park in the second and third quarter, and the production team started working in the new Park.

Mo Zi Innovation and Technology Park

During the fourth quarter, production increased as production capacity was raised.

- By putting resources on researching on new types of mining machineries and following market trends in 2019, raising the safety standard of our products and after sales services, Tengzhou Kaiyuan had raised its brand awareness in the market, and extend its sales network across the nation.

Safety Certificates for Mining Equipment

ii. Shandong — Supply Chain Management Services

Shandong Kailai Energy Industrial Co., Limited ("Shandong Kailai") is a joint venture of the Company's subsidiary and Shandong Baiyi Coal and Electricity Company Limited.

Shandong Kailai specializes in coal supply chain management, warehouse and logistics management as well as loading and unloading service. It has the right to use a section of railway permitted by China's Jinan Railway Bureau. Shandong Kailai's logistics centre is located at China's railway hub with a number of state-owned factories nearby. It has a total area of 40,000m^2 with an annual loading capacity of 3 million tons.

Updates on China's policy on Coal Transportation and the Growth of Transportation in 2020

China State Railway Group announced that "Road-to-Rail" policy would be the main theme for 2020, further promoting and expanding the use of railway as the better method of transport, raising overall railway capacity to facilitate transportation of coal especially in northern China where major production centre for coal are located.

Moreover, according to statistics of China State Railway Group, the total freight volume of by railway reached 3.44 billion tons in 2019, an increase of 7.8% compared to that of previous year. Looking forward for the year of 2020, it is expected to increase by 6.1% reaching 3.65 billion tons of which transport of coal will account for 60% of transport by railway.

As one of the major provinces for electricity production and consumption, Shandong is located at the hub of China's coal transportation network. As Kailai Logistics Centre is well located near the railway, the supply chain management business of Shandong Kalai will benefit from the increase in adopting railway as the transport method for coal throughout the whole country.

(Retrieved source: http://www.xinhuanet.com/english/2020–01/02/c_138674344.htm)
(Retrieved source: http://www.huanancoal.com/html/wuliu/meitanjiance/20191223/67290.html)

Shandong Kailai for the year

- Shandong Kailai is in discussion with state-owned enterprises over possible cooperation. In addition, our clients have placed trust in our business, which helps us improve our collection of accounts receivables and overall business performance. Shandong Kailai generated approximately HK$28.88 million in revenue in 2019.

- During the year, to support China's Blue Sky Protection campaign and contributing to corporate social responsibility for sustainable development, Shandong Kailai installed eco-friendly facility upgrades including modern sprinkler system, dust screens and high walls for lowering the level of dust, so as to become an environmental friendly enterprise.

- As site location, production scale, manufacturing technology, pollution creation, pollution mitigation measures of Shandong Kailai meet the high standard required by the local government, Shandong Kailai received approval of Environmental Impact Assessment (EIA) from local government of Tengzhou City, Shandong.

- After completion of coal yard expansion, revenue from both loading and unloading business and coal transportation business of Shandong Kailai increased. In order to comply with stricter safety regulations, Shandong Kailai laid out plans for steel reinforcement and widening of cargo platform at the beginning of the year and above work was completed.

iii. Xinjiang — Coal Exploitation Business (wholly owned subsidiary of Shandong Kailai)

Xinjiang Turpan Xingliang Mining Co., Limited ("Xingliang Mine") is a wholly owned subsidiary of Shandong Kailai. It is located in Qiquanhu Town, Turpan City within the Tuha coal field area, which is one of the four major fields in Xinjiang province. Long-flame coal used mainly by power plants and chemical industries is the major composition of Xingliang Mine. Xingliang Mine signed an integrity agreement with Turpan Gaochang District Government in 2018 for the consolidation of nearby small-scale mines. At present, Xingliang Mine has a mining license with an authorized annual capacity of 90,000 tons, and has begun the application process for an exploration license and advanced mining license with an authorized annual capacity of 1.2 million tons.

Analysis on the coal industry of Xinjiang in 2020

Located in the far northwest of China and earning the label "China last coal unexploited coal mine", Xinjiang is a major region for coal mining. With abundant coal resources stretching over 76,000 square kilometers. Xinjiang possesses estimated coal reserves of 2.2 trillion tons, accounting for 40% of China's coal reserves and rank 1st in China, and holds 24.2% of China's proven coal reserves, or about 380.9 billion tons, and rank 2nd in China.

Following management reform and moving in of large enterprises outside Xinjiang, the Xinjiang coal industry improved with increased modernization. From economic perspective of coal industry, as the advantages of structural reform on supply of coal started, both the supply in volume and price in coal in Xinjiang increased, and market of coal is expected to be good.

Furthermore, with implementation of China's strategy of "Coal in West transport to the East", accelerating trend of shifting focus towards the western region, enhancing status of Xinjiang as resourceful region for development of coal. During the period of 13th Five-Year Plan, production in mines in Xinjiang, Inner Mongolia and Shaanxi account for 80% of the country's total. It is expected that coal production in Xinjiang to rise from 190 million tons in 2018 to 250 million tons in 2020.

(Retrieved source: https://www.cctd.com.cn/show-176–194277–1.html)

As one of the main coal mines in Turpan and recognized by local government for providing supply of coal for nearby power plant in Turpan, Xinliang mine is a key business project for the Group. Under the demand for coal by nearby power plant and favourable local government policy, it is expected to benefit Xinliang Mine and the Group positively.

Xingliang Mine for the year

- Being recognized by the local government in Turpan Gaochang District for consolidating nearby small mines, mining area of Xingliang Mine expanded from 1.1 km² to 8.8 km². Xingliang Mine provided preliminary work for road repair and construction of ground surface of ground surface, to match with future consolidation work which will be provided by local government. During 2019, Xingliang Mine improved environment of coal mine, further raising capability of Xingliang Mine for consolidating small mines.

- All relevant reports were completed in the 4th quarter of 2019, including feasibility report, social stability risk analysis report, geological disaster assessment report, environmental assessment report, exploration report, etc.

- Xingliang team worked with 156 Team of Xinjiang Mining Geological Bureau for outdoor exploration work, and preliminary work was completed in the 4th quarter.

- As spontaneous combustion appeared in mining areas which will soon be consolidated, Xingliang mine team currently prepares for application for coal fire extinguishment work, for implementing open area coal fire extinguishment work. It is expected approval from local government can be obtained in 2020, after which coal fire extinguishment work can start.

iv. Mongolia — Supply Chain Management Business

The railway logistics platform in Choir City has a total area of 35,000m² with an annual loading capacity of 1.8 million tons. It mainly provides loading and unloading services, customs declaration, warehousing and logistics services.

Analysis on the coal industry of Mongolia in 2020

China's Belt and Road Initiative is providing great economic opportunities for Mongolia, as it helps landlocked Mongolia connect with neighboring countries in particular linking trade with China and Russia. According to the National Statistical Office of Mongolia, during the first 11 months of 2019, Mongolia exports rose by 575 million US dollars, or 8.9% compared to that of previous year, to 7.056 billion US dollars, of which coal exports saw a 12.0% increase by 316 million US dollars to 2.948 billion US dollars, reflecting the increase of overall export and coal export of Mongolia.

Being rich in natural resources in particular coal with wide distribution across the country, Mongolia relies heavily on coal, which accounts for 40% of the country's export income and providing over 90% of sources of electricity for the country. Hence, coal has important influence on the economy of Mongolia.

Being the world's second largest landlocked country with no direct coastal access to the sea and having under-developed road network, Mongolia need to reply on railway transport for its foreign trade and development.

Because of proximity of between China and Mongolia, transport cost of goods is low. Together with the low cost of goods, trading and export of mineral products is envisaged to increase. This will be advantageous to business development of Choir Logistics Centre.

(Retrieved source: https://www.en.nso.mn/content/322)
(Retrieved source: https://www.spglobal.com/platts/en/market-insights/latest-news/coal/090519-mongolia-eyes-higher-value-coking-coal-exports-logistics-key-challenge)

Choir Project Highlights

- Choir team began negotiation at start of the year with China Railway Engineering Construction Mongolia (CREC) for completion of the remaining construction work of Choir Logistics Centre, and reached consensus with CREC near year end of 2019 to start to prepare for specific infrastructure project.
- Choir team was in discussions with various parties over future cooperation, so that business operation can commence once the infrastructure is completed.

v. Commodities trade

Trend on the Development of China's Cement Industry in 2020

Amid the coronavirus, demand in the first quarter of 2020 cannot reach the normal level. However, resumption of demand to normal is anticipated by the end of March or beginning of April, and it is expected that the annual demand will remain at around 2.3 billion tons, hence maintaining profit of the industry.

China government, at both central and local level, adopted policies that facilitate enterprises to resume work and move specific investment projects forward.

According to incomplete statistics, since February 2020, Beijing, Fujian, Henan, Yunnan and Jiangsu had released list of 2020 specific investment projects, with total investment over ten trillion yuan. Among specific investment projects, infrastructure projects and projects that improve the livelihood of people takes priority.

Analysis revealed that amid containment of coronavirus, the economic stimulation offered by these policies will act to smoothen up cyclical fluctuations. After resumption of work, it is expected investment in infrastructure will increase. As demand for investment in infrastructure sector will only experience delay but not cancellation, it is expected that the infrastructure sector will perform better.

(Retrieved source: https://www.yicai.com/news/100533285.html)
(Retrieved source: https://www.yicai.com/news/100524020.html)

Kaisun is optimistic on cement market. The resumption of work in China together with starting of infrastructure projects will bring positive influence to cement market.

Commodities Trade Highlights

Commodity trade recorded annual revenue of HK$61.1 million for 2019, including commodities trade of cement of around HK$51.65 million.

AGRICULTURAL INVESTMENT AND DEVELOPMENT

Kaisun Group continues to provide professional guidance and service on internal control and audit to support the business development of Cheung Lee Agricultural Co., Limited ("Cheung Lee") such as daily operation, financial control, legal advice and development in other aspects.

At present, Cheung Lee has 4 main core businesses, namely vegetables, fresh fruits, tea and nuts, and owns 11,000 acres of agricultural base for vegetables, 1,500 acres of fruit plantation base and 25,000 acres of Pu'er Terrace Tea and Pu'er Ancient Tree Tea plantation base.

Over the past two decades Cheung Lee has evolved into an agricultural integrator that provides unique comprehensive agricultural supply chain consisting of modern farming, cultivation management as well as store and online sales platforms connecting wholesale and retail business in green food both in China and internationally.

Cheung Lee Highlights for 4th Quarter

- Adopting "Safe Vegetable" as mission where use of chemical fertilizers and pesticides are eliminated, Cheung Lee will launch "Natural Vegetable" with "zero residue" in the market.

- Increasing product mix by adding tea, nuts, health food to Cheung Lee's products for sale.

- A subsidiary of Cheung Lee provide loan guarantee to agricultural cooperatives and wholesalers to facilitate enterprises upstream and downstream of the agriculture industry chain obtain loan in cash for use or expand business.

FIRST QUARTER 2020 DEVELOPMENT GOALS

Kaisun Group will continue our effort on our existing businesses and look to expand our services and business. The Group's business goals in the 1st quarter are as follows:

Shandong — Mining and Metallurgical Machinery Production

- Shandong Kaiyuan strives to strengthen customer relationships and develop effective collection strategies in order to lower risks of bad debts and maintain its record of zero bad debts.

- Shandong Kaiyuan plans for recruitment of senior technicians. Extensive training programs will be offered to them to unleash the potential, raising their confidence, enhancing cooperation which will in turn improve service quality and increase productivity.

