KAISUN HOLDINGS LIMITED
凱順控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8203

2019
ANNUAL REPORT

* For identification purpose only

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This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

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

Corporate Information

Board of Directors

Executive Directors

Mr. Chan Nap Kee, Joseph *(Chairman)*
(Chief Executive Officer relinquished on 19 June 2019)
Mr. Yang Yongcheng

Independent Non-Executive Directors

Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen
Mr. Anderson Brian Ralph

Joint Chief Executive Officers

Mr. Chen Chun Long *(appointed on 19 June 2019)*
Mr. Ching Ho Tung, Philip *(appointed on 19 June 2019)*

Company Secretaries

Ms. Young Helen
Mr. Wong Lok Man *(appointed on 31 August 2020)*
Mr. Yun Hon Man *(resigned on 31 August 2020)*

Audit Committee

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

Remuneration Committee

Dr. Wong Yun Kuen *(Committee Chairman)*
Mr. Chan Nap Kee, Joseph
Mr. Anderson Brian Ralph

Nomination and Corporate Governance Committee

Mr. Siu Siu Ling, Robert *(Committee Chairman)*
Mr. Liew Swee Yean
Mr. Chan Nap Kee, Joseph

Authorised Representatives

Mr. Chan Nap Kee, Joseph
Mr. Wong Lok Man *(appointed on 31 August 2020)*
Mr. Yun Hon Man *(resigned on 31 August 2020)*

Compliance Officer

Mr. Yang Yongcheng

Auditor

RSM Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

11/F, 46 Lyndhurst Terrace,
Central, Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Bank of Communications Co., Limited
OCBC Wing Hang Bank Limited

Website

www.kaisun.hk

Stock Code

8203

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 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 riot 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

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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)

Management Discussion and Analysis

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.

Management Discussion and Analysis

- 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

Management Discussion and Analysis

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 40,000m² 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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).

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 11.

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 47.

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 48.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Nap Kee, Joseph, aged 59, is the chairman and relinquished chief executive officer on 19 June 2019, member of remuneration committee and nomination and corporate governance committee of the Group. He was appointed as an executive director in September 2008. He received his master degree majoring in international marketing from the University of Strathclyde and a diploma in China Investment and Trade from Peking University.

Mr. Chan has 30 years of experience in commercial and investment banking, and asset management. From 1994 to now, Mr. Chan has been a founding partner of Oriental Patron Financial Group where he is also executive director of Oriental Patron Asia Limited and a non-executive director of Oriental Patron Securities Limited. Oriental Patron Asia Limited is the investment manager of OP Financial Investments Limited (Stock Code: 1140), a company listed on the Main Board of the Stock Exchange, Mr. Chan is also a non-executive director of Hainan Meilan International Airport Company Limited (Stock Code: 357), a company listed on the Main Board of the Stock Exchange. He is independent non-executive director, member of each of Audit Committee, Remuneration Committee and Nomination Committee of North Asia Strategic Holdings Limited (Stock Code: 8080), a company listed on the Growth Enterprise Market of the Stock Exchange. On social services, Mr. Chan is Chairman of Silk Road Economic Development Research Centre, Executive Vice President of Hong Kong Energy and Minerals United Association, Vice Chairman of China Hong Kong Economic Trading International Association and Vice President of Federation of Hong Kong Hubei Association, Chairman of Banking, Finance & Securities Committee of Hong Kong Macau and Myanmar Chamber of Commerce & Industry, and Honorary Advisor of Xinjiang Association of Hong Kong.

He holds licenses respectively of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) under the Securities and Futures Ordinance (cap. 571 of the Laws of Hong Kong).

Mr. Yang Yongcheng, aged 50, was appointed as an executive Director in February 2009, and Compliance Officer with effect from 31 December 2016. He graduated from the Yikezhao League School of Finance (伊盟財經學校) in Inner Mongolia of the PRC and the China Central Radio & TV University, majoring in financial accounting. He holds an EMBA from the Zhongnan University of Economics and Law.

Mr. Yang has been involved in senior positions for corporate management for a long period of time, has profound knowledge of the human and economic development environment in the Mengxi region of Inner Mongolia of the PRC, and possesses extensive experience in corporate investment, product and market development as well as operation of minerals enterprises.

Biography of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liew Swee Yean, aged 56, is chairman of audit committee and member of nomination and corporate governance committee, and has over 20 years of experience in finance and general management, and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Liew holds a Master of Business Administration (Executive) Degree from the City University of Hong Kong.

Mr. Siu Siu Ling, Robert, aged 67 is Chairman of Nomination and Corporate Governance Committee, member of audit committee and remuneration committee. He is a sole proprietor of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu is an independent non-executive director of Finet Group Limited (Stock Code: 8317) Future World Financial Holdings Limited (Stock Code: 572), all of which are listed on the Hong Kong Stock Exchange.

Mr. Siu holds a bachelor's degree in laws from the University of London and a postgraduate certificate in laws from the University of Hong Kong. He also holds a Master of Laws from the University of Greenwich, U.K.. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His main legal practice is in the field of commercial and corporate finance.

He was an independent non-executive director of CMBC Capital Holdings Limited (Stock Code:1141) until 28 June 2017, which is listed on the Hong Kong Stock Exchange.

Dr. Wong Yun Kuen, aged 62 is the Chairman of Remuneration Committee and member of audit committee. He received two B.S. degrees in Geology and Mathematics from University of Wyoming, and Master and Ph.D. degree in Geophysics from Harvard University, and was "Distinguished Visiting Scholar" in finance at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute and a life member of American Geophysical Union.

He is the Chairman and executive director of both UBA Investments Limited and Far East Holdings International Limited, non-executive director of China Sandi Holdings Limited until 29 September 2019 and the independent non-executive director of Kingston Financial Group Limited until 20 August 2019, DeTai New Energy Group Limited, GT Group Holdings Limited, Tech Pro Technology Development Limited, Synergis Holdings Limited and Asia Coal Limited with until 6 June 2019.

He was also an executive director of Boill Healthcare Holdings Limited (formerly known as "Ngai Shun Holdings Limited") until 21 December 2018, independent non-executive director of Sincere Watch (Hong Kong) Limited until 1 December 2017, all listed on the Stock Exchange.

Biography of Directors and Senior Management

Mr. Anderson Brian Ralph, aged 76, is member of audit committee and remuneration committee. He holds a Bachelor of Science Degree in Metaliferous Mining Engineering from the Camborne School of Mines, the University of Exeter and a Master of Science Degree in Petroleum Reservoir Engineering from the University of London.

Mr. Anderson has more than 50 years of global experience (of which 32 years with Shell International) in the mining and energy resources industries.

During his tenure as a Chairman of Royal Dutch/Shell Group of Companies ("Shell") in North East Asia, he was responsible for developing Shell's future business, in particular through the formation of important strategic alliances with two of the major state-owned Chinese petroleum corporations, which have since led to multi-billion dollar investment commitments in the petroleum and petrochemicals sectors in China, including important new business opportunities in coal gasification.

Mr. Anderson's China experience also includes a 6-year involvement with the prestigious China Council for International Co-operation on the Environment and Development and which includes Ministerial and Vice-Ministerial level appointees from within the PRC government, and top-level international members from government and global multilateral organization and businesses. He represented the Shell's group of companies as a council member for 4 years, and has participated as a member of two taskforces involved with energy and sustainable development policy for China.

Mr. Anderson is chairman and managing director of Anderson Energy (Hong Kong) Limited, an energy consulting firm advising corporate clients globally, Chairman of Criterium Energy, a Canadian registered company with Oil and Gas development interests in the APAC region, Director of The Addax and Oryx Foundation, a Swiss-based Charity with main interests in Africa and the Middle East, and Director of SLY (Asia) Limited, a marketing consulting company registered in Hong Kong.

SENIOR MANAGEMENT

All the executive directors of the Company are respectively responsible for various aspects of the business and operation of the Group. All executive directors are regarded as members of the senior management team of the Group.

Directors' Report

The board ("Board") of directors ("Directors") of the Company is pleased to submit its report together with the audited consolidated financial statements ("Financial Statements") of the Company and its subsidiaries (collectively as "the Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 42 to the Consolidated Financial Statements.

An analysis of the Group's performance for the year ended 31 December 2019 by segments is set out in note 47 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 76.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019.

BUSINESS REVIEW

A review of the business of the Group for the year 2019 and a discussion on the Group's future business development and the principal risks and uncertainties facing the Group are provided in the Chairman's Statement, Management Discussion and Analysis from pages 5 to 27. In addition, the financial risk management objectives and policies of the Group can be found in note 6 of the Consolidated Financial Statements. An analysis of the Group's performance during the year 2018 using financial key performance indicators is provided in the Financial Summary on page 4.

The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

The Group recognizes that our employees, customers and business partners are the keys to our sustainable development. The Group is committed to establishing a close and caring relationship with our employees, providing quality services to our customers and enhancing cooperation with our business partners.

In addition, details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as relationships with its employees, customers and suppliers during this financial year, required to be disclosed pursuant to Rule 13.91 of the Listing Rules. For more information, please refer to the environmental, social and governance report to be issued by the Group. This report will be available for viewing and downloading from the websites of the Group and Hong Kong Stock Exchange after its publication.

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity of the Group on page 81.

Directors' Report

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2019 amounted to HK$Nil (2018: HK$Nil).

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 18 to the Consolidated Financial Statements.

SHARE CAPITAL

Particulars of the share capital of the Company are set out in note 38 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2019 amounted to HK$nil (2018: HK$99,127,902). Under Section 34 of the Companies Law of the Cayman Islands, the reserves are available for distribution to shareholders subject to the provisions of the articles of association of the Company (the "Articles") and no distribution shall be paid to shareholders of the Company ("Shareholders") out of the reserves unless the Company shall be able to pay its debts as they fall due in the ordinary course of business of the Group.

DIVIDEND POLICY

Our dividend policy is to recommend dividend distribution to shareholders, where circumstances permits, at a payout ratio of 20% of eligible profits for the year, with the remainder of the profits retained as capital for future use.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account the following factors:

— the Group's operations, earnings, financial condition, cash requirements and availability,

— capital expenditure and future development requirements,

— any restrictions under the Companies Law of the Cayman Islands, the articles of association of the Company ("Articles of Association") and the Shareholders, and

— other factors it may deem relevant at such time.

The Dividend Policy will be reviewed from time to time.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for each of the last five financial years is set out on page 4.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force throughout the financial year.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides approximate cover for the Directors of the Group.

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.

PENSION SCHEME

According to the legislation of Hong Kong relating to the Mandatory Provident Fund ("MPF"), with effect from 1 December 2000, the Group is required to participate in the MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contributions is limited to HK$1,500 for each eligible employee) as calculated under the MPF legislation.

SHARED-BASED COMPENSATION SCHEME

The Company operates Share Award Scheme 2016 for the purpose of assisting in recruiting, retaining and motivating key staff members. Eligible participants of the schemes include the Company's directors (including independent non-executive directors) and other employees of the Group.

Share Award Scheme 2016

The Company adopted the Share Award Scheme 2016 on 14 June 2016 ("Share Award Scheme 2016"). Subject to any early termination as may be determined by the Board by a resolution of the Board, Share Award Scheme 2016 shall be valid and effective for a term of 5 years commencing from the date of the Scheme. The Board shall not make any further award of Awarded Shares which will result in the total number of issued Shares awarded by the Board under Share Award Scheme 2016 exceeding 10% of the total number of issued Shares from time to time.

During the year ended 31 December 2019, the trustee of the Share Award Scheme 2016, pursuant to the terms of the rules and trust deed of the Share Award Scheme 2016, purchased on the Stock Exchange a total of 12,440,000 shares for total consideration of about HK$2,977,966. During the year ended 31 December 2018, the trustee of the Share Award Scheme 2016, pursuant to the terms of the rules and trust deed of the Share Award Scheme 2016, purchased on the Stock Exchange a total of 1,170,000 shares for total consideration of about HK$395,050. Hence, the total no. of shares in the Share Award Scheme as at 31 December 2019 was 13,610,000.

No share was awarded to any director or employee of the Company under the Share Award Scheme during the year.

Directors' Report

DIRECTORS

The Directors during the year 2019 and up to the date of this report were:

Executive Directors:
Mr. Chan Nap Kee, Joseph *(Chairman)*
Mr. Yang Yongcheng *(Compliance Officer)*

Independent Non-Executive Directors:
Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen
Mr. Anderson Brian Ralph

According to Article 86 of the articles of association of the Company ("the Articles"), the directors shall have the power from time to time and at any time to appoint any person as a director to fill a casual vacancy on the Board or, as an addition to the existing Board provided that the number of directors so appointed by the Board shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the following annual general meeting of the Company ("AGM") (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

During the year 2019, in accordance with Article 86 of the Articles, no director will retire from office and shall then be eligible for re-election at that meeting.

According to Article 87 of the Articles, one-third of the directors for the time being (or, if the number of directors is not three (3) or a multiple of three (3), the number nearest to but not less than one-third), shall retire at each AGM by rotation, provided that every director shall be subject to retirement by rotation at least once every three (3) years. The retiring directors shall then be eligible for re-election at the AGM.

In accordance with Article 87 of the Articles, Mr. Chan Nap Kee, Joseph and Mr. Liew Swee Yean will retire from offices by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election at the forthcoming AGM.

According to Code provisions A.4.3 of Appendix 15 Corporate Governance Code and Corporate Governance Report of the Rules Governing the Listing of Securities on the GEM of Stock Exchange (the "GEM Listing Rules"), if an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Directors' Report

As Mr. Liew Swee Yean, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph served for more than 9 years in year 2020, accordingly, their further appointments in 2020 should be subject to separate resolutions to be approved by shareholders, which were attained by way of re-election at the AGM. Mr. Liew Swee Yean, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph offered themselves for re-election at the AGM. Mr. Siu Siu Ling, Robert will retire as independent non-executive director of the Company at the Annual General Meeting of the Company to be held in December 2020.

The Company has received from each of Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers each of the independent non-executive directors to be independent.

DIRECTORS' SERVICE CONTRACTS

The term of office for each of Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive directors, is for a term of one year and may be extended for such period as agreed in writing by the directors concerned and the Company. Currently, Mr. Liew Swee Yean has been appointed as an independent non-executive director up to 7 November 2020, Dr. Wong Yun Kuen has been appointed as an independent non-executive director up to 29 September 2020, Mr. Anderson Brian Ralph has been appointed as an independent non-executive director up to 22 January 2020, and Mr. Siu Siu Ling Robert was appointed as an independent non-executive director until he retire at the Annual General Meeting of the Company to held in December 2020.

