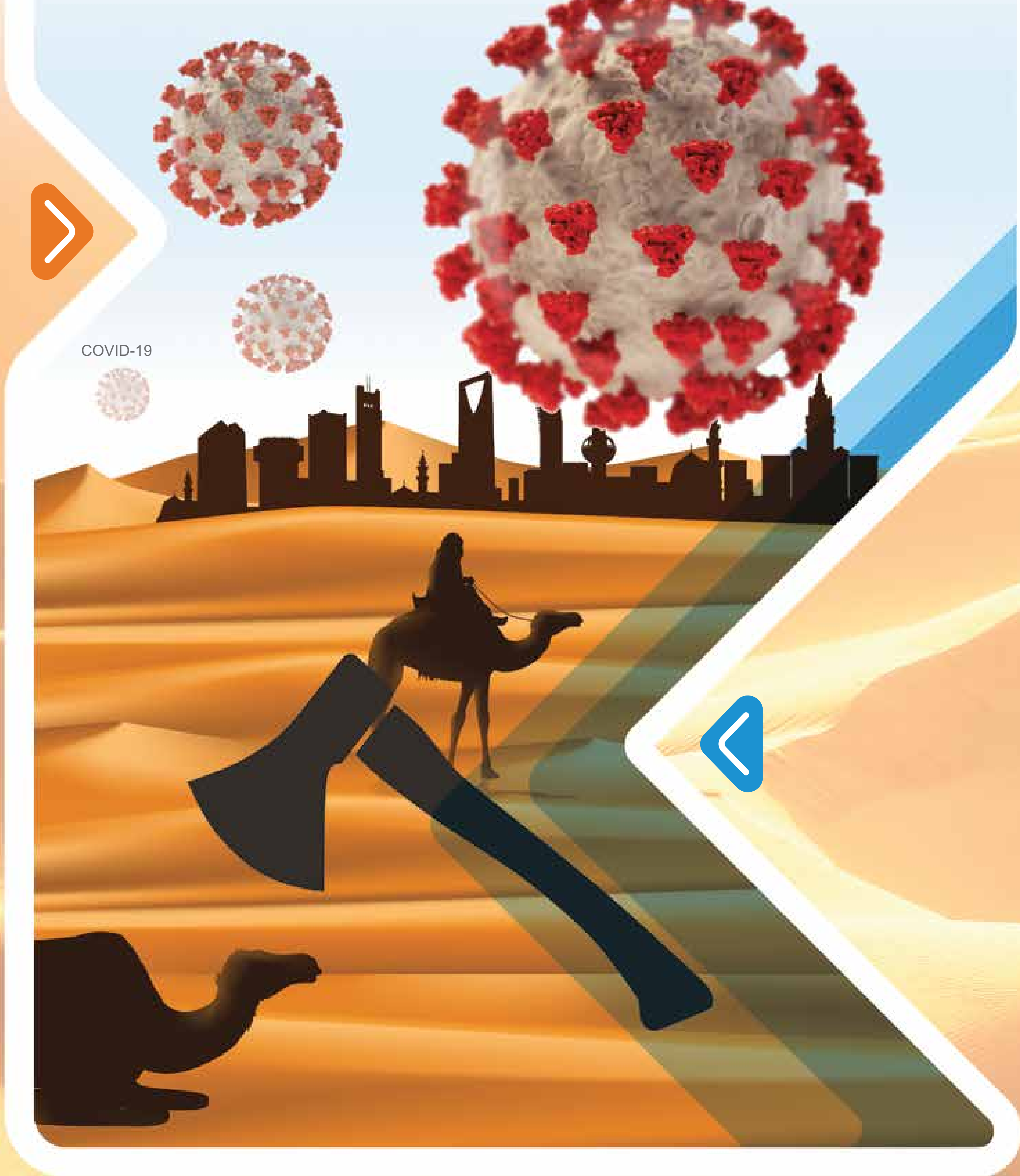
KAISUN HOLDINGS LIMITED
凱順控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8203

2021 ANNUAL REPORT



* For identification purpose only

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 GEM of The Stock Exchange (the "GEM Listing Rules") 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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)*
Mr. Yang Yongcheng

Independent Non-Executive Directors

Mr. Liew Swee Yean
Dr. Wong Yun Kuen
Mr. Wu Zheng *(appointed on 31 October 2021)*
Mr. Anderson Brian Ralph *(retired on 1 August 2021)*

Joint Chief Executive Officers

Mr. Chen Chun Long
Mr. Ching Ho Tung, Philip

Company Secretaries

Mr. Pang Yick Him *(appointed on 26 April 2021)*
Ms. Young Helen *(ceased to be joint company secretaries on 14 April 2021)*
Mr. Wong Lok Man *(resigned on 26 April 2021)*