Shandong — Supply Chain Management Services

- By future cooperation with state-owned enterprises, Shandong Kailai hopes to expand business scope through providing professional logistics services. Leveraging on its own competencies such are raising railway transportation capabilities and service quality, lowering operating costs, Shandong Kailai can maintain and improve its existing market share.

- By raising staff awareness on environmental protection and upgrading our environmental friendly facilities, Shandong Kailai aims to provide for sustainable environmental friendly and less polluted working environment.

Xinjiang — Coal Exploitation Business

- Xingliang Mine's team is now actively preparing for the application for coal fire extinguishment work and is expected to receive approval from the government in 2020.

- Xingliang Mine's team is in preliminary discussion with related teams for coal fire extinguishment work. Coal fire extinguishment work will begin once government approval is obtained and be prepared to consolidate nearby mines.

- Xingliang Mine's team is in contact with potential clients, including nearby power stations, over possible cooperation to establish long-term partnership for securing steady stream of revenue.

Mongolia — Supply Chain Management Business

- Amid impact of coronavirus, travel restrictions imposed between Mongolia and China render original planned work of Choir Project to be delayed. It is expected that preparatory work can commence in the third quarter during which original plan can be implemented.

Commodities trade

- The impact of high level of uncertainty on Chinese economy resulting from coronavirus outbreak is expected to last for half a year. Under such economic environment, the Group's commodities trade will halt for time being until the 3rd quarter of 2020, as it is expected that the infrastructure investment can provide suitable opportunities for commodities trading of cement.

Agricultural Investment and Development

- Cheung Lee is actively promoting "Natural Vegetable" with strict "zero residue" standards to distributors and potential buyers. With concept of "Safe Vegetable", we are confident that "Natural Vegetable" can enter local market.

- By adding new products of tea, nuts, health food, Cheung Lee expanded its business segment and build a one-top supply platform for each business segment.

- By adding new partners who can provide professional advice, insights and experience to help the business, Cheung Lee hope to expand its business.

BUSINESS SOLUTIONS & EVENT MANAGEMENT BUSINESS

From the second quarter of 2019, "Kaisun Business Solutions Limited" ("KBS") (formerly known as "Kaisun New Economy Rangers" featured a selection of corporate services, including public relations services, event organizing, video production and trust & trustee services. The following sections will provide more details about each business unit.

In 2019, almost 30 projects were completed by People's Communications & Consultancy Company Limited ("PCCC"). PCCC held many cultural and art related exhibitions in the first half of 2019 and received consistent positive feedbacks from the clients. In the second half of the year, political turmoil began to eat into the city's various industries, many local events had been forced to be postponed or cancelled. Rising up to challenges, in September and October, PCCC has successfully organized a high-level forum and a large-scale trade promotion conference, meeting clients' quality requirement and expectations for the events.

To cope with changes in the market, in 2020, PCCC will introduce new services and approaches,such as by increasing the portion of online services to offset the consequences of coronavirus to the offline events, while focusing on domestic and international promotional events.

2019 Zhaoqing — Hong Kong Greater Bay Area Economic and Trade Promotion Conference

Splitting from event organizing business for tapping into particular niche market, VOV Studio Limited ("VOV") was established in early 2019 for featuring film and media production services with the support from the Group. In merely few months, VOV was invited for production of RTHK'S programme — New Talent Drama Series. In addition, VOV also served many organizations, including foreign companies on the Fortune 500 list and Mainland government-owned enterprises in Hong Kong, providing VOV with experience and building a steady client base. In 2020, VOV will try to bid on various production and advertisement projects, hoping to deliver a sustainable revenue model.

Kaisun Trust and Trustee Services Company Limited ("Kaisun Trust") was established in early 2019 to and mainly provide fund administration and related company secretarial services. Kaisun Trust had developed 9 long-term clients and the team had also expanded as business was getting on the right track. In fourth quarter of 2019, Kaisun Trust has launched custodian services bringing in new source of income with new client. In 2020, Kaisun Trust will further expand revenue streams based on last year's success.

ESPORTS BUSINESS

2019 is a crucial year for Kaisun's Esports subsidiary EvoLoop and its signature Esports IP GIRLGAMER Esports Festival. In 2019, the team launched GIRLGAMER franchising concept. Through close cooperation with global partners, we have upgraded the past once-a-year event to regional qualifiers and world finals, which efficiently maximized its global influence.

At the time of writing, all GIRLGAMER 2019–2020 regional qualifiers and World Finals were successfully held. GIRLGAMER World finals was held in Meydan Grandstand in Dubai, UAE. Nine of the world's best all-female esports teams from Oceania, Asia, Europe, America gathered to crown for world champions. In addition to the esports tournament and business conference, there were also cosplay competition, education & career seminars, exhibition and etc. For the very first time, we have invited Gucci Mane, the world-renowned rapper to perform on the GIRLGAMER stage. Depending upon the level of development of the Esports Business and the market sentiment, in 2020, the Group planned to put the exit plan of Esports Business on the agenda in due course.

GIRLGAMER World Finals in Dubai, UAE

INVESTMENT PLATFORM DEVELOPMENT

As stated in the Company's announcement dated 11 November 2019, the Group signed a Sale and Purchase agreement for acquiring the shares of SCH Limited, the holding company of Sturgeon Capital Limited (Sturgeon), a London based Belt and Road investment manager, by increasing stake of 41.02% indirectly in Sturgeon, the Group's stake in Sturgeon became 50.98% from the original holding of 9.96%. For details on the acquisition, please refer to the Company's announcement dated 11 November 2019.

The Group started out specialising in coal production in the Belt regions, and now has evolved to various investments in key areas of Belt and Road, while Sturgeon has also focused on managing funds that invest in Belt and Road private and publicly traded securities, specializing and focusing on the Belt regions for more than a decade. In general, the development direction of both companies is coherent. Acquiring Sturgeon Capital could help the group to understand more about the region and consolidate group's status within the region.

Crisis creates opportunities. Although the Brexit may damage the economy of the United Kingdom, the Group believes that there are some opportunities springing up especially in the UK's mature and developed financial market. Moreover, the economy of the Greater China region is slowed by the coronavirus outbreak, the bonuses from the Mainland China's rapid economy growth no longer existed. Hence, it is important to strike the balance of the global market and explore more opportunities along the Belt and Road. The current situation further validates the group's strategy on leveraging on Sturgeon to find quality investment along the Belt and Road, in order to mitigate the impact of a possible downturn in the Chinese economy. At the same time, Chinese manufacturing companies also need to get back on track through the foundation of the Belt and Road established for many years, benefitting the Group and Sturgeon which had years of experience along Belt and Road.

At the time of writing, the synergistic effect of the two sides has begun to appear, Sturgeon successfully raised and launched US$10 million for an Uzbekistan fund, one of the states along the Belt countries with best potential.

SECURITIES TRADING BUSINESS

The Group's listed-securities trading business continued to be monitored by the investment committee with analytical and performance reports generated regularly. Regular meetings to review and evaluate the risks of our securities portfolio were held. In 2019, because of uncertainties of the US-China trade war, the Brexit, and the inverted yield curve for US Treasury bonds, the global and Hong Kong economies looms over possibilities of economic recession. Nevertheless, the market and investor sentiment improved after the United States and China agreed on the terms of a "Phase One" trade deal that reduces some tariffs on both sides in the 4th quarter of 2019.

The investment committee had decisively lowered the weight of the securities that were originally with higher shareholdings, partly realizing profit and cash in 2019. Cash realized was used to cover operating cost of our Belt and Road business. In addition, OP Financial Limited (HKEx: 1140) had brought return and dividend income to the group for the past three years with an average purchase price of HKD1.45, and the closing price on the 31 December 2019 was HKD1.50. The investment committee agreed to continue holding OP Financial Limited (HKEx: 1140) and lower its target selling price.

As at 31 December 2019, the fair value of listed investment was HK$52,489,070. The cost of listed investment was HK$55,830,838.

In 2019, part of our existing securities portfolio recorded an unrealized loss. The unrealized fair value loss was HK$24,455,928. Dividend received from listed securities was HK$764,715.

The Investment Committee believes that although the market had experienced sluggish economic growth for some time and China and the United States agreed parts of the trade deal, the 2020 United States presidential election will increase the market's uncertainties and the investment sentiment remain cautious. The Company's investment strategy is not only to lower the target selling price, but also continue to hold or diversify our securities investment in different sectors that pay dividend.

FINANCIAL REVIEW

Revenue of the Group for the year ended 2019 amounted to approximately HK$138.6 million, represented a decrease of approximately 5.13% when compared with the same period in 2018 (2018: HK$146.1 million). Revenue arising from the sales of goods and provision of services amounted to HK$118.5 million and HK$20.1 million respectively. Drop in revenue was mainly caused by drop of corporate services business from approximately HK$22.7 million last year to approximately HK$6.9 million this year.

The Group's gross profit for the year ended 2019 decreased approximately 33.84% to approximately HK$21.9 million when compared with the same period in 2018 (2018: HK$33.1 million). Gross profit arising from the sales of goods and provision of services amounted to HK$15.2 million and HK$6.7 million respectively. Drop in gross profit was mainly attributable to drop in revenue of high margin corporate services business from approximately HK$22.7 million last year to approximately HK$6.9 million this year.

For the year ended 2019, the total administrative and other operating expenses was approximately HK$70.9 million, an increase of approximately 4.88% as compared with the same period in 2018 (2018: HK$67.6 million). Such increase of total administrative and other operating expenses for the year ended 2019 was mainly caused by increase in depreciation of right-of-use assets.

For the year ended 2019, the loss from continuing operations was approximately HK$325.1 million (2018: profit from continuing operations HK$9.0 million). The loss from continuing operation was mainly attributable to an amount of approximately HK$101.1 million other receivables written off, an impairment loss on trade and other receivables of approximately HK$114.2 million, fair value loss on financial assets at fair value through profit or loss ("FVTPL") of approximately HK$24.5 million and loss on disposal of financial assets at FVTPL of approximately HK$28.6 million. The Group recorded loss for year ended 2019 of approximately HK$328.5 million (2018: profit for year HK$5.0 million).

The total comprehensive loss attributable to owners of the Company for the year 2019 amounted to approximately HK$323.8 million (2018: income of HK$10.5 million).