Save as disclosed above, none of the directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Details of the directors' emoluments are set out in note 14 to the Consolidated Financial Statements.

DIRECTORS' REMUNERATION

It is proposed that the Board be authorised to fix the directors' remuneration at the forthcoming AGM. The remuneration, including any bonus payments, housing allowance and share award, to be paid to the directors, are recommended by the remuneration committee of the Board ("Remuneration Committee") with reference to the directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTEREST IN CONTRACTS

There were no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a director had a material interest, whether directly or indirectly, subsisting as at the end of the year or at any time during the year 2019 under review.

DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

The interest of the directors in the Shares of the Company were as follow:

Name of Directors	Capacity	Number of shares as at 31 December 2019	Approximate percentage of the total issued Shares as at 31 December 2019
Chan Nap Kee, Joseph	Beneficial owner	167,263,298 *(Note 1)*	29.01%
Yang Yongcheng	Beneficial owner	1,675,000 *(Note 2)*	0.29%
Wong Yun Kuen	Beneficial owner	525,000 *(Note 3)*	0.09%
Liew Swee Yean	Beneficial owner	204,000 *(Note 3)*	0.04%
Siu Siu Ling, Robert	Beneficial owner	204,000 *(Note 3)*	0.04%
Anderson Brian Ralph	Beneficial owner	150,000 *(Note 3)*	0.03%
Chen Chun Long	Beneficial owner	6,147,000 *(Note 4)*	1.07%
Ching Ho Tung, Philip	Beneficial owner	220,000 *(Note 4)*	0.04%

Save as disclosed above, as at 31 December 2019, none of the directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

Notes:

1. After allotment of rights shares on 16 January 2017 and share consolidation of 10 shares into 1 share became effective on 16 February 2017, the total number of shares beneficially owned by Mr. Chan Nap Kee, Joseph ("Mr. Chan") was 160,212,298. Of these, 2,004,000 shares were shares awarded to Mr. Chan as Director on 30 December 2015 under the Share Award Scheme adopted since 10 May 2013. In addition, 2,750,000 shares were purchased by Mr. Chan Nap Kee, Joseph on the market from 29 March to 31 December 2017. Hence total number of shares owned by Mr. Chan was 161,882,298 as at 31 December 2017.

   On 22 March 2018, 3,081,000 shares were shares awarded to Mr. Chan as Director under the Share Award Scheme 2016. Hence, the total no. of shares owned by Mr. Chan was 164,963,298. In addition, 1,490,000 shares were purchased by Mr. Chan on the market from 29 June 2018 to 31 December 2018. Hence the total number of shares owned by Mr. Chan was 166,453,298 as at 31 December 2018.

   During the period from 1 January 2019 to 31 December 2019, 810,000 shares were purchased by Mr. Chan on the market. Hence the total number of shares owned by Mr. Chan was 167,263, 298 as at 31 December 2019.

2. Of these, 400,000 shares were shares awarded to Mr. Yang Yongcheng as Director on 30 December 2015 under the Share Award Scheme 2013. On 22 March 2018, 1.000,000 shares were shares awarded to Mr. Yang as Director under the Share Award Scheme 2016. In addition, 60,000 shares were purchased by Mr. Yang on the market from 12 November 2018 to 31 December 2018. Hence, the total no. of shares owned by Mr. Yang was 1,675,000.

3. Of these, 150,000 shares were shares awarded to each of Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Mr. Anderson Brian Ralph as Director on 30 December 2015 under the Share Award Scheme 2013.

4. These were shares held by Mr. Chen Chun Long and Mr. Ching Ho Tung as at 19 June 2019 when they were appointed as joint Chief Executive Officers of the Company.

INTEREST OF SUBSTANTIAL SHAREHOLDERS IN SHARES OF THE COMPANY

As at 31 December 2019, so far as is known to the Directors of the Company, the persons who had an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholders	Capacity and nature of interest	Number of shares as at 31 December 2019	Approximate percentage of the total issued shares as at 31 December 2019
Mr. Chan Nap Kee, Joseph	Beneficial Owner	167,263,298	29.01%
Ms. Yeung Po Yee, Bonita	Interest of spouse *(Note 1)*	167,263,298	29.01%
Mr. Zhang Xiongfeng	Beneficial Owner	81,950,000	14.21%
Ms. Wu Mingqin	Interest of spouse *(Note 2)*	81,950,000	14.21%

Notes:

1. These were total number of Shares that Mr. Chan Nap Kee, Joseph ("Mr. Chan") beneficially owned. As the spouse of Mr. Chan, Ms. Yeung Po Yee, Bonita, was taken to be interested in the Shares in which Mr. Chan was interested by virtue of the SFO.

2. These were total number of Shares that Mr. Zhang Xiongfeng ("Mr. Zhang") beneficially owned. As the spouse of Mr. Zhang, Ms. Wu Mingqin, was taken to be interested in the Shares in which Mr. Zhang was interested by virtue of the SFO.

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 31 December 2019, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 & 3 of Part XV of the SFO.

Directors' Report

CONTINUING CONNECTED TRANSACTIONS

Agreement for Supply of Coal for three years

On 30 November 2017, Shandong Kailai entered into the Master Coal Supply Agreement with Yihe and Zaozhuang Bayi in relation to the supply of coal by Shandong Kailai to Yihe for a term of three years commencing from 1 January 2018 to 31 December 2020 (both dates inclusive). It is expected that the transaction amount for the transactions under the Master Coal Supply Agreement for the three years ending 31 December 2020 will not exceed the annual caps of HK$414 million, HK$448.5 million and HK$448.5 million, respectively. There was no transaction under the Master Coal Supply Agreement for the year ended 31 December 2019.

As (i) Shandong Bayi is a substantial shareholder of Shandong Kailai, an indirect non-wholly owned subsidiary of the Company; (ii) Shandong Bayi is wholly owned by Yihe; and (iii) Zaozhuang Bayi is owned as to 75% by Shandong Bayi, each of Yihe and Zaozhuang Bayi is a connected person of the Company at the subsidiary level. As such, the transactions under the Master Coal Supply Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Master Coal Supply Agreement

Date and parties

Date: 30 November 2017

Parties: (1) Shandong Kailai, as supplier;
(2) Yihe, as purchaser; and
(3) Zaozhuang Bayi, as receiver.

Principal terms of the Master Coal Supply Agreement

During the term of the Master Coal Supply Agreement, it is agreed that Yihe shall purchase not less than 50,000 tonnes of coal from Shandong Bailai each month which shall be delivered by Shandong Bailai to the location as designated by Zaozhuang Bayi (which is owned as to 75% by Shandong Bayi) at the cost of Shandong Bailai. Pursuant to the Master Coal Supply Agreement, the coal to be supplied thereunder shall be for generating electricity.

Under the Master Coal Supply Agreement, the sale price of coal shall be determined by both parties after arm's length negotiations based on the prevailing market price, provided that, in any event, the terms and conditions for the supply of coal by Shandong Kailai to Yihe (including the sale price of each unit of coal) shall be no less favourable as those between the Group and its other coal purchasers who are Independent Third Parties (the "Independent Purchasers"). In the event that sale price offered by other supplier(s) of coal of Yihe which is/are Independent Third Parties for comparable quantities and specifications of coal are the same as those of Shandong Kailai, Shandong Kailai shall have the priority to supply the coal to Yihe for purchase. Under the Master Coal Supply Agreement, there is no exclusivity commitment restricting the Group from supplying coal to Independent Purchasers.

In order to assess whether the sale price of coal under the Master Coal Supply Agreement is fair and reasonable and no less favourable than that between the Group and the Independent Purchasers, the Group would consider the following factors before supplying coal to Yihe under the Master Coal Supply Agreement:

1. the national industrial policy as well as industry and market conditions in the PRC;

2. the specified guidelines issued by the National Development and Reform Commission of China setting out the coal purchase prices (if any);

3. the current transacted coal prices of the local coal exchange or market in the PRC;

4. the quality of the coal (including the estimated calorific value of coal as required by different power generating units);

5. the quantity of coal;

6. the estimated transportation fees based on the distance between the relevant coal mines and the delivery location as designated by Zaozhuang Bayi; and

7. the then market unit price of coal with comparable quality and quantity supplied by the Group to the Independent Purchasers.

The Directors (including the independent non-executive Directors) consider that the above methods and procedures can ensure that the transactions contemplated under the Master Coal Supply Agreement will be conducted on normal commercial terms and no less favourable than those available from Independent Purchasers and in the interest of the Company and its shareholders as a whole.

Yihe will settle the purchase of coal from Shandong Kailai on a monthly basis based on the actual quantity of coal purchased.

The Master Coal Supply Agreement shall have a term of three years commencing from 1 January 2018 to 31 December 2020 (both dates inclusive).

For further details, please refer to the Company's announcement dated 30 November 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year 2019 under review.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of cost of sales and sales for the year 2019 attributable to the Group's major suppliers and customers are as follows:

Cost of sales	
— the largest supplier	31%
— five largest suppliers combined	69%
Sales	
— the largest customer	26%
— five largest customers combined	55%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with most of the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the year ended 31 December 2019. Details of compliance and deviation are set out in the Corporate Governance Report on pages 42 to 67.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors or their respective associates (as defined in GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest with the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles and there are no restrictions against such rights under the laws in the Cayman Islands.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 42 to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float in accordance with the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are set out in note 48 to the Consolidated Financial Statements.

AUDITORS

At the Company's last Annual General Meeting, RSM Hong Kong was re-appointed as auditor of the Company.

RSM Hong Kong retires, and, being eligible, offer themselves for re-appointment. A resolution for re-appointment of RSM Hong Kong will be put at the forthcoming Annual General Meeting.

For and on behalf of the Board

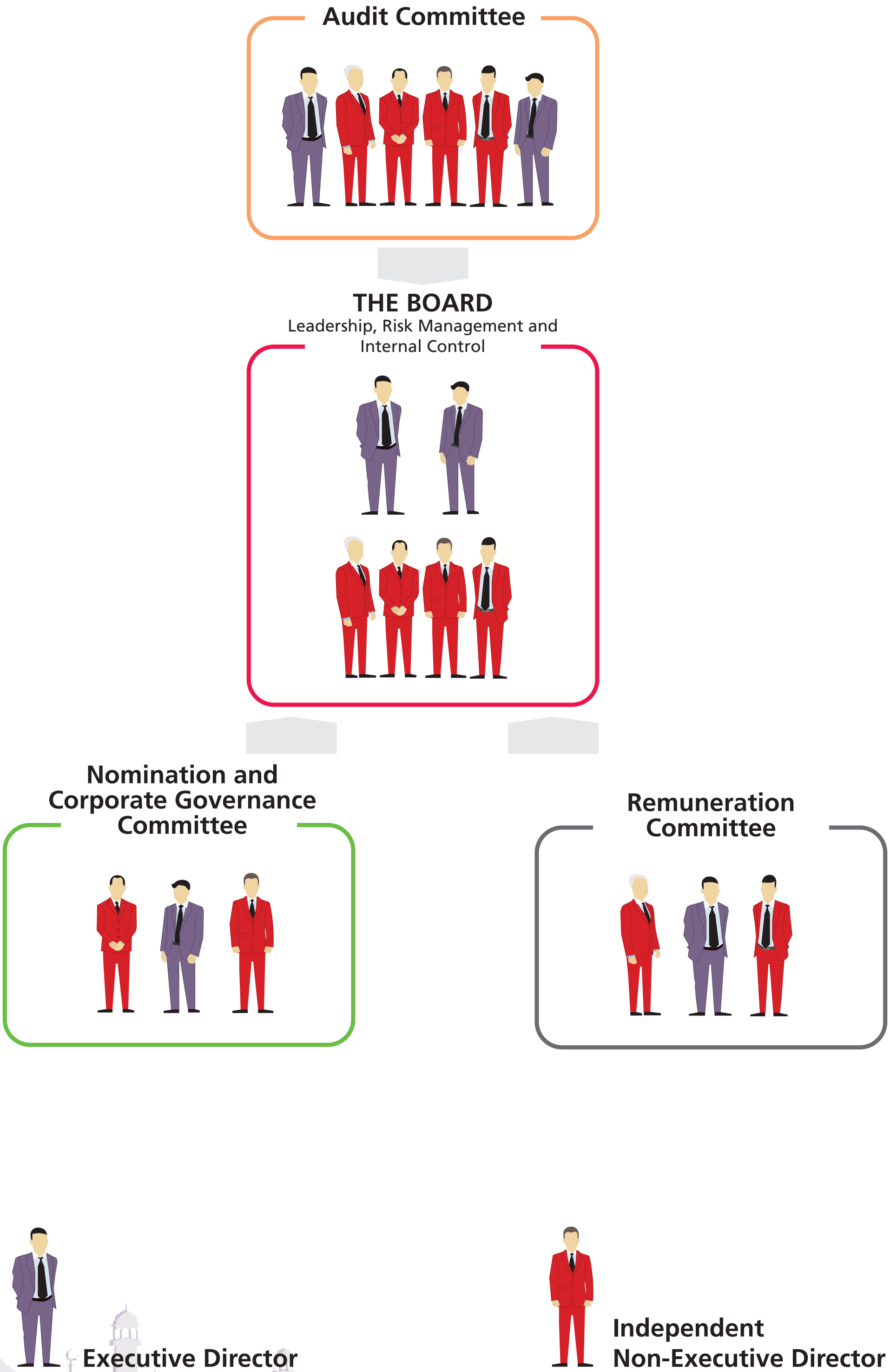
Chan Nap Kee, Joseph
Chairman

Hong Kong, 23 November 2020

Corporate Governance Report

OUR GOVERNANCE FRAMEWORK

Kaisun operates with a clear and effective governance structure

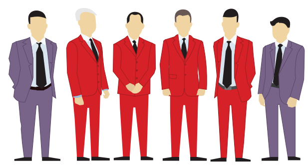


Corporate Governance Report

THE BOARD

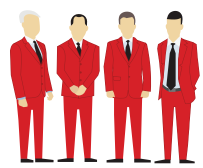
Oversees overall governance, financial performance and development of the Group, collectively responsible for long-term success of the Group

Leadership: provides leadership and direction for the business of the Group.
Risk Management and Internal Control: ensures only acceptable risks are taken

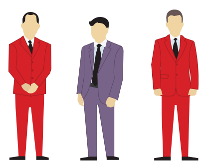


Audit Committee

- Oversees financial reporting process
- Review internal control and risk management system



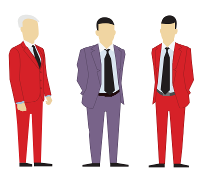
Nomination and Corporate Governance Committee



- Recommends Board appointment
- Review Group's practices on corporate governance

Remuneration Committee

- Sets Remuneration policy for Executive Directors
- Determine Executive Director's remuneration and incentives



Corporate Governance Report

Remuneration Committee Report Page 50

Nomination and Corporate Governance Committee Report Pages 51 to 53

FURTHER INFORMATION

Kaisun's governance framework serves as a guide for the Board, Joint Chief Executive Officers and management in the performance and fulfillment of their respective obligations to Kaisun and its stakeholders.

The key components of Kaisun's governance framework, including guidelines, policies and procedures ensures

(i) the existence of a capable and qualified Board with diverse backgrounds and skills;

(ii) the establishment of appropriate roles for the Board and various committees; and

(iii) a collaborative and constructive relationship between the Board, Joint Chief Executive Officers and the management.

The following constitutes key components of Kaisun's governance framework. They are posted on the Company's website: www.kaisun.hk

- List of Director and their Role and Function
- Terms of References of the various corporate governance related Board Committees
- Articles of Association
- Memorandum of Association

The Board also regularly assesses and enhances its governance framework, practices and principles in light of regulatory regimes as well as Company needs.

Audit Committee Report Pages 54 to 56

Risk Management and Internal Control Report Page 56

Corporate Governance Report

ROLE AND FUNCTION OF THE BOARD

Being collectively responsible for long-term success of the Group, the Board provides leadership and direction for the business of the Group and establish a risk management and internal control system for proper management of the Group. The daily operational matters of the Group are delegated by the Board to the Joint Chief Executive Officers and management.

APPOINTMENT OF JOINT CHIEF EXECUTIVE OFFICERS

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, and Mr. Chan Nap Kee. Joseph relinquished as Chief Executive Officer with effect from 19 June 2019. Details can be found in the Company's announcement dated 19 June 2019.

APPOINTMENT OF FOUR INDEPENDENT DIRECTORS WITH A DIVERSE BACKGROUND

The Board is structured to ensure it is of a high caliber and has a balance of skills, experience and diversity of perspectives desirable for effective leadership of the Group.

In view of good corporate governance, regarding board composition, we are one of the few listed companies in Hong Kong where we have more Independent non-executive Directors than Executive Directors. As at the date of this Annual Report, the Board comprises six Directors: two Executive Directors and four Independent non-executive Directors (INEDs). INEDs comprise two-third of the Board which exceeds the Listing Rules requirement that INEDs shall represent at least one-third of the Board. The rationale behind such appointment is that the Company should be monitored by independent non-executive Directors on behalf of public shareholders.

Corporate Governance Report

During 2019, there were 4 Independent Non-executive Directors drawn from diverse and complementary backgrounds spanning mining, accounting and legal professional. They bring valuable experience and insight in the following areas of experience and expertise, driving the corporate strategy and growth of the Group:

EXPERTISE/EXPERIENCE	NAME OF DIRECTORS
EXPERTISE AND EXPERIENCE IN MINING FIELD	
Past experience as a senior executive in a major mining company	Mr. Anderson Brian Ralph
Expertise as a geological expert	Dr. Wong Yun Kuen
MACRO-ENVIRONMENT AFFECTING THE GROUP	
Expertise in the economic, political or Mr. Anderson Brian Ralph social environment affecting the Group Dr. Wong Yun Kuen and its operation	Mr. Anderson Brian Ralph Dr. Wong Yun Kuen
AUDIT COMMITTEE ACCOUNTING EXPERTISE	
Expertise on "Audit Committee Accounting Expertise" under the Listing Rules	Mr. Liew Swee Yean
LEGAL EXPERTISE	
Legal expertise for advising general management for business	Mr. Siu Siu Ling

Note: Director's full biography are set out from pages 28 to 30

HOW THE BOARD, JOINT CEOs AND MANAGEMENT WORK TOGETHER

The Board, Joint CEOs and management are supportive of the development and maintenance of a healthy corporate governance culture through respecting each other's role.

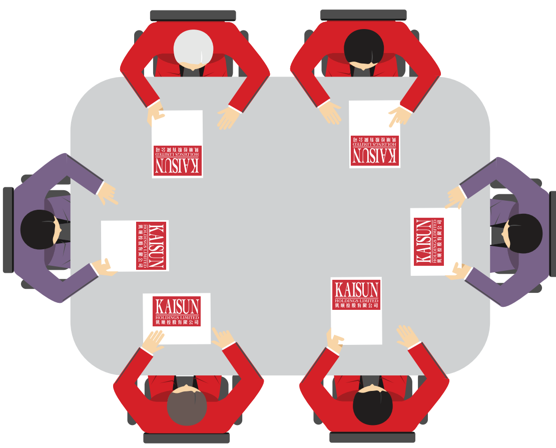
The Board relies on Joint CEOs and management for the day-to-day operation of the business. It monitors what Joint CEOs and management is doing. In terms of strategy formulation, the Board works closely with Joint CEOs and management in thinking through the Group's direction and long-term plans, as well as the various opportunities and risks associated therewith and that are facing the Group generally.

The Independent Non-Executive Directors provide independent challenge and review, bringing a wide range of experiences, specific expertise, and fresh objective perspectives. As members of the various Board committees, they also undertake governance work with a particular focus as noted under the respective terms of reference of the various Board committees.

Summary of key features at Kaisun Board during 2019

The Board held 7 meetings. Kaisun Directors have a strong commitment to the Company, which was reflected in the high attendance record at the Board and its committee meetings.

Segment Financials were discussed at Board meetings. Reports covering financial highlights to Executive Directors and INED were issued.



To supplement the formal Board meetings and to further strengthen the independence of the INEDs and to enable them to discuss more freely the INEDs held separate discussion sessions without the presence of Executive Directors.

Corporate Governance Report

THE BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2019, the Board comprised six directors, including two executive directors, namely Mr. Chan Nap Kee Joseph and Mr. Yang Yongcheng and four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Mr. Chan Nap Kee Joseph is the Chairman of the Board. Mr. Yang Yongcheng is the Compliance Officer.

One of the independent non-executive directors has appropriate professional accounting qualifications and related financial management expertise. Biographical details of the directors are set out on pages 28 to 30 of this annual report.

Each of the independent non-executive directors has entered into a service contract with the Company for a term of one year, which may be extended for such period as agreed in writing between the director concerned and the Company.

There is no financial, business, family or other material or relevant relationship among the directors.

Independent Non-Executive Directors

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all the independent non-executive directors meet the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules and still considers that they are independent.

Chairman and Chief Executive Officer

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.

Board Meetings

Seven regular Board meetings were held during the year ended 31 December 2019. The Board meetings involved the active participation of the directors either in person or by telephone or through other electronic means of communication.

At least 14 days notice has been given to all directors of each of the Board meetings.

Attendance of each of the directors at Board meetings during the year ended 31 December 2019 is set out as follows:

Number of Board Meetings	**7**	
Executive Directors:		
Mr. Chan Nap Kee, Joseph *(Chairman)*	5/7	71.4%
Mr. Yang Yongcheng	7/7	100%
Independent Non-Executive Directors:		
Mr. Liew Swee Yean	7/7	100%
Mr. Siu Siu Ling, Robert	7/7	100%
Dr. Wong Yun Kuen	7/7	100%
Mr. Anderson Brian Ralph	6/7	85.7%
Average attendance rate	92.8%	

Annual General Meeting

All Directors plan to attend the Annual General Meeting to be held in December 2020.

Company Secretaries

As stated in the Company's announcement dated 31 August 2020, Mr. Wong Lok Man was appointed as Group Financial Controller, Joint Company Secretary and Authorized Representative. Mr. Yun Hon Man resigned as Joint Company Secretary, Authorized Representative and Group Chief Accountant with effect from 31 August 2020.

All Directors have access to the advice and services of the Joint Company Secretaries, Ms. Young Helen and Mr. Yun Hon Man. Ms. Young and Mr. Yun have confirmed that they have taken no less than 15 hours of the relevant professional training for the year ended 31 December 2019 in compliance with Rule 5.15 of the GEM Listing Rules.

BOARD COMMITTEES

The Board has established the following three committees with written terms of reference (available on the Company's corporate website www.kaisun.hk under "Investor Relations" section with heading of "Corporate Governance), which are in line with the CG Code:

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

All the committees comprise a majority of Independent Non-executive Directors. All Committees are chaired by Independent Non-executive Directors.

Corporate Governance Report

REMUNERATION COMMITTEE REPORT

Composition of the Remuneration Committee

Committee Chairman	Dr. Wong Yun Kuen*
Members	Mr. Anderson Brian Ralph*
	Mr. Chan Nap Kee, Joseph◆

* *Independent Non-executive Director*
◆ *Executive Director*

Role and Function of the Remuneration Committee

The primary duties of the Remuneration Committee is to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management.

Remuneration Policy

The formulation of the Group's remuneration strategy and policy is based on the principles of equity and market competitiveness so as to drive staff to work towards the mission of the Group and to retain talents. As a long-term incentive plan and with the aim at motivating directors and employees in the continued pursuit of the Company's goal and objectives, the Company has adopted share award scheme under which the Company may award Company's shares purchased or shares allotted and issued by the Company to the directors/employees of the Company as award.

Remuneration Committee Meetings

The Remuneration Committee held one meeting during the year ended 31 December 2019. During the meeting, the Remuneration Committee had reviewed and approved the increment in salary, bonus payment and share award for the executive directors and the senior management by way of resolutions passed by all committee members. However, the executive directors did not participate in determining their own remuneration.

Attendance of each of the directors at the Remuneration Committee meetings for the year ended 31 December 2019 is set out as follows:

Number of Remuneration Committee Meetings	**1**	
Dr. Wong Yun Kuen *(Committee Chairman)*	1/1	100%
Mr. Chan Nap Kee, Joseph	1/1	100%
Mr. Anderson Brian Ralph	1/1	100%
Average attendance rate	100%	

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

Composition of the Nomination and Corporate Governance Committee ("NC")

Committee Chairman	Mr. Siu Siu Ling, Robert*
Members	Mr. Liew Swee Yean* Mr. Chan Nap Kee, Joseph◆

* *Independent Non-executive Director*

◆ *Executive Director*

Role and Function of the Nomination and Corporate Governance Committee

The primary duties of the NC is to make recommendations to the Board on appointment or reappointment of Directors, and to develop and review Group's policies and practices on corporate governance and to make recommendations to the Board.

BOARD DIVERSITY

The Company recognises and embraces the benefits of having a diverse Board. A Board Diversity Policy has been adopted by the Board. In reviewing Board composition, the Nomination and Corporate Governance Committee will consider the benefits of all aspects of diversity including, but not limited to, skills, regional and industry experience, background, race, age, culture and gender, so as to maintain an appropriate range and balance of skills, experience and background on the Board. An analysis of the Board's current composition is set out in the accompanying charts.

In identifying suitable candidates, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

DESIGNATION

Corporate Governance Report

ETHNICITY

Based on the latest review, the Nomination Committee considers the Board to be diverse in respect of the aforesaid evaluation criteria. The Nomination Committee has considered but decided not to set any measurable objectives for implementing the Board Diversity Policy.

The Nomination and Corporate Governance Committee will continue to ensure that diversity is taken into consideration when assessing Board composition.

GENDER

AGE GROUP

With regard to the Directors' skills, regional and industry experience as well as background, please refer to their biographical details set out in the Biography of Directors and Senior Management section on pages 28 to 30.

LENGTH OF SERVICE ON BOARD

Attendance of each of the directors at the Nomination and Corporate Governance Committee meetings for the year ended 31 December 2019 is set out as follows:

Number of Nomination and Corporate Governance Committee Meetings	**1**	
Mr. Siu Siu Ling, Robert *(Committee Chairman)*	1/1	100%
Mr. Chan Nap Kee, Joseph	1/1	100%
Mr. Liew Swee Yean	1/1	100%
Average attendance rate	100%	

AUDITORS' REMUNERATION

For the year ended 31 December 2019, the fee paid or payable to external auditors in respect of audit and non-audit services amounted to HK$3,000,000 and HK$34,763 respectively.

PREPARATION OF ACCOUNTS

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flows for the year 2019 under review. In preparing the accounts for the year ended 31 December 2019, the directors have approved adoption of all the applicable standards and interpretations of International Financial Reporting Standards ("IFRSs").

The quarterly, interim and annual results of the Company are announced in a timely manner after the end of the relevant periods.

Corporate Governance Report

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.

Corporate Governance Report

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain good standard of corporate governance practices and procedures. Details of internal control system are stated under "RISK MANAGEMENT AND INTERNAL CONTROL REVIEW REPORT" on page 56 of this Annual Report. 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.

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.

INVESTOR RELATIONS AND COMMUNICATION

The Company pursues a policy of promoting transparency in corporate communication and investor relations. Our communication programmes include participation in investor conferences, conducting road shows, arranging company visits and ad hoc meetings with potential shareholders.

The Company's website "www.kaisun.hk" is one of the channels to promote effective corporate communication with the investors and the general public. The website is used to disseminate company announcements, shareholder information and other relevant financial and non-financial information in an electronic format on a timely basis.

(i) Annual General Meeting AGM

AGM provides an opportunity for communication between the Board and the shareholders of the Company. All shareholders have proper notice of the AGM at which Directors and chairmen or members of the committees are available to take shareholders' questions.

The most recent AGM of the Company will be held at 11/F, 46 Lyndhurst Terrace, Central, Hong Kong in December 2020. The notice of AGM, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders at least 20 clear business days prior to the meeting. Separate resolutions were proposed in respect of each separate issue.