As at 31 December 2019, the Group held financial assets at FVTPL of approximately HK$52.5 million, wholly comprised of listed investment in securities listed in Hong Kong. In the midst of poor performance of Hong Kong stock market in 2019, the loss on disposal of financial assets at FVTPL amounted to approximately HK$28.6 million (2018: HK$727,000), whilst the fair value loss on financial assets at FVTPL was approximately HK$24.5 million for the year ended 2019 (2018: HK$17.5 million). The details of financial assets at FVTPL are set out as follow:

Company Name	Number of shares held as at 31 December 2019	% of share-holding as at 31 December 2019	Unrealized gain/(loss) on fair value change for the year ended 31 December 2019 HK$	Dividends received for the year ended 31 December 2019 HK$	Fair value as at 31 December 2019 HK$	Fair value as at 31 December 2018 HK$	% of the Group's net assets as at 31 December 2019	Investment cost as at 31 December 2019 HK$	Reasons for fair value loss
Hong Kong Listed Securities									
BOC Hong Kong (Holdings) Limited (2388) *(Note 1)*	15,000	0.0001%	(57,000)	8,175	405,750	—	0.25%	462,750	Drop in share price
Cathay Pacific Airways Limited (0293) *(Note 2)*	30,000	0.001%	16,800	5,400	345,600	—	0.22%	328,800	—
China Petroleum & Chemical Corporation (0386) *(Note 3)*	200,000	0.001%	37,000	—	938,000	—	0.59%	901,000	—
EJE (Hong Kong) Holdings Limited (8101) *(Note 4)*	93,000,000	3.22%	(3,122,808)	—	10,323,000	21,560,000	6.49%	13,445,808	Drop in share price
Hong Kong Exchanges and Clearing Limited (0388) *(Note 5)*	15,000	0.001%	(207,000)	55,800	3,795,000	—	2.38%	4,002,000	Drop in share price
OP Financial Investments Limited (1140) *(Note 6)*	17,664,000	0.61%	(20,308,440)	690,000	26,496,000	107,273,160	16.65%	25,690,280	Drop in share price
Target Insurance (Holdings) Limited (6161) *(Note 7)*	18,102,000	3.47%	(680,980)	—	9,956,100	—	6.25%	10,637,080	Drop in share price
Tsui Wah Holdings Limited (1314) *(Note 8)*	534,000	0.04%	(133,500)	5,340	229,620	—	0.14%	363,120	Drop in share price
361 Degrees International Limited (1361) *(Note 9)*	—	—	—	—	—	617,770	—	—	—
MTR Corporation Limited (0066) *(Note 10)*	—	—	—	—	—	288,400	—	—	—
Sau San Tong Holdings Limited (8200) *(Note 11)*	—	—	—	—	—	1,260,000	—	—	—
Wang Yang Holdings Limited (1735) *(Note 12)*	—	—	—	—	—	342,400	—	—	—
Yield Go Holdings Limited (1796) *(Note 13)*	—	—	—	—	—	2,793,000	—	—	—
Total			(24,455,928)	764,715	52,489,070	134,134,730	32.97%	55,830,838	

Notes:

1. BOC Hong Kong (Holdings) Limited (HKEx: 2388) — The principal activities of BOC Hong Kong (Holdings) Limited is the provision of banking and related financial services.

2. Cathay Pacific Airways Limited (HKEx: 0293) — Cathay Pacific Airways Limited is principally engaged in operating scheduled airline services, airline catering, aircraft handling, aircraft engineering and cargo terminal operation.

3. China Petroleum & Chemical Corporation (HKEx: 0386) — China Petroleum & Chemical Corporation is principally engages in oil and gas and chemical operations in the People's Republic of China (the "PRC"). Oil and gas operations consist of exploring for, developing and producing crude oil and natural gas; transporting crude oil and natural gas by pipelines; refining crude oil into finished petroleum products; and marketing crude oil, natural gas and refined petroleum products. Chemical operations include the manufacture and marketing of a wide range of chemicals for industrial uses.

4. EJE (Hong Kong) Holdings Limited (HKEx: 8101) — The principal activity of EJE (Hong Kong) Holdings Limited is investment holding. The principal activities of the EJE (Hong Kong) Holdings Limited's subsidiaries are: (i) The design, manufacture and sales of mattress and soft bed products; (ii) property investment; (iii) securities investment; and (iv) the provision of property management and property agency services.

5. Hong Kong Exchanges and Clearing Limited (HKEx: 0388) — Hong Kong Exchanges and Clearing Limited is Own and operate the only stock exchange and a futures exchange in Hong Kong and their related clearing houses, trading of base metals forward and options contracts operating in the UK.

6. OP Financial Investments Limited (HKEx: 1140) — OP Financial Investments Limited ("OP Financial") is a Hong Kong listed Investment Company with the mandate allowing the Company to invest in various assets, financial instruments, and businesses globally. OP Financial produce medium to long term shareholder returns by developing customized investment solutions for and alongside institutional and corporate investors in the region. OP Financial's co-investors are mainly large financial institutions and organizations targeting either high growth opportunities within China or strategic investments outside the region. OP Financial also invests in funds of listed and unlisted equities to generate diversified returns. Over time, these funds will serve as the foundation of a marketable proprietary financial services platform for attracting new investment partners.

7. Target Insurance (Holdings) Limited (HKEx: 6161) — Target Insurance (Holdings) Limited is principally engaged in writing of motor insurance business in Hong Kong.

8. Tsui Wah Holdings Limited (HKEx: 1314) — Tsui Wah Holdings Limited is principally engaged in the provision of food catering services through a chain of Hong Kong-style restaurants in Hong Kong, the People's Republic of China (the "PRC" or "Mainland China") and Macau.

9. 361 Degrees International Limited (HKEx: 1361) — The principal activities of 361 Degrees International Limited are manufacturing and trading of sporting goods, including footwear, apparel and accessories in the PRC.

10. MTR Corporation Limited (HKEx: 0066) — MTR Corporation Limited is principally engaged in the following core businesses — railway design, construction, operation, maintenance and investment in Hong Kong, the Mainland of China and a number of major overseas cities; project management in relation to railway and property development businesses; station commercial business including leasing of station retail space, leasing of advertising space inside trains and stations, and enabling of telecommunication services on the railway system in Hong Kong; property business including property development and investment, management and leasing management of investment properties (including shopping malls and offices) in Hong Kong and the Mainland of China; and investment in Octopus Holdings Limited.

11. Sau San Tong Holdings Limited (HKEx: 8200) — Sau San Tong Holdings Limited is principally engaged in the provision of beauty and slimming services from slimming centres, distribution sales of cosmetic and skin care products and sale of other health and beauty products. The slimming centres, which are operated under the "Sau San Tong" brand name, provide services such as whole and partial body slimming, weight management, body treatment services and facial treatment services to its customers.

12. Wang Yang Holdings Limited (HKEx: 1735) — Wang Yang Holdings Limited is a contractor in Hong Kong undertaking (i) foundation works which include piling works, excavation and lateral support works, and pile cap construction; (ii) superstructure works which include building works in relation to the parts of the structure above the ground level; and (iii) other construction works such as demolition works, site formation works, ground investigation works, minor works, hoarding works, A&A works and fitting-out works

13. Yield Go Holdings Limited (HKEx: 1796) — Yield Go Holdings Limited is an established fitting-out contractor in Hong Kong with over 22 years of experience since the establishment of one of the group's principal operating subsidiaries, Hoi Sing Decoration, in 1995.

As at 31 December 2019, the Group held financial assets at fair value through other comprehensive income ("FVTOCI") of approximately HK$19.1 million, wholly comprised of unlisted equity securities in Hong Kong and United Kingdom and redeemable preference shares. The details of financial assets FVTOCI at investment cost are set out as follow:

Company Name	Number of shares held as at 31 December 2019	% of share-holding as at 31 December 2019	% of the Group's net assets as at 31 December 2019	Investment cost as at 31 December 2019 *HK$*	Investment cost as at 31 December 2018 *HK$*
Cheung Lee Farming Corporation *(Note 1)*	870	8.7%	5.47%	8,700,000	7,700,000
Connect-Me Technologies Limited *(Note 2)*	990	9.9%	0.0006%	990	—
Sturgeon Capital Limited *(Note 3)*	24,999	9.96%	—	—	7,800,000
Xin Ying Holdings Limited *(Note 4)*	8,000,000	N/A	5.03%	8,000,000	8,000,000
			10.49%	16,700,990	23,500,000

Notes:

1. Cheung Lee Farming Corporation incorporated under the laws of the British Virgin Islands with limited liability. The principal activities of the company together with its subsidiaries are engaged in the business of production and distribution of pollution-free vegetables.

2. Connect-Me Technologies Limited under the laws of the Hong Kong SAR with limited liability. They engaged in sale of electronic consumer products, key products including tablet PCs, smartphones, smartwatches, smart crutches, VR, electric self-balancing scooters, etc.

3. Sturgeon Capital Limited ("Sturgeon Capital") is an independent alternative investment manager specializing in frontier and emerging markets. Sturgeon Capital manages the Sturgeon Central Asia fund, a multi-strategy investment fund focused on Central Asia and the surrounding region. The Sturgeon Capital management team have been investing in the region since 2005 and is made up of industry professionals with diverse professional background of regional and industry specific experience.

4. The principal activity of Xin Ying Holdings Limited ("Xin Ying") is investment holding. Xin Ying's subsidiaries combine the development of financial globalization and internet information technology innovation mean to provide innovative and efficient financing, assessment, consulting management, interconnection, financial e-commerce and more professional financial services for domestic enterprises and individual customers in PRC. Xin Ying's subsidiaries hold two types of credit license — 融資性擔保機構經營許可證 and 深圳市小額貸款業務資格.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group has bank and cash balances of approximately HK$27.5 million (2018: HK$20.7 million).

On 24 August 2018, the Company issued an 8% unlisted straight bonds due 2020 in an aggregate principal amount of HK$50,000,000. Of this principal amount, HK$30,000,000 of net proceeds was allocated for our acquisition of Mongolia Choir Railway Platform and used in manner as set out in the Company's announcement dated 20 December 2018, and the remaining net proceed will be used for trading business.

GEARING RATIO

The Group's gearing ratio, which represents the ratio of the Group's bonds payables over the Group's total assets, was 0.15 as at 31 December 2019 (2018: 0.08).

FOREIGN EXCHANGE EXPOSURE

Majority of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), Sterling Pound, United States dollars and Tajikistan Somoni. As at 31 December 2019, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

INCOME TAX

Details of the Group's income tax expense for the year 2019 are set out in note 6.

HUMAN RESOURCES

As at 31 December 2019, the Group had 123 (2018: 122) staffs in Hong Kong and China.

The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the year 2018, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK$26.9 million (2018: HK$27.1 million) for the year 2019.

SEGMENT REPORT

The detailed segmental analysis are provided in note 14.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2019.

LITIGATION

As at 31 December 2019, the Group had no significant pending litigation.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are set out in note 15.

CORPORATE SOCIAL RESPONSIBILITY

We continued our effort to enhance Corporate Social Responsibility in 2019. We promoted cultural exchange between Hong Kong and Belt and Road countries and Greater Bay Area in 2019 by supporting Silk Road Economic Development Research Centre. Major events in 2019 included organizing sports events, and organizing and participating in Belt and Road Events.

Hence, Kaisun was awarded outstanding award on Corporate Social Responsibility by "The Mirror Magazine 8th outstanding award on Corporate Social Responsibility" in 2019.

1. Actively Organized and Participated in Belt and Road Events

1.1 March 2019

On March 27, 2019, Mr. Joseph Chan, Kaisun's Chairman was invited by Department of Politics and Public Administration, The University of Hong Kong, as guest speaker on "The China Dream and the Belt and Road Initiative".

Starting with the Coverage of Belt and Road and Greater Bay Area initiative, Mr. Chan went on insight discussions on energy and infrastructure including Notable Projects such as China-Pakistan-Economic — Corridor and Sri-Lanka port. Furthermore, Mr. Chan shared his business experiences and challenges in Belt and Road countries.

1.2 October 2019

Co-organized "Greater Bay Area Conference — Inclusive Growth through Innovation and Sustainability"

"Greater Bay Area Conference — Inclusive Growth through Innovation and Sustainability" held on October 10, 2019 was co-organized by Silk Road Economic Development Research Centre and China Daily.