Members of the Audit Committee, Remuneration Committee and Nomination Committee were available to answer questions from shareholders. A representative of the external auditor also attended the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

At the AGM, all resolutions as set out in the notice were put to vote by way of poll by the shareholders. An explanation was provided of the detailed procedures for conducting a poll. Computershare Hong Kong Investor Services Limited, the share registrar of the Company in Hong Kong, was appointed as scrutineer for the purpose of vote-taking at the AGM.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS, SENIOR MANAGEMENT AND STAFF

The Directors, senior management and staff are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors, senior management and staff to enroll in a wide range of professional development courses and seminars organised by professional bodies in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

Corporate Governance Report

The current Directors received the following training during the year ended 31 December 2019:

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
Mr. Joseph Chan Nap Kee, Chairman	Financing the Belt and Road Initiative (15 February 2019)	The Hong Kong Polytechnic University	3 hours
	Sustainable Investing Workshop (29 March 2019)	Bloomberg	1.5 hours
	DBS Greater Bay Area Conference 2019: As Guest Speaker at a panel session on Technology and Capital innovation in Greater Bay Area (3 April 2019)	DBS Bank in Hong Kong	2 hours
	HKVCA Private Equity Advanced Course 2019 — Directorship (16 April 2019)	Hong Kong Venture Capital and Private Equity Association (HKVCA)	2 hours
	The HKVCA 18th China Private Equity Summit 2019		7 hours
	Recent Developments in Uzbekistan (20 March 2019)	Silk Road Economic Development Research Centre	1 hour
	Investment Opportunities in Mongolian People's Republic (15 May 2019)		1 hour
	Greater Bay Area Conference (10 October 2019)		4 hours
	A guide for businesses, entrepreneurs and investors in Hong Kong (7 May 2019)	British Consulate-General	0.5 hour
	Positive Energy Leadership — How to handle staff's negative energies & make them follow you (7 May 2019)	Executive Study Group	2 hours
	How to upgrade sales leaders' strategic roles for revenue breakthrough (25 June 2019)		0.5 hour

Corporate Governance Report

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
	Belt and Road Cross-Professional Advancement Programme Seminar "Hong Kong as a Gateway to the Belt and Road Countries: Perspectives from Regional Leaders" (31 May 2019)	The Hong Kong Polytechnic University	2 hours
	Hong Kong Conference 2019 IPO Sponsors and Regulations (21 October 2019)	Office of the Hon Kenneth Leung Legislative Councilor	3 hours
	Further Challenges for China's Role in the World (22 October 2019)	The Foreign Correspondents' Club, Hong Kong	0.5 hour
	SMU Industry Leaders Dialogue in Shenzhen, China (23 October 2019)	Singapore Management University	2 hours
	Guangdong-Hong Kong-Macao Greater Bay Area International Forum (24 October 2019)	HKSAR Government, The Office of the Commissioner of the Ministry of Foreign Affairs of the People's Republic of China in the HKSAR	4 hours
	Anti-money laundering and Counter-financing of Terrorism (17 December 2019)	Oriental Patron	2 hours
	1. Crowdfunding- What is it and What are the rules in Hong Kong? 2. Restructuring PRC Companies for listing in Hong Kong 3. Handling Investigations by the SFC	Stephenson Harwood	3 hours
	Total		**41 hours**

Corporate Governance Report

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
Mr. Yang Yongcheng, Executive Director	Update on the Mainland China IIT Reform (15 March 2019)	Hong Kong Institute of Certified Public Accountants	1.5 hours
	Directors & Officers Duties in Various Situations (6 May 2019)	Hong Kong Institute of Chartered Secretaries	1.5 hours
	Preparing Industry Overview Section for Successful IPO (27 June 2019)	Hong Kong Institute of Chartered Secretaries	1.5 hours
	Total		**3 hours**
Mr. Liew Swee Yean, Independent Non-Executive Director	ACCA & CA ANZ Joint Thought- Leadership Forum on AI and Machine Learning (30 October 2019)	Association of Chartered Certified Accountants	1 hour
	Event- Driven Investing and its Applications (2 November 2019)	Hong Kong Institute of Certified Public Accountants	3 hours
	Latest Developments on International Taxation, Technology and Management Consulting and Hong Kong Capital Market (8,15,22 November 2019)	RSM Academy Workshop	12 hours
	Update on Listing Qualifications, Fund Raisings, Election/Re-election of Directors and Disclaimer or Adverse Audit Opinion on Financial Statements (12 November 2019)	Zhonghui Professional Training Centre	2 hours
	Tricor Seminar 2019: The now, new, next of Corporate Governance (15 November 2019)	Tricor Services Limited	4.5 hours
	Total		**22.5 hours**

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
Dr. Wong Yun Kuen, Independent Non-Executive Director	Crypto — Beyond Bitcoin (15 August 2019)		2 hours
	Blockchain Basics (22 August 2019)	Hong Kong Securities and Investment Institute	2 hours
	How to tackle queries from short sellers, auditors and regulators (24 September 2019)	Grant Thorton Hong Kong Limited	1.5 hour
	Taught "Money and Banking" (February to December 2019)	SCOPE, City University of Hong Kong	40 hours
	Total		**45.5 hours**
Mr. Siu Siu Ling, Independent Non-Executive Director	Seminar on Property Fraud (30 May 2019)	The Law Society of Hong Kong	1.5 hours
	Seminar on the Internet of Things (5 June 2019)		1.5 hours
	Advance Directives (14 June 2019)		1 hour
	Solicitors account (13 August 2019)		1.5 hour
	Foothill of Alienation (19 August 2019)		1 hour
	Preventing Disability Discrimination in the Workplace (23 August 2019)		1 hour
	Conflict of Interest (27 August 2019)		1.5 hour
	Anti- Money Laundering (6 September 2019)		2 hours
	Guidance Role of Professional in upholding Ethical Governance (20 September 2019)		2 hours
	Mediation and Cross Border Disputes (26 September 2019)		1.5 hours
	Total		**14.5 hours**

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.

Corporate Governance Report

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.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement by the Auditors of the Company about their reporting responsibilities is set out on pages 68 to 172 of this report.

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.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF KAISUN HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Kaisun Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 172, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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.

Basis for Qualified Opinion

(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.

RSM

QUALIFIED OPINION *(Continued)*

Basis for Qualified Opinion *(Continued)*

(a) Investment in associates *(Continued)*

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".

Independent Auditor's Report

RSM

QUALIFIED OPINION *(Continued)*

Basis for Qualified Opinion *(Continued)*

(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.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$328,468,757 and operating cashflow of HK$746,166 for the year ended 31 December 2019. As stated in Note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

RSM

KEY AUDIT MATTERS

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

1. Impairment assessment of intangible assets

2. Impairment assessment of trade receivables and trade deposits paid

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of intangible assets The carrying amount of the Group's mining rights was HK$114,099,342 as at 31 December 2019. The recoverable amounts of the mining rights are determined based on their value in use. An independent valuer was engaged by management to assist in their impairment assessment of the mining rights. The preparation of discounted cash flows forecasts involves the exercise of significant management judgement in particular in estimating selling price, future costs of productions, recoverable reserves, resources and exploration potential and discount rates. An impairment loss of HK$23,288,007 was recognised during the year. Related disclosures are included in note 4(f) and 22 to the consolidated financial statements.	Our procedures in respect of the impairment assessment of intangible assets included: • assessing the professional competency and independence of the valuation expert engaged by management; • assessing the reasonableness of the key assumptions underlying the cash flows applied in the valuation model and the appropriateness of the discount rate used with the assistance of our internal valuation specialists; • considering the adequacy of the Group's disclosures in relation to the impairment assessment of intangible assets.

Independent Auditor's Report

RSM

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables and trade deposits paid As at 31 December 2019, the Group had trade receivables of HK$26,615,335, net of allowance for doubtful debts, and deposits, prepayments and other receivables of HK$29,153,737 as disclosed in note 28 and 29 to the consolidated financial statements respectively. With the assistance of an independent valuer, management performed periodic assessment of the recoverability of the trade receivables, trade deposits placed with suppliers, transportation fee receivables and other receivables and the sufficiency of allowance for doubtful debts based on information including credit profile of different customers, debtor ageing, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers; and also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. The impairment assessment of trade receivables, trade deposits placed with suppliers, transportation fee receivables and other receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our audit procedures in respect of the impairment assessment of trade receivables and trade deposits paid included: • assessing the professional competency and independence of the valuation expert engaged by management; • assessing whether trade receivables, trade deposits placed with suppliers, transportation fee receivables and other receivables had been appropriately grouped by management based on their shared credit risk characteristics; • testing the accuracy and completeness of the data used by management to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data; • with the assistance of our internal valuation experts, testing the calculation of the historical loss rate and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions; • testing the accuracy of the aging of trade receivables, trade deposits placed with suppliers, transportation fee receivables and other receivables on a sample basis to supporting documents; and • testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade receivables, trade deposits placed with suppliers, transportation fee receivables and other receivables outstanding at the reporting date.

RSM

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of the Group's investment in associates as at 31 December 2019, the Group's share of the associate's net profit or loss for the year, the long-term deposits for the acquisition of Double Up Group and the discontinued operation in the production and exploitation of coal business in Tajikistan. Accordingly, we are unable to conclude whether or not the Other Information is materially misstated with respect to these matters.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Poh Weng.

RSM Hong Kong
Certified Public Accountants
Hong Kong
23 November 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Note	2019 HK$	2018 HK$ (Re-presented)
Continuing operations			
Revenue	8	**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	9	**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	23	**—**	296,491
Finance costs	10	**(4,371,897)**	(1,333,333)
(Loss)/profit before tax		**(339,491,385)**	7,159,180
Income tax credit	11	**14,430,165**	1,889,807
(Loss)/profit for the year from continuing operations	12	**(325,061,220)**	9,048,987
Discontinued operations			
Loss for the year from discontinued operations	16	**(3,407,537)**	(4,070,742)
(Loss)/profit for the year		**(328,468,757)**	4,978,245

Consolidated Statement of Profit or Loss

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	17	**(55.18)**	1.82
From continuing operations			
Basic	17	**(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	18	**22,633,117**	24,272,793
Prepaid land lease	19	**—**	12,761,666
Right-of-use assets	20	**17,521,164**	—
Goodwill	21	**1,118,218**	1,118,218
Intangible assets	22	**114,099,342**	149,771,920
Investment in associates	23	**1,959,222**	—
Financial assets at FVTOCI	24	**19,100,000**	25,900,000
Long-term deposits	25	**20,000,000**	20,000,000
Deferred tax assets	37	**3,180,020**	—
		199,611,083	233,824,597
Current assets			
Prepaid land lease	19	**—**	507,086
Inventories	27	**5,062,525**	3,700,112
Financial assets at FVTPL	26	**52,489,070**	134,134,730
Trade and bills receivables	28	**27,062,784**	90,298,411
Deposits, prepayments and other receivables	29	**29,153,737**	182,677,157
Bank and cash balances	30	**27,507,017**	20,729,996
		141,275,133	432,047,492
Current liabilities			
Trade payables	31	**4,478,441**	2,479,827
Other payables and accruals	32	**47,427,726**	37,551,527
Bond payables	33	**50,000,000**	50,000,000
Other financial liabilities	34	**30,646,336**	33,000,000
Lease liabilities	35	**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

At 31 December 2019

	Note	2019 HK$	2018 HK$
Non-current liabilities			
Other financial liabilities	34	12,364,762	—
Lease liabilities	35	3,158,395	—
Redeemable convertible preference shares	36	510,500	—
Deferred tax liabilities	37	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	38	57,656,606	57,656,606
Reserves	40	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

Approved by the Board of Directors on 23 November 2020 and are signed on its behalf by:

CHAN Nap Kee, Joseph

YANG Yongcheng

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital	Shares held under share award scheme *(note 41)*	Share premium *(note 40(b)(i))*	Foreign currency translation reserve *(note 40(b)(ii))*	Financial assets at FVTOCI reserve *(note 40(b)(iii))*	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2018	57,656,606	(1,962,917)	1,363,055,228	(7,430,440)	—	(972,204,062)	439,114,415	41,420,319	480,534,734
Adjustments on initial application of — IFRS 9	—	—	—	(332,407)	1,200,000	2,482,996	3,350,589	(1,143,321)	2,207,268
Restated balance at 1 January 2018	57,656,606	(1,962,917)	1,363,055,228	(7,762,847)	1,200,000	(969,721,066)	442,465,004	40,276,998	482,742,002
Total comprehensive income for the year	—	—	—	(1,716,575)	1,200,000	10,510,099	9,993,524	(8,107,011)	1,886,513
Purchase of shares held under the share award scheme	—	(395,065)	—	—	—	—	(395,065)	—	(395,065)
Award of shares under share award scheme	—	1,962,917	—	—	—	—	1,962,917	—	1,962,917
Acquisition of a subsidiary	—	—	—	—	—	—	—	1,561,336	1,561,336
Capital injection by non-controlling interest in a subsidiary	—	—	—	—	—	—	—	11,638,957	11,638,957
Changes in equity for the year	—	1,567,852	—	(1,716,575)	1,200,000	10,510,099	11,561,376	5,093,282	16,654,658
At 31 December 2018 and 1 January 2019	57,656,606	(395,065)	1,363,055,228	(9,479,422)	2,400,000	(959,210,967)	454,026,380	45,370,280	499,396,660
Total comprehensive income for the year	—	—	—	192,202	(5,840,786)	(318,129,864)	(323,778,448)	(10,336,378)	(334,114,826)
Transfer	—	—	—	—	5,840,786	(5,840,786)	—	—	—
Capital injection by non-controlling interest in a PRC Subsidiary	—	—	—	—	—	—	—	1,159,958	1,159,958
Purchase of shares held under the share award scheme	—	(2,976,000)	—	—	—	—	(2,976,000)	—	(2,976,000)
Dividend paid *(note 15)*	—	—	(1,960,325)	—	—	—	(1,960,325)	—	(1,960,325)
Disposal of subsidiaries *(note 43(a))*	—	—	—	—	—	—	—	(2,328,994)	(2,328,994)
Changes in equity for the year	—	(2,976,000)	(1,960,325)	192,202	—	(323,970,650)	(328,714,773)	(11,505,414)	(340,220,187)
At 31 December 2019	57,656,606	(3,371,065)	1,361,094,903	(9,287,220)	2,400,000	(1,283,181,617)	125,311,607	33,864,866	159,176,473

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$	2018 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax			
— continuing operations		(339,491,385)	7,159,180
— discontinued operations		(3,407,537)	(4,070,742)
		(342,898,922)	3,088,438
Adjustments for:			
Depreciation on right-of-use assets		2,322,408	—
Depreciation on fixed assets		3,299,966	1,501,114
Amortisation of intangible assets		10,305,250	13,009,473
Amortisation of prepaid land lease		—	528,466
Share of profits of associates		—	(296,491)
Fair value loss on remeasurement of previously held interest upon step acquisition of a subsidiary		—	545,996
Other receivables written off		101,062,984	3,423
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
Equity-settled share-based payments		—	1,962,917
Loss on disposal of financial assets at FVTPL		28,584,328	726,860
Impairment/(reversal of impairment) loss on trade and other receivables		114,164,252	(16,860,578)
Impairment loss on intangible assets		23,288,007	—
Loss on disposal of fixed assets		60,047	75,721
Loss on disposal of subsidiaries		281,268	—
Fixed assets written off		148,281	—
Derecognition of lease liabilities		(585,362)	—
Derecognition of right-of-use assets		564,196	—
Finance costs		4,371,897	1,333,333
Interest income		(517,046)	(326,421)
Operating loss before working capital changes		(34,081,420)	(9,229,349)
(Increase)/decrease in inventories		(2,540,189)	591,060
Decrease/(increase) in trade and bills receivables		14,684,240	(24,165,381)
Increase in deposits, prepayments and other receivables		(22,835,826)	(23,483,320)
Increase/(decrease) in trade payables		9,957,607	(2,766,852)
Increase in other payables and accruals		10,084,467	3,543,135
Cash used in operations		(24,731,121)	(55,510,707)
Purchase of financial assets at FVTPL		(69,408,792)	(8,784,520)
Net proceeds from disposal of financial assets at fair value through profit or loss		98,014,196	5,356,210
Income tax (paid)/refund		(258,292)	999,415
Interest paid		(4,000,944)	—
Interest on lease liabilities	43(d)	(361,213)	—
Net cash used in operating activities		(746,166)	(57,939,602)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$	2018 HK$
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		517,046	326,421
Purchases of fixed assets		(2,434,878)	(9,090,407)
Proceeds from disposals of fixed assets		13,387	11,817
Purchase of financial assets at FVTOCI		(1,000,000)	(2,500,000)
Disposal of subsidiaries	43(a)	9,642	—
Long-term deposits paid		—	(20,000,000)
Acquisition of subsidiaries	43(b)	—	4,910,119
Net cash used in investing activities		(2,894,803)	(26,342,050)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling interest in a subsidiary		1,159,958	11,638,957
Proceeds from redeemable convertible preference shares		500,760	—
Proceeds from other financial liabilities		13,000,000	30,000,000
Proceeds from issuance of bonds		—	50,000,000
Payment on repurchase of shares under share award scheme		(2,976,000)	(395,065)
Principal elements of lease payments	43(d)	(1,688,010)	—
Net cash generated from financing activities		9,996,708	91,243,892
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,355,739	6,962,240
Effect of foreign exchange rate changes		421,282	(12,231,268)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		20,729,996	25,999,024
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		27,507,017	20,729,996
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		27,507,017	20,729,996

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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, Oriental Crystal Commercial Building, 46 Lyndhurst Terrace, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 42 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. These 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). Significant accounting policies adopted by the Group are disclosed below.

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 out flow 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

(a) Application of new and revised IFRSs *(Continued)*

IFRS 16 Leases *(Continued)*

(a) New definition of a lease (Continued)

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.

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.

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 reconciles the operating lease commitments as disclosed in note 46 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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:

		Effects of adoption of IFRS 16			
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16	Note	**Carrying amount as at 31 December 2018**	**Re-classification**	**Re-cognition 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 (note 43(c)). 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 (note 43(d)).

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 HK$	Add back: IFRS 16 depreciation and interest expense HK$	Deduct: Estimated amounts related to operating lease as if under IAS 17 *(note 1)* HK$	Hypothetical amounts for 2019 as if under IAS 17 HK$	Compared to amounts reported for 2018 under IAS 17 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 Amounts reported under IFRS 16	2019 Estimated amounts related to operating leases as if under IAS 17 *(notes 1 & 2)*	2019 Hypothetical amounts for 2019 as if under IAS 17	2018 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

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by the other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Fixed assets

Fixed assets including buildings and leasehold land (upon application of IFRS 16 at 1 January 2019, the interest in leasehold land was reclassified to "Right-of-use assets", see note 3), held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Fixed assets *(Continued)*

Depreciation of fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	Over the term of lease
Buildings	2% — 4.5%
Leasehold improvements	20% — 30%
Plant and machinery	9% — 20%
Office equipment	15% — 25%
Furniture and fixtures	10% — 20%
Motor vehicles	10% — 30%

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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 as a lessee

Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases *(Continued)*

The Group as a lessee *(Continued)*

Policy applicable from 1 January 2019 (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases *(Continued)*

The Group as a lessee *(Continued)*

Policy applicable from 1 January 2019 (Continued)

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(f) Intangible assets

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— FVTOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

(l) Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with IFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

— The post-tax profit or loss of the discontinued operation; and

— The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Redeemable convertible preference shares

Redeemable convertible preference shares which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consisting of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; this amount is carried as a derivative liability that is subsequently measured at fair value through profit or loss until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and derivative components of the redeemable convertible preference shares based on the allocation of proceeds to the liability and derivative components on initial recognition. The portion related to the derivative component is expensed immediately.

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the production and exploitation of coal, sales of manufactured mining and metallurgical machineries products, sales of electronic products and provision of supply chain management services for mineral business are recognised when control of the goods has transferred, being when the goods have been delivery to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The Group provides services of installation of mining and metallurgical machineries products, organising in eSports event, corporation services and media services business operations, trust and trustee services and event management. Revenue from such services is recognised based on the stage of completion of the contract. Payment for provision of services is not due from the customer until the services are complete and therefore a contract asset is recognised over the period in which the services are performed representing the entity's right to consideration for the services performed to date.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(t) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(u) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Taxation *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Taxation *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(w) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(x) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of financial assets *(Continued)*

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of financial assets *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

— The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of financial assets *(Continued)*

Measurement and recognition of ECL *(Continued)*

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not applicable are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the director of the Company at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.

(b) Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of fixed assets and right-of-use assets

Fixed assets and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of fixed assets and right-of-use assets as at 31 December 2019 were HK$22,633,117 (2018: HK$24,272,793) and HK$17,521,164 (2018: nil) respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for intangible assets at the end of each reporting period. Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the assets or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of intangible assets at the end of the reporting period was HK$114,099,342 (2018: HK$149,771,920). Details of the impairment losses calculation are provided in note 22 to financial statements.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$1,118,218 (2018: HK$1,118,218) and no impairment loss was recognised during the year ended 31 December 2019 and 2018.

(d) Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2019, the carrying amount of trade receivables is HK$26,615,335 (net of allowance for doubtful debts of HK$41,350,693) (2018: HK$86,199,320 (net of allowance for doubtful debts of HK$813,016)).

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 31 December 2019 (2018: nil).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Fair value of investments

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's investment, details of which are set out in note 24 to the consolidated financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of each investments.

The carrying amount of the investment as at 31 December 2019 was HK$19,100,000 (2018: HK$25,900,000).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, United States dollars ("US$"), Renminbi ("RMB"), Euro ("EUR") and Tajikistan Somoni ("TJS"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2019, if the HK$ had weakened 0.5 per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$152,981 lower (2018: consolidated profit after tax for the year would have been HK$532,690 higher), arising mainly as a result of the foreign exchange gain on bank and cash balances and other receivables denominated in RMB. If the HK$ had strengthened 0.5 per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$152,981 higher (2018: consolidated profit after tax for the year would have been HK$532,690 lower), arising mainly as a result of the foreign exchange loss on bank and cash balances and other receivables denominated in RMB.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk *(Continued)*

The directors of the Company consider that the foreign currency exposure in respect of EUR, US$ and TJS for the years ended 31 December 2019 and 2018 are insignificant to the Group and therefore no sensitivity analysis is presented thereon.

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted on the Stock Exchange.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 10% (2018: 10%) higher/lower consolidated loss after tax for the year ended 31 December 2019 would decrease/increase by HK$5,248,907 (2018: profit after tax for the year of HK$13,413,473 increase/decrease). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers. Debtors with balances that past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix on individual segment. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The ECL on trade receivables are estimated using a simplified method. The Group has assessed that the ECL for trade receivables based on individually significant customer or ageing of customers collectively that are not individually significant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables *(Continued)*

The following table provides information about the Group's exposure to credit risk for accounts receivables arising from different segments of the Group as at 31 December 2019 and 2018:

	2019		
	Expected loss rate %	Gross carrying amount HK$	Loss allowance HK$
Provision of supply chain management services for mineral business			
0–30 days past due	1.17%	688,161	8,064
31–60 days past due	2.16%	474,988	10,253
1–2 years past due	35.9%	2,832	1,018
Over 3 years past due	100%	8,639,185	8,639,185
Corporate services business			
0–30 days past due	0.79%	652,314	5,147
31–60 days past due	0.79%	7,800	62
61–90 days past due	0.79%	229,688	1,812
91 days — 1 year past due	1.23%	64,000	785
1–2 years past due	100%	24,981,348	24,981,348
Media services			
0–30 days past due	1.57%	15,000	235
Mining and metallurgical machineries production in Shandong			
Current (not past due)	1.17%	10,226,924	119,842
61–90 days past due	3.15%	112,265	3,531
91 days — 1 year past due	12.19%	10,993,382	1,340,071
1–2 years past due	35.95%	7,241,957	2,603,156
2–3 years past due	100%	3,193,854	3,193,854
Over 3 years past due	100%	442,330	442,330
		67,966,028	41,350,693

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables *(Continued)*

	2018		
	Expected loss rate %	Gross carrying amount HK$	Loss allowance HK$
Provision of supply chain management services for mineral business			
Current (not past due)	0.96%	8,653,545	82,958
0–30 days past due	0.08%	6,098,900	4,871
31–60 days past due	—	50,901	—
61–90 days past due	—	79,779	—
Over 3 years past due	1.65%	23,592,443	388,837
Corporate services business			
Current (not past due)	0.08%	22,659,578	18,652
91 days — 1 year past due	—	173,330	—
Media services			
0–30 days past due	0.25%	200,002	494
Mining and metallurgical machineries production in Shandong			
0–30 days past due	0.08%	5,084,791	4,061
31–60 days past due	0.16%	2,180,559	3,483
61–90 days past due	0.24%	1,100,807	2,638
91 days — 1 year past due	0.97%	8,999,547	87,455
1–2 years past due	2.70%	8,138,154	219,567
		87,012,336	813,016

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables *(Continued)*

Expected loss rates are based on actual loss experience over the past 4 years (2018: 3 years). These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account for trade receivables during the year is as follows:

	2019 HK$	2018 HK$
At 1 January	813,016	1,107,123
Impairment losses recognised for the year	40,797,864	—
Reversals	—	(271,796)
Exchange differences	(260,187)	(22,311)
At 31 December	41,350,693	813,016

During the year, the increase in gross amount of trade receivables past due over 90 days of HK$55,558,888 resulted in an increase in loss allowance of approximately HK$40,797,864.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Financial assets at FVTOCI and amortised cost

All of the Group's assets at FVTOCI and amortised cost are considered to have low credit risk, except for the trade deposit paid, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Other instruments are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include deposit placed with a securities broker, other receivables, utilities and other deposits and transportation fee receivables.

Movement in the loss allowance for financial assets at amortised cost during the year is as follows:

	Trade deposits placed with suppliers	Utilities and other deposits	Prepayments	Transportation fee receivables	Other receivables	Long-term deposits	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2018	82,117,498	—	—	—	62,355,764	—	144,473,262
Adoption of IFRS 9	(5,311,912)	3,031	356	1,430,463	10,523,082	—	6,645,020
Impairment losses recognised for the year	—	—	852,576	2	—	62,355,764	63,208,342
Reversal of impairment losses for the year	(32,474,691)	(2,459)	—	—	(47,319,974)	—	(79,797,124)
Exchange difference	—	—	—	(74,224)	(165,759)	—	(239,983)
At 31 December 2018 and 1 January 2019	44,330,895	572	852,932	1,356,241	25,393,113	62,355,764	134,289,517
Impairment losses recognised for the year	16,027,299	5,357	10,344,486	15,565,080	31,424,166	—	73,366,388
Written off	—	—	—	—	(19,020,350)	—	(19,020,350)
Exchange difference	(2,107)	—	—	—	—	(669,908)	(672,015)
At 31 December 2019	60,356,087	5,929	11,197,418	16,921,321	37,796,929	61,685,856	187,963,540

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6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Carrying amount	Total contractual undiscounted cash outflow	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$	HK$	HK$	HK$	HK$	HK$
At 31 December 2019						
Trade payables	**4,478,441**	**4,478,441**	**4,478,441**	—	—	—
Other payables and accruals	**47,427,726**	**47,427,726**	**47,427,726**	—	—	—
Bond payables *(note)*	**50,000,000**	**50,000,000**	**50,000,000**	—	—	—
Lease liabilities	**4,861,744**	**5,329,310**	**1,979,403**	**1,665,962**	**1,683,945**	—
Redeemable convertible preference shares	**510,500**	**540,702**	—	—	**540,702**	—
At 31 December 2018						
Trade payables	2,479,827	2,479,827	2,479,827	—	—	—
Other payables and accruals	37,551,527	37,551,527	37,551,527	—	—	—
Bond payables *(note)*	50,000,000	50,000,000	50,000,000	—	—	—

Note:

Bond payables with a repayment on demand clause after twelve months of issue date are included in the less than 1 year' time band in the above maturity analysis. As at 31 December 2019 and 31 December 2018, the aggregate undiscounted principal amounts of these bonds payables amounted to HK$50,000,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the bondholders will exercise their discretionary rights to demand immediate repayment. The directors believe that such bonds payables will be repaid within one (2018: two) years after issue date in accordance with the scheduled repayment dates set out in the bond subscription agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$58,000,000 (2018: HK$58,000,000).

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits and borrowings. The Group's bank deposits bear interests at variable rates varied with the then prevailing market condition. The Group's borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

At 31 December 2019, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been HK$24,603 higher (2018: consolidated profit after tax for the year HK$14,629 lower), arising mainly as a result of lower interest income on bank deposits. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been HK$123,017 lower (2018: consolidated profit after tax for the year HK$73,143 higher), arising mainly as a result of higher interest income on bank deposits.

(f) Categories of financial instruments at 31 December 2019

	2019 HK$	2018 HK$
Financial assets		
Financial assets measured at FVTOCI:		
Equity instruments	19,100,000	25,900,000
Financial assets at FVTPL:		
Held for trading	52,489,070	134,134,730
Financial assets measured at amortised cost	68,953,732	274,298,902
Financial liabilities		
Financial liabilities at amortised cost	102,416,667	90,031,354
Financial liabilities at FVTPL	43,011,098	33,000,000

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2019:

Description	Fair value measurements using: Level 1 HK$	Level 3 HK$	Total 2019 HK$
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Listed securities	52,489,070	—	52,489,070
Financial assets at FVTOCI			
Unlisted equity and debt securities	—	19,100,000	19,100,000
Total	52,489,070	19,100,000	71,589,070
Recurring fair value measurements:			
Financial liabilities			
Financial liabilities at FVTPL	—	43,011,098	43,011,098

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7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 December 2019: *(Continued)*

Description	Fair value measurements using: Level 1 HK$	Level 3 HK$	Total 2018 HK$
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Listed securities	134,134,730	—	134,134,730
Financial assets at FVTOCI			
Unlisted equity and debt securities	—	25,900,000	25,900,000
Total	134,134,730	25,900,000	160,034,730
Recurring fair value measurements:			
Financial liabilities			
Financial liabilities at FVTPL	—	33,000,000	33,000,000

(b) Reconciliation of assets measured at fair value based on level 3:

	2019 HK$	2018 HK$
Financial assets at FVTOCI — Unlisted equity and debt securities		
At 1 January	**25,900,000**	19,700,000
Purchases	**1,000,000**	2,500,000
Issues	**—**	2,500,000
Fair value loss	**(7,800,000)**	—
Total gains or losses recognised in other comprehensive income	**—**	1,200,000
At 31 December	**19,100,000**	25,900,000

The total gains or losses recognised in other comprehensive income are presented in fair value changes of equity investments at FVTOCI in the consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in other comprehensive income are presented in the consolidated statement of profit or loss and other comprehensive income.