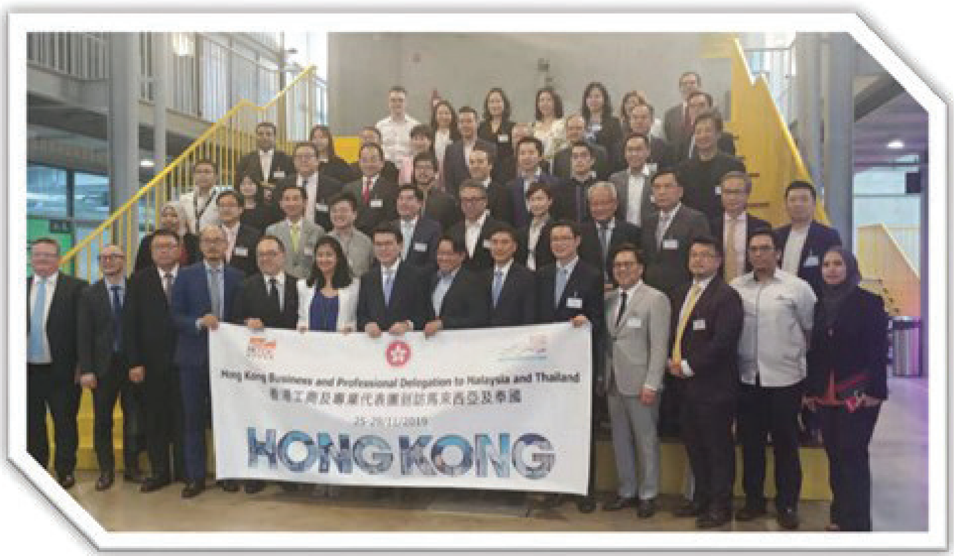
Keynote addresses were delivered by Mr. C Y Leung, GBM, GBS, JP, Vice Chairman, The National Committee of the Chinese People's Political Consultative Conference, and various distinguished speakers were invited for panel discussions.

Kaisun believed that Hong Kong is well positioned for tapping opportunities in Greater Bay Area. Through sharing and discussion by guests and attendees, potential opportunities in Greater Bay Area can be explored. During the conference, Mr. Joseph Chan, Kaisun's Chairman gave the welcoming remarks.

1.3 November 2019

Mr. Joseph Chan, Kaisun's Chairman, joined "Hong Kong Business and Professional Delegation to Malaysia and Thailand"

Mr. Joseph Chan, Kaisun's Chairman, joined the business delegation led by Mr. Edward Yau Tang-wah, the Secretary for Commerce and Economic Development of the Hong Kong Government. Around 50 members of business and professionals from Hong Kong joined this visit to Malaysia and Thailand from November 25–29, 2019.



The delegation visited Kuala Lumpur (Malaysia) and Bangkok (Thailand) on November 25 and 27 respectively. On November 29, Hong Kong chief executive Carrie Lam joined the delegation and co-chaired the first meeting of the Hong Kong-Thailand High-Level Joint Committee (HJLC) in Bangkok together with Deputy Prime Minister Somkid Jatusripitak.

1.4 December 2019

On December 14, 2019, Mr. Joseph Chan attended the opening ceremony for the Yau Tsim Mong Multicultural Activity Centre. Mr. Lau Kong-wah, the Secretary for Home Affairs was one of the guests of honor and gave a welcome speech.

As one of the Signature Project Scheme (SPS) of Yau Tsim Mong District, the Yau Tsim Mong Multicultural Activity Centre aims at promoting multiculturalism and advancing community cohesion.

Located at 59 Battery Street, Jordan, starting this October, the Centre provides services such as venue rental, translation, cultural exchange activities and training programmes. In addition, different types of shops in the Centre offer business or job opportunities, providing one-stop social services for new arrivals, ethnic minorities and the disabled.

By promoting racial harmony through this Centre, we believe greater inclusiveness will foster community cohesion, leading to development of healthy community.

2. **Enhancing multicultural exchange and supporting development of local ethnic minorities through co-organizing sports events**

April 2019

We continued our effort of co-organizing Belt and Road Friendly Basketball Tournament in 2017, 2018 and co-organized the "3rd Belt and Road Friendly Basketball Tournament". The 3rd Belt and Road Friendly Basketball Tournament was held on 27 and 28 April, 2019 at Confucius Hall Secondary School, To Kwan Wan and Chuk Yuen Sports Centre where Kaisun was an event partner.

This year, eight participating teams comprises teams from ethnic minorities in Hong Kong and came from Belt and Road countries, secondary school and local social service organizations. The 8 teams were Team Pakistan, Team Philippines, Team Singapore, Team Malaysia, Team Nepal, Confucius Hall Secondary School, Team Hubei and Team New Home Association.

3. Kaisun was awarded outstanding award on Corporate Social Responsibility by "The Mirror Magazine 8th outstanding award"

Kaisun was awarded the outstanding award on Corporate Social Responsibility in recognition of our contributions on Corporate Social Responsibility, including areas such as organizing and participation in various Belt and Road forums and supporting Belt and Road friendly basketball tournament.

The Mirror Magazine 8th award on outstanding Corporate Social Responsibility was held on 28 October 2019. Mr. Joseph Chan, Kaisun's Chairman (photo centre), received the award for Kaisun.

CORPORATE GOVERNANCE

Based on principles of transparency and independence, the Board of Directors and management are committed to principles of good corporate governance consistent with enhancement of shareholder value.

The Board has established the following committees with written terms of reference which are in line with the Corporate Governance Code (the "CG Code") and Corporate Governance Report stated in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). Details of written terms of reference are available on the Company's website:

www.kaisun.hk under "Investor Relations" section with heading of "Corporate Governance":

- Audit Committee
- Remuneration Committee
- Nomination and Corporate Governance Committee

All the committees comprise a majority of Independent Non-Executive Directors. Each of the Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee is chaired by an Independent Non-executive Director.

Full details of the Company's corporate governance practices are set out in Company's Annual Report 2019.

APPOINTMENT OF JOINT CHIEF EXECUTIVE OFFICERS

As part of the Group's long term management succession plan which promote our professional and younger members of the Company that facilitates better business development of the Company, and to implement the aspect of good corporate governance of the Company where the role Chairman and Chief Executive Officer should be separated and should not be performed by the same individual, Mr. Chen Chun Long and Mr. Ching Ho Tung, Philip were appointed as joint Chief Executive Officers (CEOs) of the Company with effect from 19 June 2019. The Company is better prepared for future strategic growth of the Group with above changes.

Following the appointment of above joint Chief Executive Officers, Mr. Joseph Chan Nap Kee relinquished as Chief Executive Officer, and remain as Chairman and Executive Director of the Company.

For details on appointment of Joint CEOs, please refer to the Company's announcement dated 18 June 2019.

AUDIT COMMITTEE REPORT

Composition of the Audit Committee ("AC")

Committee Chairman	Mr. Liew Swee Yean*
Members	Dr. Wong Yun Kuen*
	Mr. Siu Siu Ling Robert*
	Mr. Anderson Brian Ralph*

* *Independent Non-executive Director*

The primary duties of the AC are to review and supervise the financial reporting process and internal control and risk management systems of the Group, maintain an appropriate relationship with the Company's auditors and provide advice and comments to the Board.

During the year 2019, the audit committee held four meetings to review and supervise the financial reporting process. The results for the year 2019 had been reviewed by the Audit Committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

Role and Function of the Audit Committee

The primary duties of the AC are to review and supervise the financial reporting process and internal control system of the Group and provide an important link between the Board and the Company's auditors on those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation.

The AC is provided with sufficient resources to discharge its responsibilities and is supported by the Finance Department of the Company. The AC is accountable to the Board.

Audit Committee Meetings

During the year 2019, the AC had held four meetings to review and supervise the financial reporting process and the AC had reviewed the quarterly, interim and annual results, internal controls and risk management systems. The AC was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The AC also carried out and discharged its other duties as set out in the Corporate Governance Code (the "CG Code").

Attendance of each of the independent non-executive directors at the AC meetings during the year ended 31 December 2019 was set out as follows:

Number of Audit Committee Meetings	**4**	
Mr. Liew Swee Yean (Committee Chairman)	4/4	100%
Mr. Siu Siu Ling, Robert	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Mr. Anderson Brian Ralph	3/4	75%
Average attendance rate	93.75%	

During the year 2019, the AC had undertaken the following duties:

(i) made recommendations to the Board on the appointment, reappointment or removal of the external auditors (the "Auditors") and approved the audit fees and terms of engagement of the Auditors, or any questions of resignation or dismissal of the Auditors;

(ii) reviewed the quarterly, interim and annual financial statements prior to recommending them to the Board for approval;

(iii) reviewed the Auditors' management letter and the management's response thereto, and to ensure that recommendations made by the Auditors are carried out;

(iv) reviewed the operation and effectiveness of the Company's financial control, internal control and risk management systems;

(v) reviewed the appropriateness of reporting and accounting policies and disclosure practices; and

(vi) reviewed the work of the Internal Audit Department, ensuring coordination between the Internal Audit Department and the Auditors, and reviewing and monitoring the effectiveness of the internal audit function.

During the year 2019, the Board, through the AC, reviewed the effectiveness of the Group's system of internal control over financial, operational and compliance issues, broad-based risk management processes, and physical and information systems security. To formalize the annual review of internal control system, the AC made reference to the globally recognised framework with modifications to include some controls which are specific to the Group's operation. The AC concluded that, in general, the Group has set up a sound control environment and installed necessary control mechanisms to monitor and correct noncompliance.

The Board, through the review of the AC, was satisfied that the Group had fully complied with the Code Provisions on internal controls as set forth in the CG Code for the year 2019.

The Group's financial statements for the year ended 31 December 2019 has been reviewed by the AC, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased or sold any of its listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 12,440,000 Shares of the Company at a total consideration of about HK$2,977,966.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain good standard of corporate governance practices and procedures. Except for the deviation described below, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG code") contained in Appendix 15 to the GEM Listing Rules throughout the year 2019 under review.

Under Code Provision A 6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Anderson Brian Ralph was not in Hong Kong, he was unable to attend the annual general meeting of the Company held on 29 June 2019.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors ("Directors") of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year 2019. The Company has also made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

RISK MANAGEMENT AND INTERNAL CONTROL REPORT

The Board has overall responsibility for the risk management and internal control systems of the Company and for reviewing their effectiveness. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has an Internal Audit Function, and Risk Management and Internal Control System are reviewed throughout the year 2019 and any findings in this regard will be reported to the Audit Committee on a quarterly basis. Our Internal Auditor has performed the Internal Audit Function of the Company throughout the Period.

Review of Risk Management and Internal control Effectiveness

The Board had conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2019, covering the material financial, operational and compliance controls, and considered that the Group's risk management and internal control systems are effective and adequate. The Audit Committee had also annually reviewed the adequacy of resources, qualifications, experience and training programs of the Group's internal audit staff and accounting and financial reporting staff and because most of our accounting staff have professional qualifications with audit and financial experience as well, the Audit Committee considered that the staffing is adequate and the staffs are competent to carry out their roles and responsibilities.