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For the year ended 31 December 2019

7. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2019:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 HK$ Assets/ (Liabilities)	Fair value 2018 HK$ Assets/ (Liabilities)
Private equity investments classified as financial assets at FVTOCI	Discounted cash flows	weighted average cost of capital	13% (2018: 14%–16%)	Decrease	**10,900,000**	17,700,000
		long-term revenue growth rate	3% (2018: 3%)	Increase		
		long-term pre-tax operating margin	14% (2018: 15%–20%)	Increase		
		discount for lack of marketability	20.6% (2018: 30%)	Decrease		

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For the year ended 31 December 2019

7. FAIR VALUE MEASUREMENTS *(Continued)*

(c) *(Continued)*

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 HK$ Assets/ (Liabilities)	Fair value 2018 HK$ Assets/ (Liabilities)
Redeemable preference shares of private entity classified as financial assets at FVTOCI	Discounted cash flows	Discount rate	4.44% (2018: 5.65%)	Decrease	**8,200,000**	8,200,000
Financial liabilities at FVTPL	Discounted cash flows	Risk- free rate	1.82%–1.83% (2018: 1.74%)	Decrease	**(43,011,098)**	(33,000,000)
		Dividend yield	3.07%–3.67% (2018: 1.37%)	Decrease		
		Volatility	35%–42% (2018: 39%)	Decrease		

During the two years, there were no changes in the valuation techniques used.

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8. 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 HK$	2018 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

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For the year ended 31 December 2019

8. REVENUE *(Continued)*

Disaggregation of revenue *(Continued)*

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 HK$	2018 HK$	2019 HK$	2018 HK$	2019 HK$	2018 HK$	2019 HK$	2018 HK$	2019 HK$	2018 HK$	2019 HK$	2018 HK$	2019 HK$	2018 HK$	2019 HK$	2018 HK$	2019 HK$	2018 HK$	2019 HK$	2018 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

Notes to the Consolidated Financial Statements

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9. OTHER INCOME AND GAINS AND LOSSES

	2019 HK$	2018 HK$ (Re-presented)
Continuing operations		
Interest income on:		
— Bank deposits	45,645	45,077
— Deposits received from suppliers	471,401	281,344
Total interest income for financial assets that are not at FVTPL	517,046	326,421
Dividend income from equity investments	1,404,581	2,207,086
Compensation received from suppliers	—	8,100,000
Sundry income	837,065	1,923,249
	2,758,692	12,556,756

10. FINANCE COSTS

	2019 HK$	2018 HK$
Continuing operations		
— Interest on bond payables	4,000,000	1,333,333
— Interest expenses on lease liabilities *(note 20)*	361,213	—
— Imputed interest expenses on redeemable convertible preference shares	9,740	—
— Others	944	—
	4,371,897	1,333,333

11. 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 *(note 37)*	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 ended 31 December 2019.

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.

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11. INCOME TAX CREDIT *(Continued)*

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)

12. (LOSS)/PROFIT FOR THE YEAR

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

	2019 HK$	2018 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	**(2,988,872)**	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

13. EMPLOYEE BENEFITS EXPENSES

	2019 HK$	2018 HK$ (Re-presented)
Employee benefits expense:		
— Salaries, bonus and allowances	**26,342,987**	23,752,265
— Equity-settled share-based payments	**—**	1,962,917
— Retirement benefit scheme contributions	**525,554**	1,356,485
	26,868,541	27,071,667

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2018: two) directors and chief executive officers whom emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining two (2018: three) individuals are set out below:

	2019 HK$	2018 HK$
Basic salaries, bonuses, allowances and benefits in kind	**1,640,050**	6,329,200
Equity-settled share-based payments	**—**	1,962,917
Retirement benefits scheme contributions	**36,000**	72,000
	1,676,050	8,364,117

The emoluments fell within the following bands:

	2019	2018
HK$Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**—**	2
HK$1,500,001 to HK$2,000,000	**1**	—
HK$5,000,001 to HK$5,500,000	**1**	1

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: HK$Nil).

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14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
	Fees HK$	Salaries HK$	Discretionary bonus HK$	(Note (i)) Estimated money value of other benefits HK$	Employer's contribution to a retirement benefit scheme HK$	Remunerations paid or receivable in respect of accepting office as director HK$	Housing allowance HK$	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$	Total HK$
Executive directors:									
CHAN Nap Kee, Joseph	—	3,000,000	2,000,000	—	18,000	—	—	—	5,018,000
YANG Yongcheng	—	742,310	—	—	—	—	—	—	742,310
Independent non-executive directors:									
LIEW Swee Yean	149,400	—	—	—	—	—	—	—	149,400
SIU Siu Ling, Robert	149,400	—	—	—	—	—	—	—	149,400
Dr. WONG Yun Kuen	149,400	—	—	—	—	—	—	—	149,400
ANDERSON Brian Ralph	149,400	—	—	—	—	—	—	—	149,400
Chief Executive Officers									
Chen Chun Long (appointed on 19 June 2019)	—	1,143,600	540,000	—	18,000	—	—	—	1,701,600
Ching Ho Tung Philip (appointed on 19 June 2019)	—	620,000	—	—	18,000	—	—	—	638,000
Total for 2019	597,600	5,505,910	2,540,000	—	54,000	—	—	—	8,697,510

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14. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
	Fees HK$	Salaries HK$	Discretionary bonus HK$	(Note (i)) Estimated money value of other benefits HK$	Employer's contribution to a retirement benefit scheme HK$	Remunerations paid or receivable in respect of accepting office as director HK$	Housing allowance HK$	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$	Total HK$
Executive directors:									
CHAN Nap Kee, Joseph	—	3,000,000	—	1,481,928	18,000	—	—	—	4,499,928
YANG Yongcheng	—	770,553	—	480,989	—	—	—	—	1,251,542
Independent non-executive directors:									
LIEW Swee Yean	144,000	—	—	—	—	—	—	—	144,000
SIU Siu Ling, Robert	144,000	—	—	—	—	—	—	—	144,000
Dr. WONG Yun Kuen	144,000	—	—	—	—	—	—	—	144,000
ANDERSON Brian Ralph	144,000	—	—	—	—	—	—	—	144,000
Total for 2018	576,000	3,770,553	—	1,962,917	18,000	—	—	—	6,327,470

Neither the chief executive nor any of the directors waived any emoluments during the year (2018: HK$Nil).

Note:

(i) Estimated money values of other benefits include share awards.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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15. DIVIDEND

	2019 HK$	2018 HK$
2018 Final of HK0.17 cents per ordinary share paid	980,162	—
2018 Special of HK0.17 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.

16. DISCONTINUED OPERATIONS

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".

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.

16. DISCONTINUED OPERATIONS *(Continued)*

	2019 HK$	2018 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 HK$	2018 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)

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17. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

	2019 HK$	2018 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 HK$	2018 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 approximately HK$3,399,853 (2018: approximately 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.

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18. FIXED ASSETS

	Leasehold land	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Cost									
At 1 January 2018	177,853	7,284,954	1,223,908	5,736,145	928,490	70,485	1,915,089	8,047,795	25,384,719
Additions	—	—	464,760	731,797	33,349	40,534	434,883	7,385,084	9,090,407
Disposal	—	—	—	(141,761)	—	—	—	—	(141,761)
Acquisition of a subsidiary	—	—	—	24,528	37,817	—	—	—	62,345
Transfer	—	—	4,306,011	—	—	—	—	(4,306,011)	—
Written off	—	—	—	—	—	—	—	—	—
Exchange differences	(9,228)	(377,992)	(202,831)	(321,500)	(32,651)	(2,637)	(110,439)	(542,144)	(1,599,422)
At 31 December 2018 and 1 January 2019	168,625	6,906,962	5,791,848	6,029,209	967,005	108,382	2,239,533	10,584,724	32,796,288
Reclassification due to adoption of IFRS 16 *(note 3)*	(168,625)	—	—	—	—	—	—	—	(168,625)
Additions	—	—	1,454,172	822,697	151,191	6,818	—	—	2,434,878
Disposal	—	—	—	—	(3,068)	—	(158,375)	—	(161,443)
Transfer	—	—	696,280	—	—	—	—	(696,280)	—
Written off	—	—	(120,700)	(24,528)	(55,809)	(12,738)	—	—	(213,775)
Exchange differences	—	(120,092)	(115,849)	(117,259)	(12,534)	(821)	(36,465)	(173,162)	(576,182)
At 31 December 2019	—	6,786,870	7,705,751	6,710,119	1,046,785	101,641	2,044,693	9,715,282	34,111,141
Accumulated depreciation and impairment losses									
At 1 January 2018	10,078	5,918,929	437,972	418,714	584,765	49,934	52,483	—	7,472,875
Charges for the year	3,515	105,916	325,119	825,817	83,678	12,521	144,548	—	1,501,114
Disposal	—	—	—	(54,223)	—	—	—	—	(54,223)
Written off	—	—	—	—	—	—	—	—	—
Exchange differences	(665)	(311,398)	(9,970)	(52,817)	(16,665)	(1,877)	(2,879)	—	(396,271)
At 31 December 2018 and 1 January 2019	12,928	5,713,447	753,121	1,137,491	651,778	60,578	194,152	—	8,523,495
Reclassification due to adoption of IFRS 16 *(note 3)*	(12,928)	—	—	—	—	—	—	—	(12,928)
Charges for the year	—	126,386	455,672	1,783,531	238,941	16,531	678,905	—	3,299,966
Disposal	—	—	—	—	(2,915)	—	(85,094)	—	(88,009)
Written off	—	—	(30,175)	(6,570)	(22,340)	(6,409)	—	—	(65,494)
Exchange differences	—	(101,317)	(7,847)	(47,533)	(9,003)	(652)	(12,654)	—	(179,006)
At 31 December 2019	—	5,738,516	1,170,771	2,866,919	856,461	70,048	775,309	—	11,478,024
Carrying amount									
At 31 December 2019	—	1,048,354	6,534,980	3,843,200	190,324	31,593	1,269,384	9,715,282	22,633,117
At 31 December 2018	155,697	1,193,515	5,038,727	4,891,718	315,227	47,804	2,045,381	10,584,724	24,272,793

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19. PREPAID LAND LEASE

The Group's interests in prepaid land lease represent prepaid operating lease payments and their net book value are analysed as follows:

	HK$
At 1 January 2018	—
Additions	14,529,736
Amortisation of prepaid land lease	(528,466)
Exchange differences	(732,518)
At 31 December 2018 and 1 January 2019	13,268,752
Reclassification due to adoption of IFRS 16 *(note 3)*	(13,268,752)
Restated balance at 1 January 2019	—

	2018 HK$
Current portion	507,086
Non-current portion	12,761,666
	13,268,752

20. RIGHT-OF-USE ASSETS

	Leasehold lands HK$	Leased properties HK$	Total HK$
At 1 January 2019 *(note 3)*	13,424,449	2,496,768	15,921,217
Additions	—	4,822,027	4,822,027
Depreciation	(509,543)	(1,812,865)	(2,322,408)
Derecognition	—	(564,196)	(564,196)
Exchange differences	(225,455)	(110,021)	(335,476)
At 31 December 2019	12,689,451	4,831,713	17,521,164

	2019 HK$
Depreciation expenses on right-of-use assets	2,322,408
Interest expense on lease liabilities (included in finance cost)	361,213
Expenses relating to short-term lease (included in cost of goods sold and administrative)	1,170,411

Details of total cash outflow for leases is set out in note 43(d).

For both years ended 31 December 2019 and 2018, the Group leases various offices, factories, and lands for its operations. Lease contracts are entered into for fixed term of 2 to 5 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

21. GOODWILL

	HK$
Cost	
At 1 January 2018	—
Arising on acquisition of a subsidiary *(note 43(b))*	1,118,218
At 31 December 2018, 1 January 2019 and 31 December 2019	1,118,218
Accumulated impairment losses	
At 1 January 2018, 31 December 2018 and 1 January 2019	—
Impairment for the year	—
At 31 December 2019	—
Carrying amount	
At 31 December 2019	1,118,218
At 31 December 2018	1,118,218

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill (other than goodwill relating to discontinued operations) had been allocated as follows:

	2019 HK$	2018 HK$
Provision of advertising and public relationship events Pineapple Media Limited ("Pineapple Media")	**1,118,218**	1,118,218

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 1% (2018: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's provision of advertising and public relationship events are 22.86% (2018: 16%).

22. 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

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22. INTANGIBLE ASSETS *(Continued)*

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 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 amount 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%.

23. INVESTMENTS IN AN ASSOCIATE

	2019 HK$	2018 HK$
Unlisted investments at cost	1,959,222	—

Details of the Group's associates at 31 December 2019 is as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			2019	2018	
SCH Limited	Isle of Man	100,000 ordinary shares of GBP0.02 each	45.56%	—	Investment holding
Sturgeon Capital Limited	United Kingdom	249,999 ordinary shares of GBP0.4 each	50.98%	—	Funds management

23. INVESTMENTS IN AN ASSOCIATE *(Continued)*

On 11 November 2019, the Group acquired 45.56% equity interest in SCH Limited ("SCH") which holds approximately 90.04% of equity interest in Sturgeon Capital Limited ("Sturgeon Capital"). SCH and Sturgeon Capital are collectively referred as "SCH Group".

Sturgeon Capital is an independent 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. Prior to the acquisition on 11 November 2019, the Group held 9.96% of equity interest in Sturgeon Capital and recognised the investment as financial assets at FVTOCI. Upon the completion of the acquisition, the Group held 50.98% of equity interest in Sturgeon Capital, for which 41.02% interest was through SCH and 9.96% interest was directly held by the Group. Consequently, Sturgeon Capital is classified as an associate of the Group as the Group does not have control over Sturgeon Capital.

Following the completion of the acquisition, a share swap and restructuring involving the Group and SCH Group will take place pursuant to which the Group will transfer its entire shareholdings in Sturgeon Capital in exchange for newly issued ordinary shares of SCH. Sturgeon Capital will be wholly-owned by SCH and SCH will be 50.98% owned by the Group upon the completion of the share swap restructuring arrangement. As at 31 December 2019, the share swap restructuring is still in progress.

Due to the outbreak of COVID-19 since early 2020, the process of the share swap was delayed. The office of SCH Group are located in United Kingdom where COVID-19 has been widely spread and the chief accountant of SCH Group passed away due to the pandemic. The remaining local staff is unable to access and obtain the financial information of SCH Group due to the local lockdown measures and the death of the chief accountant. As such, the directors of the Company decided to record the carrying amount of the investment in associates at cost.

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24. FINANCIAL ASSETS AT FVTOCI

	2019 HK$	2018 HK$
Unlisted equity securities		
— in the British Virgin Islands	10,900,000	9,900,000
— in United Kingdom	—	7,800,000
	10,900,000	17,700,000
9% redeemable preference shares	8,200,000	8,200,000
	19,100,000	25,900,000
Analysed as:		
Current assets	—	—
Non-current assets	19,100,000	25,900,000
	19,100,000	25,900,000

The unlisted equity securities in the British Virgin Islands and United Kingdom were denominated in HK$ and Great British Pound respectively.

25. LONG-TERM DEPOSITS

	2019 HK$	2018 HK$
Deposits paid for		
— acquisition of a subsidiary *(note)*	20,000,000	20,000,000

Note:

On 20 December 2018, a wholly-owned subsidiary of the Company entered a sales and purchase agreement (the "Agreement") with an independent third party to acquire the 100% equity capital of Double Up Group Limited and its subsidiaries at the consideration of HK$30,000,000. In December 2018, deposit of HK$20,000,000 was paid to the vendor pursuant to the Agreement. The deposits were non-interest bearing, unsecured and will form part of the purchase consideration upon the completion of the acquisition. Details of the acquisition were set out in the Company's announcements dated 20 December 2018 and 7 January 2019.

In view of certain precedent conditions for 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 and before the date of approval of these consolidated financial statements.

26. FINANCIAL ASSETS AT FVTPL

	2019 HK$	2018 HK$
Equity securities, at fair value		
Listed in Hong Kong	52,489,070	134,134,730
Analysed as:		
Current assets	52,489,070	134,134,730

The carrying amounts of the above financial assets are classified as follows:

	2019 HK$	2018 HK$
Held for trading	52,489,070	134,134,730

The carrying amounts of the above financial assets are mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of listed securities are based on current bid prices.

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27. INVENTORIES

	2019 HK$	2018 HK$
Raw materials, consumable goods and spare parts	1,040,547	2,960,344
Work in progress	484,293	739,768
Finished goods	3,537,685	—
	5,062,525	3,700,112

28. TRADE AND BILLS RECEIVABLES

	2019 HK$	2018 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 HK$	2018 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

28. TRADE AND BILLS RECEIVABLES *(Continued)*

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

29. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	HK$	HK$
Deposits placed with a securities broker	**—**	1,295,272
Trade deposits placed with suppliers	**2,995,341**	98,640,863
Utilities and other deposits	**858,224**	1,133,990
Prepayments	**14,769,806**	19,406,662
Transportation fee receivables	**23,581**	16,311,079
Other receivables	**10,506,785**	45,889,291
	29,153,737	182,677,157

30. BANK AND CASH BALANCES

As at 31 December 2019, the bank and cash balances of the Group denominated in RMB amounted to HK$3,890,176 (2018: HK$3,546,985). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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31. TRADE PAYABLES

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

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

32. OTHER PAYABLES AND ACCRUALS

	2019 HK$	2018 HK$
Accruals	8,517,546	7,631,998
Other payables	29,227,343	23,608,110
Due to a director	9,682,837	6,311,419
	47,427,726	37,551,527

The amount due to a director is unsecured, interest free and repayable on demand.

33. BOND PAYABLES

On 24 August 2018, the Company issued the straight bonds, with the principal amount of HK$50,000,000 (the "Bonds"). The Bonds are unsecured, interest-bearing of 8% per annum and repayable on 23 August 2020 payable semi-annually in arrears.

Subsequent to the reporting period, a supplementary agreement was entered by the Company and holders of the Bonds in which the repayment date of the Bonds was extended to 23 August 2021 and the interest rate had been increased from 8% per annum to 10% per annum.

34. OTHER FINANCIAL LIABILITIES

On 18 April 2018 and 28 January 2019, the Group entered into agreements with a third party to forward sell financial assets through profit or loss at consideration of HK$30,000,000 (the "Shares A") and HK$13,000,000 (the "Shares B") respectively. The completion dates of the transactions to take place on dates falling 2 years from the date of signing the agreements. The Group also granted options to the third party to sell back the Shares A and the Shares B at prices of HK$3.41 per share and HK$2.80 per share by amounts of HK$32,999,999 and HK$15,078,706 respectively to the Group on the completion dates of the transactions.

Subsequent to the reporting period, an agreement was entered by the Group with the third party to extend the completion date of Shares A for two years to 18 April 2022. Other terms and condition as set out in the agreement of Shares A are remain unchanged.

	2019 HK$	2018 HK$
Financial liabilities at FVTPL	**43,011,098**	33,000,000
Analysed as:		
Current liabilities	**30,646,336**	33,000,000
Non-current liabilities	**12,364,762**	—
	43,011,098	33,000,000

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35. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$	HK$	**HK$**	HK$
Within one year	**1,979,403**	—	**1,703,349**	—
In the second to fifth years, inclusive	**3,349,907**	—	**3,158,395**	—
	5,329,310	—	**4,861,744**	
Less: Future finance charges	**(467,566)**	—	**N/A**	N/A
Present value of lease obligations	**4,861,744**	—	**4,861,744**	—
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,703,349)**	—
Amount due for settlement after 12 months			**3,158,395**	—

The Group's lease liabilities are denominated in the following currencies:

	2019	2018
	HK$	HK$
HK$	**1,332,860**	—
RMB	**3,528,884**	—
	4,861,744	—

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Further details on the impact of the transition to IFRS 16 are set out in note 3.

36. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

During the year, Allied Global Limited ("Allied Global"), a wholly owned subsidiary of the Company, issued 6,420 redeemable convertible preference shares which have a par value of US$10 per share, carried a coupon rate of 3% per annum. The holder is entitled to convert the redeemable convertible preference shares into 2,496 ordinary shares of Allied Global at any time within two years from 1 May 2019 at a total amount of HK$500,760 (equivalent to US$64,200).

There was no conversion or redemption of redeemable convertible preference shares during the year.

The proceeds received from the issue of the redeemable convertible preference shares have been recognised as liability components as follows:

	2019 **HK$**
Nominal value of redeemable convertible preference shares issued and liability component at date of issue	**500,760**
Interest charged	**9,740**
Liability component at 31 December 2019	**510,500**

The interest charged for the year is calculated by applying an effective interest rate of 2.91% to the liability component for the 8 months period since the redeemable convertible preference shares were issued.

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37. DEFERRED TAX

The following are the deferred tax assets/(liabilities) recognised by the Group.

	Fair value adjustment of mining rights HK$	Financial assets at fair value through profit or loss HK$	Total HK$
At 1 January 2018	(41,187,183)	(2,438,807)	(43,625,990)
Credit/(debit) to profit or loss for the year *(note 11)*	3,252,368	(452,257)	2,800,111
Exchange differences	2,005,479	—	2,005,479
At 31 December 2018 and 1 January 2019	(35,929,336)	(2,891,064)	(38,820,400)
Credit to profit or loss for the year *(note 11)*	8,398,314	6,071,084	14,469,398
Exchange differences	493,512	—	493,512
At 31 December 2019	(27,037,510)	3,180,020	(23,857,490)

At the end of the reporting period the Group has unused tax losses of HK$128,480,570 (2018: HK$65,303,203) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$128,480,570 (2018: HK$58,745,138) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$543,177, HK$1,481,757, HK$2,910,068, HK$4,442,042 and HK$14,416,882 that will expire in 2020, 2021, 2022, 2023 and 2024 (2018: HK$1,489,861, HK$1,886,136, HK$1,247,114, HK$2,679,423 and HK$573,480 that will expire in 2019, 2020, 2021, 2022 and 2023) respectively. Remaining tax losses may be carried forward indefinitely.

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38. SHARE CAPITAL

	2019 HK$	2018 HK$
Authorised:		
5,000,000,000 Ordinary shares of HK$0.1 each	**500,000,000**	500,000,000
Issued and fully paid:		
576,566,055 Ordinary shares of HK$0.1 each	**57,656,606**	57,656,606

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the shareholders equity ratio. This ratio is calculated as total share equity divided by total asset. Total share equity comprises share capital, retained profits and other reserves.

The only externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2019, 56.8% (2018: 57.9%) of the shares were in public hands.

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39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2019 HK$	2018 HK$
Non-current assets			
Investments in subsidiaries		1,000,031	4,010,139
Deferred tax assets		3,180,020	—
		4,180,051	4,010,139
Current assets			
Financial assets at fair value through profit or loss		52,489,070	110,972,230
Prepayments and other receivables		1,166,127	37,793,235
Amounts due from subsidiaries		89,790,584	107,891,368
Bank and cash balances		15,299,466	2,965,952
		158,745,247	259,622,785
Current liabilities			
Accruals and other payables		7,191,350	4,901,167
Amounts due to subsidiaries		9,379,561	12,487,106
Amount due to a director		9,180,000	6,000,000
Bonds payables		50,000,000	50,000,000
Other financial liabilities		30,646,336	33,000,000
		106,397,247	106,388,273
Net current assets		52,348,000	153,234,512
Total assets less current liabilities		56,528,051	157,244,651
Non-current liabilities			
Other financial liabilities		12,364,762	—
Deferred tax liabilities		—	855,208
		12,364,762	855,208
NET ASSETS		44,163,289	156,389,443
CAPITAL AND RESERVES			
Share capital		57,656,606	57,656,606
Reserves	39(b)	(13,493,317)	98,732,837
TOTAL EQUITY		44,163,289	156,389,443

Approved by the Board of Directors on 23 November 2020 and are signed on its behalf by:

CHAN Nap Kee, Joseph **YANG Yongcheng**

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium *(note 40(b)(i))* HK$	Shares held under share award scheme *(note 41)* HK$	Accumulated losses HK$	Total HK$
At 1 January 2017	1,363,055,228	(1,962,917)	(1,095,155,067)	265,937,244
Adjustments on initial application of — IFRS 9	—	—	(114,912,047)	(114,912,047)
Restated balance as at 1 January 2018	1,363,055,228	(1,962,917)	(1,210,067,114)	151,025,197
Loss for the year	—	—	(53,860,212)	(53,860,212)
Purchase of shares held under the share award scheme	—	(395,065)	—	(395,065)
Award of shares under the share award scheme	—	1,962,917	—	1,962,917
At 31 December 2018 and 1 January 2019	1,363,055,228	(395,065)	(1,263,927,326)	98,732,837
Loss for the year	—	—	(107,289,829)	(107,289,829)
Purchase of shares held under the share award scheme	—	(2,976,000)	—	(2,976,000)
Dividend paid	(1,960,325)	—	—	(1,960,325)
At 31 December 2019	1,361,094,903	(3,371,065)	(1,371,217,155)	(13,493,317)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

40. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(c) to the consolidated financial statements.

(iii) Financial assets at FVTOCI reserve

The financial assets at FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(i) to the consolidated financial statements.

41. SHARE-BASED PAYMENTS

Share award scheme adopted on 14 June 2016

On 14 June 2016, the Company adopted a share award scheme (the "New Share Award Scheme") under which shares of the Company (the "New Awarded Shares") may be awarded to selected employees (including without limitation any directors) of any members of the Group (the "New Selected Employees") pursuant to the terms of the scheme rules and trust deed of the New Share Award Scheme. The purpose of the New Share Award Scheme are (i) to recognise the contributions by certain employees of any members of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The New Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, shall be valid and effective for a term of 5 years commencing from the date of the New Share Award Scheme.

41. SHARE-BASED PAYMENTS *(Continued)*

Share award scheme adopted on 14 June 2016 *(Continued)*

The New Share Award Scheme shall be subject to the administration of the board of directors of the Company and the trustee of the New Share Award Scheme (the "New Trustee") in accordance with the rules of the New Share Award Scheme and the trust deed entered into between the Company and the New Trustee (the "New Trust Deed"). The decision of the board of directors of the Company with respect to any matter arising under the New Share Award Scheme (including the interpretation of any provision) shall be final and binding. The board of the directors of the Company may from time to time cause to be paid cash or made available to the trust constituted by the New Trust Deed (the "New Trust") by way of settlement or otherwise contributed by the Company or any subsidiary of the Company as directed by the board of directors of the Company which constitute part of the funds and properties held under the New Trust and managed by the New Trustee for the benefit of the employees of the Group (other than the employee who is resident in a place where the award of the New Awarded Shares and/or the vesting and transfer of the New Awarded Shares pursuant to the terms of the New Share Award Scheme is not permitted under the laws or regulations of such place or where in view of the board of directors of the Company or the New Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such employees of the Group (the "Excluded Employee") (the "Trust Fund"), for the purchase or subscription (as the case may be) of the shares of the Company and other purposes set out in the rules relating the New Share Award Scheme and the New Trust Deed.

The board of directors of the Company may, from time to time, at its absolute discretion select any employee of the Group (other than any Excluded Employee) for participation in the New Share Award Scheme as a New Selected Employee, and grant such number of New Awarded Shares to any New Selected Employee at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

Where the New Awarded Shares is proposed to be made to any New Selected Employee who is a director of the Company (including an independent non-executive director of the Company), such grant must first be approved by all members of the remuneration committee of the Company, or in the case where the grant is proposed to be made to any member of the remuneration committee of the Company, or in case where the grant is proposed to be made to any member of the remuneration committee, by all other members of the remuneration committee of the Company.

Upon the New Awarded Shares grant to any New Selected Employee, a notice will be sent to such New Selected Employee (the "New Grant Notice") with a copy thereof to the New Trustee, setting out the number of the New Awarded Shares so granted and the conditions (if any) upon which such New Awarded Shares were granted. The number of New Awarded Shares specified in the New Grant Notice shall, subject to acceptance by the relevant New Selected Employee constitute the definitive number of New Awarded Shares being granted to him. Upon receipt the New Grant Notice, the New Selected Employee shall confirm acceptance of the New Awarded Shares being granted to him by signing and returning the acceptance form attached to the New Grant Notice, together with the certified copies of the identity verification documents of the New Selected Employees, within 10 business days after the date of the New Grant Notice (the "New Acceptance Period").