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2019 together with the audited comparative figures for the year ended 31 December 2018 as follows:

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

	Note	**2019** **HK$**	2018 HK$ (Re-presented)
Continuing operations			
Revenue	5	**138,565,634**	146,100,236
Cost of goods sold		**(116,707,290)**	(112,963,043)
Gross profit		**21,858,344**	33,137,193
Loss on disposal of financial assets at fair value through profit or loss ("FVTPL")		**(28,584,328)**	(726,860)
Fair value (loss)/gain on financial assets at FVTPL		**(24,455,928)**	17,521,600
Fair value gain/(loss) on financial liabilities at FVTPL		**2,988,902**	(3,000,000)
Fair value loss on remeasurement of previously held interest upon step acquisition of a subsidiary		—	(545,996)
(Impairment loss)/reversal of impairment loss on trade and other receivables		**(114,164,252)**	16,860,578
Impairment loss on intangible assets		**(23,288,007)**	—
Other receivables written off		**(101,062,984)**	(3,423)
Loss on disposal of subsidiaries		**(281,268)**	—
Other income and gains and losses		**2,758,692**	12,556,756
Administrative and other operating expenses		**(70,888,659)**	(67,603,826)
(Loss)/profit from operations		**(335,119,488)**	8,196,022
Share of profit of associates		—	296,491
Finance costs		**(4,371,897)**	(1,333,333)
(Loss)/profit before tax		**(339,491,385)**	7,159,180
Income tax credit	6	**14,430,165**	1,889,807
(Loss)/profit for the year from continuing operations		**(325,061,220)**	9,048,987
Discontinued operations			
Loss for the year from discontinued operations	13	**(3,407,537)**	(4,070,742)
(Loss)/profit for the year		**(328,468,757)**	4,978,245

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

	Note	**2019** **HK$**	2018 *HK$* (Re-presented)
Attributable to:			
Owners of the Company			
(Loss)/profit for the year from continuing operations		**(314,730,011)**	14,567,696
Loss for the year from discontinued operations		**(3,399,853)**	(4,057,597)
(Loss)/profit attributable to the owners of the Company		**(318,129,864)**	10,510,099
Non-controlling interests			
Loss for the year from continuing operations		**(10,331,209)**	(5,518,709)
Loss for the year from discontinued operations		**(7,684)**	(13,145)
Loss attributable to non-controlling interest		**(10,338,893)**	(5,531,854)
		(328,468,757)	4,978,245
(Loss)/earnings per share (cents)			
From continuing and discontinued operations			
Basic	9	**(55.18)**	1.82
From continuing operations			
Basic	9	**(54.59)**	2.53

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	**2019** **HK$**	2018 HK$ (Re-presented)
(Loss)/profit for the year		**(328,468,757)**	4,978,245
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value (loss)/gain on equity instruments at fair value through other comprehensive income ("FVTOCI")		**(5,840,786)**	1,200,000
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**194,717**	(4,291,732)
Other comprehensive income for the year, net of tax		**(5,646,069)**	(3,091,732)
Total comprehensive income for the year		**(334,114,826)**	1,886,513
Attributable to:			
Owners of the Company			
(Loss)/profit for the year from continuing operations		**(321,038,466)**	12,090,752
Loss for the year from discontinued operations		**(2,739,982)**	(2,097,228)
(Loss)/profit attributable to owners of the Company		**(323,778,448)**	9,993,524
Non-controlling interests			
Loss for the year from continuing operations		**(10,330,185)**	(8,093,992)
Loss for the year from discontinued operations		**(6,193)**	(13,019)
Loss attributable to non-controlling interests		**(10,336,378)**	(8,107,011)
		(334,114,826)	1,886,513

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 HK$	2018 HK$
Non-current assets			
Fixed assets		**22,633,117**	24,272,793
Prepaid land lease		**—**	12,761,666
Right-of-use assets		**17,521,164**	—
Goodwill		**1,118,218**	1,118,218
Intangible assets	10	**114,099,342**	149,771,920
Investment in associates		**1,959,222**	—
Financial assets at FVTOCI		**19,100,000**	25,900,000
Long-term deposits		**20,000,000**	20,000,000
Deferred tax assets		**3,180,020**	—
		199,611,083	233,824,597
Current assets			
Prepaid land lease		**—**	507,086
Inventories		**5,062,525**	3,700,112
Financial assets at FVTPL		**52,489,070**	134,134,730
Trade and bills receivables	11	**27,062,784**	90,298,411
Deposits, prepayments and other receivables		**29,153,737**	182,677,157
Bank and cash balances		**27,507,017**	20,729,996
		141,275,133	432,047,492
Current liabilities			
Trade payables	12	**4,478,441**	2,479,827
Other payables and accruals		**47,427,726**	37,551,527
Bond payables		**50,000,000**	50,000,000
Other financial liabilities		**30,646,336**	33,000,000
Lease liabilities		**1,703,349**	—
Current tax liabilities		**4,382,724**	4,623,675
		138,638,576	127,655,029
Net current assets		**2,636,557**	304,392,463
Total assets less current liabilities		**202,247,640**	538,217,060

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 31 December 2019

	Note	**2019** *HK$*	2018 *HK$*
Non-current liabilities			
Other financial liabilities		**12,364,762**	—
Lease liabilities		**3,158,395**	—
Redeemable convertible preference shares		**510,500**	—
Deferred tax liabilities		**27,037,510**	38,820,400
		43,071,167	38,820,400
NET ASSETS		**159,176,473**	499,396,660
Capital and reserves			
Share capital		**57,656,606**	57,656,606
Reserves		**67,655,001**	396,369,774
Equity attributable to owners of the Company		**125,311,607**	454,026,380
Non-controlling interests		**33,864,866**	45,370,280
TOTAL EQUITY		**159,176,473**	499,396,660

NOTES

1. GENERAL INFORMATION

Kaisun Holdings Limited ("the Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 11/F, 46 Lyndhurst Terrace, Central, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable International Financial Report Standards ("IFRSs") issued by the International Accounting Standards Board. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The International Accounting Standards Board has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Group incurred a loss of HK$328,468,757 and operating cash outflow of HK$746,166 for the year ended 31 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of Mr. Chan Nap Kee, Joseph, a director of the company, at a level sufficient to finance the working capital requirements of the Group. The director has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The International Accounting Standards Board has issued a new IFRS, IFRS 16 Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, and the related interpretations, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(a) Application of new and revised IFRSs (continued)

IFRS 16 Leases (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 5% to 18%.

To ease the transition to IFRS 16, the Group applied the recognition exemption and practical expedients at the date of initial application of IFRS 16. The Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(a) Application of new and revised IFRSs (continued)

IFRS 16 Leases (continued)

(b) Lessee accounting and transitional impact (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$
Operating lease commitments disclosed as at 31 December 2018	3,263,895
Less: recognition exemption for leases with less than 12 months of lease term at transition	(192,514)
Less: total future interest expenses	(574,613)
Lease liabilities recognised as at 1 January 2019	2,496,768
Of which are:	
Current lease liabilities	1,143,226
Non-current lease liabilities	1,353,542
	2,496,768

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(a) Application of new and revised IFRSs (continued)

IFRS 16 Leases (continued)

(b) Lessee accounting and transitional impact (continued)

The following table summaries the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16	*Note*	**Carrying amount as at 31 December 2018**	**Effects of adoption of IFRS 16** **Re-classification**	**Recognition of leases**	**Carrying amount as at 1 January 2019**
		HK$	*HK$*	*HK$*	*HK$*
Assets					
Right-of-use assets		—	13,424,449	2,496,768	15,921,217
Fixed assets	(i)	24,272,793	(155,697)	—	24,117,096
Prepaid land lease payments	(i)	13,268,752	(13,268,752)	—	—
Liabilities					
Lease liabilities		—	—	2,496,768	2,496,768

Note:

(i) Upfront payments for leasehold lands in the PRC own used properties were classified as prepaid land lease as payments as at 31 December 2018. Upon application of IFRS 16, the prepaid land lease payments amounting to HK$13,424,449 were classified to right-of-use assets.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(a) Application of new and revised IFRSs (continued)

IFRS 16 Leases (continued)

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16	**Add back: IFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under IAS 17** ***(note 1)***	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported for 2018 under IAS 17
	HK$	***HK$***	***HK$***	***HK$***	*HK$*
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
(Loss)/profit from operation	**(335,119,488)**	**2,322,408**	**(2,558,767)**	**(335,355,847)**	8,196,022
Finance costs	**(4,371,897)**	**361,213**	**—**	**(4,010,684)**	1,333,333
(Loss)/profits before taxation	**(339,491,385)**	**2,683,621**	**(2,558,767)**	**(339,366,531)**	7,159,180
(Loss)/profit for the year	**(328,468,757)**	**2,683,621**	**(2,558,767)**	**(328,343,903)**	4,978,245

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(a) Application of new and revised IFRSs (continued)

IFRS 16 Leases (continued)

(c) Impact of the financial results and cash flows of the Group (continued)

	2019			2018
	Amounts reported under IFRS 16	**Estimated amounts related to operating leases as if under IAS 17** ***(notes 1 & 2)***	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported for 2018 under IAS 17
	HK$	***HK$***	***HK$***	*HK$*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash used in operations	**(24,731,121)**	**(2,049,223)**	**(26,780,344)**	(55,510,707)
Interest element of lease rentals paid	**(361,213)**	**361,213**	**—**	—
Net cash used in operating activities	**(746,166)**	**(1,688,010)**	**(2,434,176)**	(57,939,602)
Capital element of lease rentals paid	**(1,688,010)**	**1,688,010**	**—**	—
Net cash generated from financing activities	**9,996,708**	**1,688,010**	**11,684,718**	91,243,892

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3 Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention unless mentioned (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

5. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year from continuing operations is as follows:

	2019	2018
	HK$	*HK$*
		(Re-presented)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
Sales of goods:		
— Provision of supply chain management services for mineral business	**83,963,492**	89,990,914
— Mining and metallurgical machineries products	**27,390,479**	20,015,021
— Trading of electronic products	**7,154,598**	—
Provision of services:		
— Logistics services for mineral business	**6,016,518**	5,273,374
— Organising in eSports event	**1,138,610**	1,447,635
— Corporate services business	**2,679,471**	22,696,377
— Media services	**6,025,496**	6,676,915
— Trust and trustee services	**3,291,903**	—
— Event management services	**905,067**	—
	138,565,634	146,100,236

5. REVENUE (continued)

Disaggregation of revenue (continued)

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

For the year ended 31 December	Provision of supply chain management services for mineral business		Mining and metallurgical machineries products		Trading of electric products		Logistics services for mineral business		Organising in eSports event		Corporate service business		Media services		Trust and trustee services		Event management income		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
																				(Re-presented)
Primary geographical markets																				
— Hong Kong	**15,150,341**	—	**—**	—	**1,377,234**	—	**—**	—	**—**	60,000	**2,679,471**	23,411,537	**6,025,496**	6,744,464	**3,291,903**	—	**905,067**	—	**29,429,512**	30,216,001
— PRC except Hong Kong	**22,867,445**	37,128,860	**27,390,479**	20,015,021	**—**	—	**6,016,518**	5,237,214	**—**	297,835	**—**	—	**—**	—	**—**	—	**—**	—	**56,274,442**	62,678,930
— Australia	**—**	—	**—**	—	**1,404,000**	—	**—**	—	**514,872**	—	**—**	—	**—**	—	**—**	—	**—**	—	**1,918,872**	—
— Taiwan	**36,497,372**	23,689,926	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**36,497,372**	23,689,926
— Vietnam	**9,448,334**	29,172,128	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**9,448,334**	29,172,128
— Dubai	**—**	—	**—**	—	**4,373,364**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**4,373,364**	—
— Others	**—**	—	**—**	—	**—**	—	**—**	36,160	**623,738**	1,089,800	**—**	—	**—**	—	**—**	—	**—**	—	**623,738**	1,125,960
Segment revenue	**83,963,492**	89,990,914	**27,390,479**	20,015,021	**7,154,598**	—	**6,016,518**	5,273,374	**1,138,610**	1,447,635	**2,679,471**	23,411,537	**6,025,496**	6,744,464	**3,291,903**	—	**905,067**	—	**138,565,634**	146,882,945
Intersegment revenue																				
— Hong Kong	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(715,160)	**—**	(67,549)	**—**	—	**—**	—	**—**	(782,709)
Revenue from external customers	**83,963,492**	89,990,914	**27,390,479**	20,015,021	**7,154,598**	—	**6,016,518**	5,273,374	**1,138,610**	1,447,635	**2,679,471**	22,696,377	**6,025,496**	6,676,915	**3,291,903**	—	**905,067**	—	**138,565,634**	146,100,236
Timing of revenue recognition																				
Products transferred at a point in time	**83,963,492**	89,990,914	**27,390,479**	20,015,021	**7,154,598**	—	**6,016,518**	5,273,374	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**124,525,087**	115,279,309
Products and services transferred over time	**—**	—	**—**	—	**—**	—	**—**	—	**1,138,610**	1,447,635	**2,679,471**	22,696,377	**6,025,496**	6,676,915	**3,291,903**	—	**905,067**	—	**14,040,547**	30,820,927
Total	**83,963,492**	89,990,914	**27,390,479**	20,015,021	**7,154,598**	—	**6,016,518**	5,273,374	**1,138,610**	1,447,635	**2,679,471**	22,696,377	**6,025,496**	6,676,915	**3,291,903**	—	**905,067**	—	**138,565,634**	146,100,236

6. INCOME TAX CREDIT

	2019 HK$	2018 HK$
Current tax — Hong Kong		
Provision for the year	—	(1,909,800)
Over provision for prior years	**36,243**	1,069,200
Current tax — Overseas		
Provision for the year	**(38,178)**	(55,390)
Under-provision for prior years	**(37,298)**	(14,314)
	(39,233)	(910,304)
Deferred tax	**14,469,398**	2,800,111
	14,430,165	1,889,807

Hong Kong Profits Tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year less allowable losses brought forward.

Under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

PRC enterprise income tax has been provided at a rate of 25% (2018: 25%).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax credit and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2019 HK$	2018 HK$ (Re-presented)
(Loss)/profit before tax	**(339,491,385)**	7,159,180
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	**(56,016,079)**	1,181,264
Tax effect of income that is not taxable	**(1,707,342)**	(3,449,615)
Tax effect of expenses that are not deductible	**29,346,640**	3,565,791
Tax effect of tax loss not recognised	**18,322,716**	391,242
Tax effect of utilisation of tax losses not previously recognised	**(722,699)**	(895,926)
Temporary difference not recognised	**13,647**	240,815
Under/(over)-provision for prior years	**1,055**	(1,054,886)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(3,668,103)**	(1,868,492)
Income tax credit	**(14,430,165)**	(1,889,807)

7. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2019	2018
	HK$	*HK$*
		(Re-presented)
Auditor's remuneration	**3,000,000**	2,800,000
Cost of inventories sold of supply chain management services for mineral business and mining metallurgical machineries	**96,348,984**	104,000,915
Depreciation on fixed assets	**3,299,966**	1,501,114
Depreciation on right-of use assets	**2,322,408**	—
Amortisation of intangible assets	**10,305,250**	13,009,473
Amortisation of prepaid land lease	**—**	528,466
Fixed assets write off	**148,281**	—
Other receivables written off	**101,062,984**	3,423
Loss on disposal of subsidiaries	**281,268**	—
Loss on disposal of fixed assets	**60,047**	75,721
Loss on disposal of financial assets at FVTPL (held for trading)	**28,584,328**	726,860
Fair value loss/(gain) on financial assets at FVTPL	**24,455,928**	(17,521,600)
Fair value (gain)/loss on financial liabilities at FVTPL	**(2,988,902)**	3,000,000
Fair value gain on remeasurement of previously held interest upon step acquisition of a subsidiary	**—**	545,996
Impairment/(reversal of impairment) loss on trade and other receivables	**114,164,252**	(16,860,578)
Operating lease rentals in respect of land and buildings	**—**	1,914,993
Net exchange (gain)/loss	**(48,142)**	2,322,776

8. DIVIDEND

	2019	2018
	HK$	*HK$*
2018 Final dividend of HK$0.17 cents per ordinary share paid	**980,162**	—
2018 Special dividend of HK$0.17 cents per ordinary share	**980,163**	—
	1,960,325	—

No final dividend for the year ended 31 December 2019 has been declared by the Company.

9. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic (loss)/earnings per share is based on the following:

	2019	2018
	HK$	*HK$*
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	**(318,129,864)**	10,510,099

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**576,566,055**	576,566,055

From continuing operations

The calculation of the basic (loss)/earnings per share from continuing operations is based on the following:

	2019	2018
	HK$	*HK$*
(Loss)/earnings for the purpose of calculating basic earnings per share	**(318,129,864)**	10,510,099
Loss for the year from discontinued operations	**3,399,853**	4,057,597
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share from continuing operations	**(314,730,011)**	14,567,696

The weighted average numbers of ordinary shares used as denominators in calculating the basic earnings per share are the same.

From discontinued operations

Basic (loss)/earnings per share from the discontinued operations is HK0.58 cent per share (2018: HK0.70 cent per share) based on the loss for the year from discontinued operations attributable to the owners of the Company of HK$3,399,853 (2018: HK$4,057,597) and the denominators used are the same as those detailed above for both basic earnings per share.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2019.

10. INTANGIBLE ASSETS

	Mining rights *HK$*
Cost	
At 1 January 2018	248,233,754
Exchange differences	(13,619,689)
At 31 December 2018 and 1 January 2019	234,614,065
Written off	(63,231,985)
Exchange differences	(5,016,291)
At 31 December 2019	166,365,789
Accumulated amortisation and impairment losses	
At 1 January 2018	77,099,105
Amortisation for the year	13,009,473
Exchange differences	(5,266,433)
At 31 December 2018 and 1 January 2019	84,842,145
Amortisation for the year	10,305,250
Impairment loss	23,288,007
Written off	(63,231,985)
Exchange differences	(2,936,970)
At 31 December 2019	52,266,447
Carrying amount	
At 31 December 2019	114,099,342
At 31 December 2018	149,771,920

At 31 December 2019, the Group's mining rights are the rights obtained by the Group for production and exploitation of one coal mine (2018: one) located in the PRC, and nil (2018: two) coal mines located in Tajikistan. The major content of the coal mine in PRC and Tajikistan is thermal coal and anthracite and bituminous coal respectively. The terms of the mining rights of the coal mines in PRC and Tajikistan are from January 2019 to October 2020 and August 1997 to September 2018 respectively. The mining rights are stated at cost less accumulated amortisation and impairment losses over the term of the mining rights. During the year, the director of the Company decided to shut down the operation of mining business located in Tajikistan and thus to fully write off the mining right of Tajikistan with net carrying amounts of HK$Nil (2018: HK$Nil).

Having regard to the change in production plan to operate the mine at a significantly reduced annual production capacity, the Group carried out reviews of the recoverable amount of its mining rights in 2019. These assets are used in the Group's production and exploitation of coal in Xinjiang segment. The review led to the recognition of an impairment loss of HK$23,288,007 for mining rights that have been recognised in profit or loss. The recoverable amount of HK$114,099,342 for the relevant assets has been determined on the basis of their value in use method using discounted cash flow method. The discount rate used was 25.30%.

11. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$	*HK$*
Trade receivables	**67,966,028**	87,012,336
Allowance for doubtful debts	**(41,350,693)**	(813,016)
	26,615,335	86,199,320
Bills receivables	**447,449**	4,099,091
	27,062,784	90,298,411

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers.

An ageing analysis of trade and bills receivables, based on the invoice date, is as follows:

	2019	2018
	HK$	*HK$*
0–30 days	**14,757,961**	46,662,570
31–60 days	**7,489,446**	2,298,126
61–90 days	**292,107**	1,247,255
91 days-1 year	**8,388,168**	9,172,877
Over 1 year	**37,485,795**	31,730,599
	68,413,477	91,111,427

As at 31 December 2019, an allowance was made for estimated irrecoverable trade receivables of approximately HK$41,350,693 (2018: HK$813,016).

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2019	2018
	HK$	*HK$*
USD	**—**	8,653,545
HK$	**25,950,152**	37,833,298
RMB	**42,463,325**	44,624,584
	68,413,477	91,111,427

12. TRADE PAYABLES

An ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2019	2018
	HK$	*HK$*
0–30 days	**2,075,843**	632,063
31–60 days	**1,469,034**	542,969
61–90 days	**337,354**	310,310
91–180 days	**103,186**	171,904
181–365 days	**—**	50,847
Over 365 days	**493,024**	771,734
	4,478,441	2,479,827

The Group's trade payables are denominated in the following currencies:

	2019	2018
	HK$	*HK$*
HK$	**—**	8,000
RMB	**4,478,441**	2,471,827
	4,478,441	2,479,827

13. DISCONTINUED OPERATION

On 6 November 2019, the Group dissolved the wholly owned subsidiary, Better Business International Limited ("Better Business"). Better Business and its subsidiaries were principally engaged in the production and exploitation of coal business in Tajikistan. In view of the political instability and devaluation currency in Tajikistan Somoni, the directors of the Company decided to shut down the operations in Tajikistan.

As the business operations of production and exploitation of coal in Tajikistan are considered as a separate major line of business which was previously classified as the production and exploitation of coal business segment of the Group, it is accounted for as discontinued operations for the year ended 31 December 2019. The comparative financial information in respect for the year ended 31 December 2018 has been reclassified to conform with current presentation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

13. DISCONTINUED OPERATION (continued)

Since early 2020, COVID-19 had been widely spread in Tajikistan, the local staff had left Tajikistan due to safety reason and the management of the Group had been unable to travel to Tajikistan and obtain the related books and records in Tajikistan.

	2019	2018
	HK$	*HK$*
Loss for the year from discontinued operations:		
Revenue	**923,182**	2,976,107
Cost of goods sold	**(1,025,798)**	(2,724,998)
Gross (loss)/profit	**(102,616)**	251,109
Other income and gains	**—**	477,755
Administrative and other operating expenses	**(3,304,921)**	(4,799,606)
Loss before tax	**(3,407,537)**	(4,070,742)
Income tax expense	**—**	—
Loss for the period/year from discontinued operations	**(3,407,537)**	(4,070,742)
Loss for the period/year from discontinued operations attributable to		
— Owners of the Company	**(3,399,853)**	(4,057,597)
— Non-controlling interests	**(7,684)**	(13,145)
	(3,407,537)	(4,070,742)

None of the depreciation and amortisation and auditor's remuneration were included in loss for the period/year from discontinued operation.

	2019	2018
	HK$	*HK$*
Cash flows from discontinued operations:		
Net cash outflows from operating activities	**(2,819,511)**	(4,443,638)
Net cash inflows from financing activities	**3,280,709**	4,258,466
Net cash inflows/(outflows)	**461,198**	(185,172)

14. SEGMENT INFORMATION

The Group has seven (2018: eight) reportable segments which are production and exploitation of coal in Xinjiang, provision of supply chain management services for mineral business (including logistic services), trading securities, mining and metallurgical machineries production in Shandong, organising eSports event, corporate services business and media services for the year.

Operating segment relating to the production and exploitation of coal in Tajikistan were discontinued in the current year. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 13.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include dividend income. Segment assets do not include amounts due from related parties. Segment non-current assets do not include financial instruments and investment in an associate.