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

41. SHARE-BASED PAYMENTS *(Continued)*

Share award scheme adopted on 14 June 2016 *(Continued)*

The New Awarded Shares shall only be vested on the New Selected Employee at the end of the vesting period (if any) and on the proposed date on which the New Awarded Shares are transferred by the Trustee to the New Selected Employee (the "New Vesting Date"). Subject to the terms and conditions of the New Share Award Scheme, including the fulfillment of all vesting conditions to the vesting of the New Awarded Shares on such New Selected Employee as specified in the New Grant Notice (if any) and the receipt of the acceptance form attached to the New Grant Notice and the certified copies of the identity verification documents of the New Selected Employee before the expiry of the New Acceptance Period and not later than 15 business days before the proposed New Vesting Date, the Company shall procure the New Trustee to cause the New Awarded Shares to be transferred to and such rights on the New Awarded Shares be vested in such New Selected Employee on the New Vesting Date. The New Selected Employee shall not have any interest or rights (including the right receive dividends) in the New Awarded Shares prior the New Vesting Date.

No further award of New Awarded Shares will make which will result in the aggregate nominal value of the shares awarded under the New Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. The maximum aggregate nominal value of New Awarded Shares which may be awarded to a New Selected Employee under the New Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

No New Awarded Shares (2018: 4,081,000 shares of HK$$1,962,917) was awarded during the year ended 31 December 2019.

	2019		2018	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
At 1 January	**1,170,000**	**395,065**	2,070,000	772,850
Purchase during the year	**12,440,000**	**2,976,000**	1,170,000	395,065
Transfer during the year	—	—	2,011,000	1,190,067
Award during the year	—	—	(4,081,000)	(1,962,917)
At 31 December	**13,610,000**	**3,371,065**	1,170,000	395,065

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

42. SUBSIDIARIES

Particulars of subsidiaries as at 31 December 2019 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ chartered fund	Attributable equity interest	Principal activities
Directly held				
Kaisun CIS Business Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun Energy Group Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun Collateral Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Kaisun Business Solutions Limited (formerly known as Kaisun New Economy Rangers Limited)	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun Energy Management Limited	British Virgin Islands	US$1 Ordinary	100%	Trading of securities & Investment holding
KEG Corporate Services Limited	Hong Kong	HK$10,000 Ordinary	100%	Provision of corporate services
Allied Global Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
West Channel Investments Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Asia Coast International Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Gold Victoria Investments Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Indirectly held				
Kaisun Business Solution (HK) Limited (formerly known as Pineapple Media (HK) Limited)	Hong Kong	HK$100 Ordinary	100%	Not yet commence business
Kaisun Energy Managers Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun Energy Corporation	Anguilla	US$1 Ordinary	100%	Investment holding
Alpha Vision Energy Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
First Concept Development Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
World Dynasty Holdings Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Pineapple Media Limited	British Virgin Islands	625,650 Ordinary shares of US$1 each 92,304 Ordinary shares of US$2.08 each	70%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

42. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ chartered fund	Attributable equity interest	Principal activities
Indirectly held *(Continued)*				
Anway Enterprises Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Goodstar Development Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
West Glory Development Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Wealth Platinum Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun Esports Limited (Formerly known as Sky Paradise Limited)	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun Energy Managers (Cayman Islands) Limited	Cayman Islands	US$1 Ordinary	100%	Not yet commence business
Saddleback Mining Limited	United Kingdom	GBP100 Ordinary	100%	Investment holding
Kaisun Mining Corporation LLC	Republic of Tajikistan	TJS70,000	100%	Investment holding and exploitation of coal and coal processing
Kamarob LLC	Republic of Tajikistan	Registered capital TJS4,500,000 Paid up capital TJS2,000,000	52%	Production and exploitation of coal and coal processing
新疆凱運國際貿易有限公司	PRC	Paid up capital RMB10,000,000	100%	Provision of supply chain management services
深圳凱順鴻欣貿易有限公司	PRC	Paid up capital RMB500,000	100%	Provision of supply chain management services
滕州凱源實業有限公司	PRC	Registered capital HK$60,000,000 Paid up capital HK$30,000,000	84.19%	Manufacturing of coal mining related equipment
山東凱萊能源物流有限公司	PRC	Registered capital HK$200,000,000 Paid up capital HK$113,297,010	79.28%	Provision of supply chain management services
新疆吐魯番星亮礦業有限公司	PRC	Registered capital RMB50,000,000 Paid up capital RMB13,650,000	79.28%	Production and exploitation of coal and coal processing

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

42. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ chartered fund	Attributable equity interest	Principal activities
Indirectly held *(Continued)*				
湖北凱順商業保理有限公司	PRC	Registered capital HK$20,000,000	100%	Not yet commence business
VOV Studio Limited	Hong Kong	HK$10,000 Ordinary	100%	Provision of public relationship services
People's Communication & Consultant Company Limited	Hong Kong	HK$2,862,010 Ordinary	70%	Advertising & public relationship event
Evoloop Limited	Hong Kong	HK$10,008,941 Ordinary	59.57%	E-Sport
Girlgamer Limited	Hong Kong	HK$10,000 Ordinary	59.57%	E-Sport
Kaisun Energy Logistic Limited	Hong Kong	HK$10,000 Ordinary	100%	Investment holding
Kaisun Energy Equipment Limited	Hong Kong	HK$10,000 Ordinary	100%	Investment holding
Kaisun Silk Road Limited	Hong Kong	HK$1 Ordinary	100%	Financial lease & general trading
Kaisun Energy Trading Limited	Hong Kong	HK$10,000 Ordinary	100%	Provision of supply chain management
Kaisun Trust & Trustee Services Company Limited	Hong Kong	HK$3,000,000 Ordinary	100%	Provision of trust and trustee services
Kaisun Consulting Limited	Hong Kong	HK$3,000,000 Ordinary	100%	Provision of consulting services
Kaisun Trust and Corporate Services Limited	Hong Kong	HK$3,000,000 Ordinary	100%	Provision of trust and trustee services
Kaisun Business Solutions (Singapore) Pte. Limited	Republic of Singapore	Paid up capital S$10,000	100%	Provision of trust and trustee services
Girlgamer (Singapore) Pte. Limited	Republic of Singapore	Paid up capital S$10,000	100%	Provision of trust and trustee services
Zodiac Capital Cayman Limited	Cayman Islands	US$1 Ordinary	100%	Provision of trust and trustee services

Notes to the Consolidated Financial Statements

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42. SUBSIDIARIES *(Continued)*

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	滕州凱源實業有限公司		山東凱萊能源物流有限公司	
	2019	2018	**2019**	2018
Principal place of business/country of incorporation	PRC/PRC		PRC/PRC	
% of ownership interests/voting rights held by NCI	**15.81%**	18.10%	**20.72%**	25.67%
	HK$	HK$	**HK$**	HK$
At 31 December:				
Non-current assets	**5,727,429**	1,668,652	**160,661,792**	199,198,715
Current assets	**32,319,340**	32,955,188	**50,341,795**	29,756,934
Non-current liabilities	**—**	—	**(27,037,510)**	(35,929,336)
Current liabilities	**(14,533,516)**	(5,606,091)	**(51,333,148)**	(21,102,151)
Net assets	**23,513,253**	29,017,749	**132,632,929**	171,924,162
Accumulated NCI	**(162,099)**	991,578	**(33,391,907)**	(41,652,278)
Year ended 31 December:				
Revenue	**27,390,479**	20,015,021	**28,883,963**	42,366,073
Profit/(loss)	**(5,329,810)**	2,104,737	**(40,436,830)**	(17,473,427)
Total comprehensive income	**(5,747,070)**	324,694	**(39,909,183)**	(26,847,562)
Profit/(loss) allocated to NCI	**(842,643)**	382,001	**(8,378,511)**	(4,485,429)
Dividends paid to NCI	**—**	—	**—**	—
Net cash generated from/(used in) from operating activities	**(75,845)**	1,660,829	**(5,051,693)**	(2,329,592)
Net cash generated from/(used in) investing activities	**1,343,368**	(449,852)	**(4,241,086)**	(2,206,077)
Net cash generated from/(used in) financing activities	**(1,056,223)**	1,035,718	**8,000,000**	8,526,906
Effect on foreign exchange rate changes	**467,253**	(2,227,398)	**1,460,885**	(5,686,268)
Net increase/(decrease) in cash and cash equivalents	**678,553**	19,297	**168,106**	(1,695,031)

As at 31 December 2019, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$3,890,176 (2018: HK$3,546,554). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

During the year, the Group disposed of its 90.1% and 100% equity interest in Connect-Me Technologies Limited ("Connect-Me") and Kaisun Silk Road (South Asia) Limited and its subsidiaries ("KSR Group") at the consideration of HK$1 and HK$8 (equivalent of US$1) to independent third parties respectively. Connect-Me was principally engaged in trading of electronic products whereas KSR was principally engaged in project investment.

Net assets of Connect-Me and KSR Group at the date of disposal were as follows:

	Connect-Me	**KSR Group**	**Total**
	HK$	HK$	HK$
Trade receivables	6,952,043	—	6,952,043
Deposits, prepayments and other receivables	203,396	2,453,958	2,657,354
Inventory	1,177,776	—	1,177,776
Bank and cash balances	—	1,767	1,767
Bank overdraft	(11,400)	—	(11,400)
Trade and other payables	(8,167,269)	—	(8,167,269)
Net assets disposed of:	154,546	2,455,725	2,610,271
Non-controlling interests	—	(2,328,994)	(2,328,994)
Loss on disposal of subsidiaries	(154,545)	(126,723)	(281,268)
Total consideration — satisfied by cash	1	8	9
Net cash inflow arising on disposal:			
Cash consideration received	1	8	9
Cash and cash equivalents disposed of	11,400	(1,767)	9,633
	11,401	(1,759)	9,642

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

(b) Acquisition of subsidiaries

On 1 June 2018, the Company has increased its shareholding on Pineapple Media from 30% to 70% for HK$3,200,000. Pineapple Media and its wholly owned subsidiary People's Communication and Consultant Company Limited ("PCCC") become subsidiaries of the Company. PCCC is engaging the business of government and associations public relations services, branding and management consultancy for listed companies and media relations services.

The fair value of the identifiable assets and liabilities of Pineapple Media and its subsidiary acquired as at the date of acquisition is as follow:

	Fair value
	HK$
Net assets acquired:	
Fixed assets	62,345
Trade receivable	809,860
Bank and cash	8,110,119
Prepayment received	(1,449,998)
Other payable	(1,200,000)
Trade payable	(111,832)
Accrual	(617,578)
Tax payable	(398,462)
	5,204,454
Less: Fair value of investment in an associate	(1,561,336)
Non-controlling interests	(1,561,336)
Goodwill	1,118,218
	3,200,000
Satisfied by:	
Cash consideration paid	3,200,000
Net cash inflow arising on acquisition:	
Cash consideration paid	(3,200,000)
Cash and cash equivalents acquired	8,110,119
	4,910,119

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

(b) Acquisition of subsidiaries *(Continued)*

The fair value of trade receivables acquired is approximately HK$809,860. The gross amount due under the contracts is HK$809,860, of which HK$Nil is expected to be uncollectible.

The Group recognised a fair vale loss on remeasurement of previously held interest upon step acquisition of HK$545,996 in the business combination. The loss is included in other expenses. The business combination results in a fair value loss because the loss on fair value of the identifiable assets and liabilities as at 31 December 2018.

Pineapple Media contributed approximately HK$7,252,075 to the Group's revenue for the year for the period between the date of acquisition and the end of the reporting period. Pineapple Media contributed approximately HK$484,656 profit to the Group's profit for the year for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2018, total Group revenue for the year from continuing operations would have been HK$11,317,210, and profit for the year from continuing operations would have been HK$1,472,961. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

No acquisition-related cost has been incurred for the year ended 31 December 2018.

The goodwill arising on the acquisition of Pineapple Media is attributable to the anticipated profitability of the distribution of the Group's services business in the new markets and the anticipated future operating synergies from the combination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2019 HK$	Impact on initial application of IFRS 16 (note 3) HK$	Restated balance at 1 January 2019 HK$	Recognition of lease liabilities HK$	Termination of lease HK$	Cash flows HK$	Interest expenses HK$	Exchange difference HK$	Fair value gain HK$	31 December 2019 HK$
Lease liabilities	—	2,496,768	2,496,768	4,748,027	(585,362)	(2,049,223)	361,213	(109,679)	—	4,861,744
Bond payables	50,000,000	—	—	—	—	(4,000,944)	4,000,944	—	—	50,000,000
Redeemable convertible preference share	—	—	—	—	—	500,760	9,740	—	—	510,500
Other financial liabilities	33,000,000	—	—	—	—	13,000,000	—	—	(2,988,902)	43,011,098
	83,000,000	2,496,768	2,496,768	4,748,027	(585,362)	(7,450,593)	4,371,897	(109,679)	(2,988,902)	98,383,342

	1 January 2018 HK$	Cash flows HK$	Interest expenses HK$	Fair value loss HK$	31 December 2018 HK$
Bond payables	—	50,000,000	—	—	50,000,000
Other financial liabilities	—	30,000,000	—	3,000,000	33,000,000
	—	80,000,000	—	3,000,000	83,000,000

(d) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2019 HK$	2018 HK$
Within operating cash flows	361,213	—
Within financing cash flows	1,688,010	—
	2,049,223	—

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

(d) Total cash outflow for leases *(Continued)*

These amounts relate to the following:

	2019 HK$	2018 HK$
Lease rental paid	2,049,223	—

44. CONTINGENT LIABILITIES

At 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

45. COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2019 HK$	2018 HK$
Capital contribution to a subsidiary	10,000,000	10,000,000
Capital contribution to fixed assets	1,318,854	1,342,191
	11,318,854	11,342,191

46. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK$
Within one year	1,577,069
In the second to fifth years inclusive	1,686,826
	3,263,895

Operating lease payments represent rentals payable by the Group for certain of its offices and factory premises. Leases are negotiated for an average term of one to four years and rentals are fixed over the lease terms and do not include contingent rentals.

Notes to the Consolidated Financial Statements

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46. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessee *(Continued)*

The Group regularly entered into short-term leases for motor vehicles, staff quarter and office premises. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20.

47. 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 16.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

47. SEGMENT INFORMATION *(Continued)*

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	89,980,009	—	27,390,479	1,138,611	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

	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

47. SEGMENT INFORMATION *(Continued)*

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 profit or loss 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)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

47. SEGMENT INFORMATION *(Continued)*

Reconciliations of segment assets and liabilities:

	2019 HK$	2018 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

47. 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 HK$	2018 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 HK$	2018 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	—

48. 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.

49. 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.