Information about operating segment profit or loss, assets and liabilities:

	Provision of supply chain management services for mineral business *HK$*	Production and exploitation of coal in Xinjiang *HK$*	Mining and metallurgical machineries production in Shandong *HK$*	eSports *HK$*	Corporate services business *HK$*	Media Services *HK$*	Trading securities *HK$*	Others *HK$*	Total *HK$*
Year ended 31 December 2019									
Revenue from external customers	89,980,010	—	27,390,479	1,138,610	6,876,441	6,025,496	—	7,154,598	138,565,634
Segment (loss)/profit	(146,064,626)	(33,173,767)	(9,284,063)	(1,432,357)	(35,089,699)	(2,711,636)	(96,918,859)	155,151	(324,519,856)
Interest revenue	475,285	22,565	747	225	711	2,709	13,993	—	516,235
Interest expenses	944	—	165,505	—	195,707	—	4,000,000	—	4,362,156
Depreciation and amortisation	985,281	12,757,708	1,203,284	—	968,015	9,472	—	—	15,923,760
Income tax (credit)/expenses	—	(8,398,314)	75,476	—	—	(36,243)	(6,071,084)	—	(14,430,165)
Other material non-cash items:									
Impairment/(reversal of impairment) of assets	43,048,000	23,291,676	7,518,746	8	24,989,890	(259)	38,604,028	—	137,452,089
Additions to segment non-current assets	1,481,103	—	4,210,488	—	1,565,315	—	—	—	7,256,906
As at 31 December 2019									
Segment assets	14,079,008	149,410,855	37,283,913	213,682	2,936,230	108,066	63,474,516	—	267,506,270
Segment liabilities	4,347,066	38,562,629	12,140,588	436,392	8,296,772	902,981	17,835,652	—	82,522,080
Investment in an associate	—	—	—	—	—	—	1,959,222	—	1,959,222

14. SEGMENT INFORMATION (continued)

Information about operating segment profit or loss, assets and liabilities: (continued)

	Provision of supply chain management services for mineral business HK$	Production and exploitation of coal in Xinjiang HK$	Mining and metallurgical machineries production in Shandong HK$	eSports HK$	Corporate services business HK$	Media Services HK$	Trading securities HK$	Total HK$ (Re-presented)
Year ended 31 December 2018								
Revenue from external customers	95,264,288	—	20,015,021	1,407,635	22,736,377	6,676,915	—	146,100,236
Intersegment revenue	—	—	—	207,549	—	575,160	—	782,709
Segment profit/(loss)	18,926,035	(16,303,505)	2,104,738	(2,645,727)	9,195,958	228,716	18,549,569	30,055,784
Interest revenue	322,853	810	915	462	—	1,117	—	326,157
Interest expenses	—	—	—	—	—	—	1,333,333	1,333,333
Depreciation and amortisation	920,778	13,871,695	210,762	8,074	—	8,206	—	15,019,515
Income tax (credit)/expenses	(1,069,200)	(3,252,368)	69,705	80	1,817,165	92,554	452,257	(1,889,807)
Other material non-cash items:								
Impairment/(reversal of impairment) of assets	(17,219,974)	78	(367,763)	3	—	—	725,944	(16,861,712)
Additions to segment non-current assets	17,000,376	5,516,061	880,126	—	—	67,300	—	23,463,863
As at 31 December 2018								
Segment assets	194,165,351	167,370,533	34,471,988	25,226	22,659,578	1,550,644	134,134,730	554,378,050
Segment liabilities	4,728,968	48,996,424	5,311,040	78,876	1,817,165	1,213,915	4,355,359	66,501,747

Reconciliations of segment revenue and profit or loss from continuing operations:

	2019 ***HK$***	2018 *HK$* (Re-presented)
Revenue		
Total revenue of reportable segments	**138,565,634**	146,882,945
Elimination of intersegment revenue	**—**	(782,709)
Consolidated revenue from continuing operations	**138,565,634**	146,100,236
Profit or loss		
Total (loss)/profit of reportable segments	**(324,519,856)**	30,055,784
Share of profits of associates	**—**	296,491
Unallocated amounts:		
— Staff costs	**(751,691)**	(8,394,019)
— Corporate income	**1,404,581**	1,687,636
— Corporate expense	**(1,194,254)**	(14,596,905)
Consolidated (loss)/profit from continuing operations	**(325,061,220)**	9,048,987

14. SEGMENT INFORMATION (continued)

Reconciliations of segment assets and liabilities:

	2019	2018
	HK$	*HK$*
		(Re-presented)
Assets		
Total assets of reportable segments	**267,506,270**	554,378,050
Assets relating to discontinued operations	**14,495**	14,574
Unallocated corporate assets		
— Investments in associates	**1,959,222**	—
— Financial assets at FVTOCI	**19,100,000**	25,900,000
— Deposits placed with securities brokers	**—**	1,295,938
— Bank and cash balances	**27,507,017**	20,729,996
— Long-term deposits	**20,000,000**	20,000,000
— Deferred tax assets	**3,180,020**	—
— Others	**1,619,192**	43,553,531
Consolidated total assets	**340,886,216**	665,872,089
Liabilities		
Total liabilities of reportable segments	**82,522,080**	66,501,747
Liabilities relating to discontinued operations	**5,048,411**	3,092,431
Bond payables	**50,000,000**	50,000,000
Financial liabilities at fair value through profit or loss	**43,011,098**	33,000,000
Unallocated corporate liabilities	**1,128,154**	13,881,251
Consolidated total liabilities	**181,709,743**	166,475,429

14. SEGMENT INFORMATION (continued)

Geographical information:

The Group's information about its non-current assets (excluding financial assets at FVTOCI and deferred tax assets) by location of assets are detailed below:

Non-current assets

	2019	2018
	HK$	*HK$*
Hong Kong	**24,622,609**	21,716,799
PRC except Hong Kong	**152,708,454**	186,207,798
Consolidated total	**177,331,063**	207,924,597

Revenue from major customers:

	2019	2018
	HK$	*HK$*
Provision of supply chain management services for mineral business		
Customer a	**36,497,371**	23,689,926
Customer b	**14,575,312**	21,340,703
Customer c	**15,150,341**	—

15. EVENTS AFTER REPORTING PERIOD

Since the outbreak of COVID-19 pandemic in early of 2020, PRC has implemented a series of precautionary and control measures with have certain impacts on PRC's business and economic activities. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide more appropriate presentation of the state of affairs of the Group. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

MATERIAL DIFFERENCES BETWEEN THE ANNUAL RESULTS IN THE UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND THE AUDITED ANNUAL RESULTS IN THIS ANNOUNCEMENT

Since financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed with RSM as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to material differences between the annual results set out in the Unaudited Annual Results Announcement and the audited annual results disclosed in this announcement. The principal details and reasons are set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**Audited 2019** ***HK$***	Unaudited 2019 *HK$*	Difference *HK$*
Revenue		**138,565,634**	138,370,134	195,500
Cost of goods sold		**(116,707,290)**	(117,184,567)	477,277
Gross profit		**21,858,344**	21,185,567	672,777
Loss on disposal of financial assets at FVTPL		**(28,584,328)**	(27,826,544)	(757,784)
Fair value loss on financial assets at FVTPL		**(24,455,928)**	(24,455,928)	—
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	(v)	—	1,927,183	(1,927,183)
Impairment loss on trade and other receivables	(i)	**(114,164,252)**	(18,949,675)	(95,214,577)
Impairment loss on intangible assets	(ii)	**(23,288,007)**	(3,988,820)	(19,299,187)
Other income and gains and losses		**2,758,692**	2,280,275	478,417
Fair value gain/(loss) on financial liabilities at FVTPL	(iii)	**2,988,902**	(3,378,706)	6,367,608
Loss on disposal of subsidiaries		**(281,268)**	(136,230)	(145,038)
Other receivables written off		**(101,062,984)**	(101,056,970)	(6,014)
Administrative and other operating expenses	(iv)	**(70,888,659)**	(64,034,938)	(6,853,721)

	Notes	**Audited 2019** *HK$*	Unaudited 2019 *HK$*	Difference *HK$*
Loss from continuing operations		**(335,119,488)**	(218,434,786)	(116,684,702)
Finance costs		**(4,371,897)**	(4,136,820)	(235,077)
Loss before tax		**(339,491,385)**	(222,571,606)	(116,919,779)
Income tax credit		**14,430,165**	6,846,784	7,583,381
Loss for the year from continuing operations		**(325,061,220)**	(215,724,822)	(109,336,398)
Discontinued operations				
Loss from discontinued operations		**(3,407,537)**	(3,447,824)	40,287
Loss for the year		**(328,468,757)**	(219,172,646)	(109,296,111)
Attributable to:				
Owners of the Company				
Loss for the year from continuing operations		**(314,730,011)**	(205,102,995)	(109,627,016)
Loss for the year from discontinued operations		**(3,399,853)**	(3,447,824)	47,971
Loss for the year attributable to owners of the Company		**(318,129,864)**	(208,550,819)	(109,579,045)
Non-controlling interests				
Loss for the year from continuing operations		**(10,331,209)**	(10,621,827)	290,618
Loss for the year from discontinued operations		**(7,684)**	—	(7,684)
Loss for the year attributable to non-controlling interests		**(10,338,893)**	(10,621,827)	282,934
Loss for the year		**(328,468,757)**	(219,172,646)	(109,296,111)
Loss per share (cents)				
From continuing and discontinued operation				
Basic		**(55.18)**	(36.17)	(19.01)
From continuing operations				
Basic		**(54.59)**	(35.57)	(19.02)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	**Audited 2019** **HK$**	Unaudited 2019 *HK$*	Difference *HK$*
Loss for the year		**(328,468,757)**	(219,172,646)	(109,296,111)
Other comprehensive income:				
Items that will not reclassified to profit or loss:				
Fair value loss on equity instruments at FVTOCI	(v)	**(5,840,786)**	(7,792,190)	1,951,404
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations		**194,717**	(53,501,890)	53,696,607
Other comprehensive income for the year, net of tax		**(5,646,069)**	(61,294,080)	55,648,011
Total comprehensive income for the year		**(334,114,826)**	(280,466,726)	(53,648,100)

	Notes	**Audited 2019** *HK$*	Unaudited 2019 *HK$*	Difference *HK$*
Attributable to:				
Owners of the Company				
Loss for the year from continuing operations		**(321,038,466)**	(269,844,899)	(51,193,567)
Loss for the year from discontinued operations		**(2,739,982)**	—	(2,739,982)
Loss attributable to owners of the Company		**(323,778,448)**	(269,844,899)	(53,933,549)
Non-controlling interests				
Loss for the year from continuing operations		**(10,330,185)**	(10,621,827)	291,642
Loss for the year from discontinued operations		**(6,193)**	—	(6,193)
Loss attributable to non-controlling interests		**(10,336,378)**	(10,621,827)	285,449
Total Comprehensive income attributable to:				
Owners of the Company		**(323,778,448)**	(269,844,899)	(53,933,549)
Non-controlling interests		**(10,336,378)**	(10,621,827)	285,449
		(334,114,826)	(280,466,726)	(53,648,100)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	Audited 2019 HK$	Unaudited 2019 HK$	Difference HK$
Non-current assets				
Fixed assets	(vi)	**22,633,117**	29,086,507	(6,453,390)
Prepaid land lease	(viii)	—	12,041,494	(12,041,494)
Goodwill		**1,118,218**	1,118,218	—
Intangible assets	(ii)	**114,099,342**	130,912,749	(16,813,407)
Investment in associates		**1,959,222**	1,959,222	—
Financial assets at FVTOCI		**19,100,000**	19,108,800	(8,800)
Long-term deposits		**20,000,000**	20,000,000	—
Right-of-use assets	(vii)	**17,521,164**	1,878,579	15,642,585
Deferred tax assets	(xiv)	**3,180,020**	—	3,180,020
		199,611,083	216,105,569	(16,494,486)
Current assets				
Prepaid land lease	(viii)	—	498,269	(498,269)
Inventories		**5,062,525**	4,813,458	249,067
Financial assets at FVTPL		**52,489,070**	52,489,070	—
Trade and bills receivables	(ix)	**27,062,784**	53,584,078	(26,521,294)
Deposits, prepayments and other receivables	(ix)	**29,153,737**	40,333,668	(11,179,931)
Bank and cash balances		**27,507,017**	25,926,453	1,580,564
Assets of a disposal group classified as held for sale	(x)	—	14,922	(14,922)
		141,275,133	177,659,918	(36,384,785)
Current liabilities				
Trade payables		**4,478,441**	3,672,069	806,372
Other payables and accruals	(xi)	**47,427,726**	42,479,110	4,948,616
Bond payable		**50,000,000**	50,000,000	—
Other financial liabilities	(iii)	**30,646,336**	49,878,705	(19,323,369)
Liabilities of a disposal group classified as held for sale	(xii)	—	5,048,411	(5,048,411)
Lease liabilities	(xiii)	**1,703,349**	—	1,703,349
Current tax liabilities		**4,382,724**	3,904,002	478,722
		138,638,576	154,982,297	(16,343,721)
Net current assets		**2,636,557**	22,677,621	(20,041,064)
Total assets less current liabilities		**202,247,640**	238,783,190	(36,535,550)

	Notes	Audited 2019 HK$	Unaudited 2019 HK$	Difference HK$
Non-current liabilities				
Other financial liabilities	(iii)	**12,364,762**	—	12,364,762
Lease liabilities	(xiii)	**3,158,395**	1,487,838	1,670,557
Redeemable convertible preference shares		**510,500**	—	510,500
Deferred tax liabilities	(xiv)	**27,037,510**	31,093,933	(4,056,423)
		43,071,167	32,581,771	10,489,396
NET ASSETS		**159,176,473**	206,201,419	(47,024,946)
Capital and reserves				
Share capital		**57,656,606**	57,656,606	—
Reserves		**67,655,001**	113,796,360	(46,141,359)
Equity attributable to owners of the Company		**125,311,607**	171,452,966	(46,141,359)
Non-controlling interests	(xv)	**33,864,866**	34,748,453	(883,587)
TOTAL EQUITY		**159,176,473**	206,201,419	(47,024,946)

Notes:

(i) The difference resulted from the finalisation of expected credit loss assessment according to current status of debtors.

(ii) The difference mainly resulted from the impairment loss on intangible assets which was identified due to the delay of production plan of Xingliang Mine.

(iii) The difference resulted from the calculation method adopted by valuer was more in depth.

(iv) The difference mainly resulted from the under-provision of depreciation on fixed assets and certain prepayment was recognised as operating expenses.

(v) The difference resulted from reclassifications from profit or loss to financial assets at FVTOCI reserve.

(vi) The difference mainly resulted from the under-provision of depreciation, impairment loss of certain fixed assets and certain reclassification.

(vii) The difference resulted from the reclassification from fixed assets, prepaid land lease and finalisation of assessment of right-of-use assets.

(viii) The difference resulted from reclassification to right-of-use assets.

(ix) The difference mainly resulted from the finalisation of expected credit loss assessment according to current status of debtors and certain reclassifications.

(x) The difference resulted from reclassification to deposits, prepayments and other receivables.

(xi) The difference mainly resulted from reclassification from liabilities of a disposal group classified as held for sale.

(xii) The difference resulted from reclassification to other payables and accruals.

(xiii) The difference resulted from the finalisation of assessment of lease liabilities.

(xiv) The difference resulted from the deferred tax effect on impairment of intangible assets.

(xv) The difference resulted from the sharing of adjusted profit or loss and other comprehensive income for non-controlling interest.

Save as disclosed in this announcement and the corresponding adjustments as initiated by the Auditors related to the above differences, there is no material change in other information contained in the Unaudited Annual Results Announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the drafted independent auditor's report from RSM, the external auditor of the Company (the "Auditor"), on the Company's consolidated financial statements for the year:

Qualified Opinion

In our opinion, except for the effects of matters described in the Basis for Qualified Opinion Section of our report, 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 International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

(a) Investment in associates

As disclosed in note 23 to the consolidated financial statements, the Group acquired 45.56% equity interest in SCH Limited ("SCH") on 11 November 2019 (the "Acquisition Date") at the consideration of US$1 (equivalent to HK$8). SCH is an investment holding company and held 90.04% interest in Sturgeon Capital Limited ("Sturgeon Capital") which engages as an independent alternative investment manager regulated by the Financial Conduct Authority of the United Kingdom and based in London. Prior to the acquisition, the Group held 9.96% interest in Sturgeon Capital and recorded the investment as financial assets at fair value through other comprehensive income ("FVTOCI") in the consolidated financial statements. As the directors considered the Group had significant influence over SCH and Sturgeon Capital, the acquisition resulted in SCH and Sturgeon Capital becoming the Group's associates, the Group derecognised the 9.96% interest in Sturgeon Capital recorded as financial assets at FVTOCI with an amount of HK$7,800,000 at the Acquisition Date and a fair value loss of HK$5,840,786 on the derecognition was recognised and charged to other comprehensive income.

Due to the outbreak of COVID-19 since early 2020, the operations of SCH and Sturgeon Capital have been affected as disclosed in note 23 to the consolidated financial statements. The directors of the Company have advised that the Group were unable to access the books and records of SCH and Sturgeon Capital up to the date of approval of these consolidated financial statements as a result of the pandemic. As such, no updated financial information of SCH and Sturgeon Capital was available for the preparation of purchase price allocation to assess (i) the fair value of the identifiable assets and liabilities of SCH and Sturgeon Capital at the Acquisition Date; (ii) fair value remeasurement of the 9.96% interest in Sturgeon Capital recorded as financial assets at FVTOCI held by the Group at the Acquisition Date and (iii) to account for SCH and Sturgeon Capital subsequent to the acquisition under the equity method in IAS 28 "Investments in Associates and Joint Ventures".

In the absence of the relevant financial information of SCH and Sturgeon Capital, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value loss on remeasurement of the Group's previously held interest of 9.96% in Sturgeon Capital recognised in other comprehensive income, the fair value of the assets and liabilities of SCH and Sturgeon Capital at the Acquisition Date and the subsequent accounting for SCH and Sturgeon Capital under the equity method in IAS 28 "Investments in Associates and Joint Ventures".

(b) Long-term deposits

As disclosed in note 25 to the consolidated financial statements, the Group entered an acquisition agreement to acquire the entire equity interest in Double Up Group Limited and its subsidiary ("Double Up Group") at the consideration of HK$30,000,000 and deposits of HK$20,000,000 was paid to the vendor and recognised as long-term deposits in the Group's consolidated statement of financial position at 31 December 2019. The directors of the Company have advised that the acquisition of Double Up Group has not yet been completed due to certain of the precedent conditions for completion as set out in the acquisition agreement were not completed as at 31 December 2019.

The directors of the Company consider that the Group is unable to exercise control over Double Up Group due to commercial disputes with the vendor which had delayed the completion of the acquisition. In addition, the Group was unable to access the accounting books and records of Double Up Group pending completion of the acquisition. Due to the absence of the accounting records and other relevant information related to Double Up Group, we were unable to obtain sufficient appropriate audit evidence to determine whether the directors assessment that the

Group was not able to exercise control over Double Up Group was appropriate, and hence that Double Up Group should not be consolidated in accordance with IFRS 10 "Consolidated Financial Statements".

(c) Discontinued operations in the production and exploitation of coal business in Tajikistan

As disclosed in note 16 to the consolidated financial statements, the Group dissolved the entire issued share capital of Better Business International Limited ("Better Business") and shut down the production and exploitation of coal business in Tajikistan. Accordingly, the results of Better Business and its subsidiaries are disclosed as discontinued operations. As further explained in note 16 to the consolidated financial statements, the complete set of books and records together with the supporting documents of a subsidiary of Better Business — Sangghat LLC, which mainly operated the production and exploitation of coal business in Tajikistan, were not available to the directors of the Company. Accordingly, we were unable to obtain sufficient appropriate audit evidence that the abandonment of the coal business in Tajikistan has been completed during the year and therefore that it was appropriate to classify the coal business in Tajikistan as discontinued operations. In addition, we were unable to obtain sufficient appropriate audit evidence about (i) the cash and bank balance of HK$14,495, other payables and accruals of HK$4,569,688 and current tax liabilities of HK$478,723 included in the Group's consolidated statement of financial position as at 31 December 2019 and the relevant disclosures in the consolidated financial statements; and (ii) the loss of the discontinued operation of HK$3,407,537 for the period from 1 January 2019 to the date of disposal as presented in the Group's consolidated statement of profit or loss and the relevant disclosure in note 16 to the consolidated financial statements.

Any adjustments that might be found necessary as a result of the matters described above might have a consequential effect on the Group's results and cash flows for the year ended 31 December 2019 and the financial position of the Group as at 31 December 2019 and the related disclosures thereof in the consolidated financial statements.

MANAGEMENT'S VIEW ON THE AUDIT QUALIFICATION

The management of the Company has given careful consideration to the Qualified Opinion and the basis of the Qualification and has had ongoing discussion with RSM when preparing the Group's consolidated financial statements.

For Qualification of (a) Investment in associates and (c) Discontinued operations in the production and exploitation of coal business in Tajikistan, the management understand that the issue of the Qualified Opinion was caused by insufficient information provided to RSM due to the COVID-19 pandemic in United Kingdom and Tajikistan. Our management had urged the management of SCH Group and in Tajikistan to provide the requisite materials for the audit work of the Group's consolidated financial statements. Despite these efforts, they cannot promptly provide the information to RSM. As a result, RSM could not complete its audit work. The COVID-19 pandemic had seriously impacted United Kingdom and Tajikistan, the local staff was unable to access and obtain the information due to the local lockdown measures and hence, the preparation of the information requested was delayed.

For (b) Long term deposits, as certain precedent conditions for the completion of the acquisition as set out in the Agreement have not been completed, the directors of the Company considered the acquisition has not been completed as at 31 December 2019. In addition, the Group was unable to access the accounting books and records of Double Up Group pending completion of the acquisition. As a result, the Group is unable to exercise control over Double Up Group. Due to the COVID-19 pandemic and the travel restrictions, the management of the Company is unable to travel to Mongolia to complete the deal.

With respect to the type of audit opinion issued by RSM, the management of the Company acknowledged and agreed with the audit opinion RSM issued based on their professional and independent assessment.

AUDIT COMMITTEE'S VIEW ON THE AUDIT QUALIFICATION

The audit committee of the Company confirmed that it had independently review and agreed with the management's position concerning the Qualified Opinion for reasons stated in paragraph headed "Management's View on the Audit Qualification".

REMOVAL OF AUDIT QUALIFICATION

After discussion with RSM, the management of the Company is of the view that the Qualified Opinion in relation to (a) Investment in associates and (c) Discontinued operations in the production and exploitation of coal business in Tajikistan will be removed when the COVID-19 pandemic is over and the operation resumes normal. For (b) Long term deposits, the management of the Company will travel to Mongolia once the travel restriction lifted and complete the deal as early as possible.

By Order of the Board
KAISUN HOLDINGS LIMITED
CHAN Nap Kee, Joseph
Chairman

Hong Kong, 23 November 2020

The English text of this announcement shall prevail over the Chinese text in case of inconsistencies.

As at the date of this announcement, the Board comprises two executive directors of the Company Mr. CHAN Nap Kee Joseph, Mr. YANG Yongcheng and four independent non-executive directors of the Company Mr. LIEW Swee Yean, Mr. SIU Siu Ling Robert, Dr. WONG Yun Kuen and Mr. ANDERSON Brian Ralph.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting, and on the Company's website at http://www.kaisun.hk.