Audit Committee

Mr. Liew Swee Yean *(Committee Chairman)*
Dr. Wong Yun Kuen
Mr. Wu Zheng *(appointed on 31 October 2021)*
Mr. Anderson Brian Ralph *(retired on 1 August 2021)*

Remuneration Committee

Dr. Wong Yun Kuen *(Committee Chairman)*
Mr. Chan Nap Kee, Joseph
Mr. Wu Zheng *(appointed on 31 October 2021)*
Mr. Anderson Brian Ralph *(retired on 1 August 2021)*

Nomination and Corporate Governance Committee

Committee Chairman:
Mr. Wu Zheng *(appointed on 31 October 2021)*
Mr. Anderson Brian Ralph *(retired on 1 August 2021)*
Member:
Mr. Liew Swee Yean
Mr. Chan Nap Kee, Joseph

Authorised Representatives

Mr. Chan Nap Kee, Joseph
Mr. Pang Yick Him *(appointed on 26 April 2021)*
Mr. Wong Lok Man *(resigned on 26 April 2021)*

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

Room 1304, 13/F., Car Po Commercial Building,
18–20 Lyndhurst Terrace, Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
17M 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				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**156,576**	35,958	138,566	146,100	90,680
(Loss)/profit before tax	**(68,586)**	(69,705)	(339,491)	7,159	73,754
Income tax (expense)/credit	**(2,697)**	5,438	14,430	1,890	4,543
Less: Loss from discontinued operations	**—**	—	(3,408)	(4,071)	—
Less: Loss/(profit) attributable to non-controlling interests	**5,105**	3,972	10,339	5,532	(28,990)
(Loss)/profit attributable to owners of the Company	**(66,178)**	(60,295)	(318,130)	10,510	49,307

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**368,389**	353,790	340,886	665,872	562,404
Total liabilities	**(337,630)**	(255,690)	(181,709)	(166,475)	(81,870)
Owners' funds	**11,789**	75,151	125,312	454,026	439,114

Chairman's Statement

The massive waves of protests around the world sparked in 2019, together with the outbreak of COVID-19 worldwide in 2020, have ravaged economies all around the world, while adding another dimension to the predicament the third world is already in. China, as the first country hit by the Coronavirus, regained its status as the engine of the global economy shortly after the struggle at the beginning of the health crisis, as the Chinese people gave their full support to the Government's pandemic control measures. However, our neighboring countries, Central Asian countries along with the Belt and Road, ASEAN countries, and African countries remain in the economic pits. In 2021, the variants of the COVID-19 came at an extremely high price for an already vulnerable world, dashing hopes of a smooth recovery of the global economy, and supply chain disruptions and rising inflation further poses challenges to it. At the beginning of 2022, as the new Omicron Covid-19 variant spreads, countries have re-imposed mobility restrictions, causing the global economy in a weaker position than previously expected. According to the IMF'S latest World Economic Outlook, global growth is expected to drop from 5.9 percent in 2021 to 4.4 percent in 2022.

Here in Hong Kong, businesses are facing the third year of the partial border closure with no clear end in sight to the present crisis. Kaisun falls into the most suffering businesses. In 2020, we have decided to put a halt to our operations in Central Asia and the UK, bringing back the focus to mainland China. As a Belt Road-focused company, it is still one of the most difficult decisions that we have made.

We have started to do business along the Belt and Road long before the launch of the Belt and Road Initiative. From then on, we established operations in Tajikistan, Vietnam, Mongolia, and UK. With the support of the headquarter in Hong Kong, the "Belt and Road" business segments were able to operate smoothly, while achieving strong synergy with the Group's previously established operations in mainland China, whereas these segments had have always relied heavily on the technical and administrative support of the headquarter, as the relatively poor legal and regulatory environment in BRI countries creates major hurdles for our local operations so that they could not meet the financial reporting and auditing standards for Hong Kong-listed companies. Therefore, the Board and the staff of the headquarter devoted a lot of effort and time to surmount all these difficulties, and to fully communicate with the shareholders and regulators. However, the outbreak of the Coronavirus disrupted the operations of many businesses. We continuously received feedback on the local situation where operations halt and there was no certainty over when the business can return to normal. The Hong Kong regulators have little information on the coronavirus situation in those countries and used the data in the first world countries as samples to measure the situation in the third world countries, putting us in a difficult position. In addition to this, the staff of the headquarter and our stakeholders were unable to go there for solving any problems in time because of the local quarantine requirements and the situation was similar for our auditors. They cannot afford time for the quarantine and the risk of getting infected. We made a very painful decision to shut down most of our overseas business units after analyzing the regulatory and compliance requirements in Hong Kong, the health risks posed to our staff, the current cash flow, and the uncertainty during coronavirus while directed our resources to the existing businesses in mainland China for the survival chance. The fact proves the decision played a vital role in times of crisis.

Chairman's Statement

Similarly, our experience in mainland China was also not an easy journey in the past two years. The pandemic forced businesses to spend more time and resources on their management. Taking the business travel as an example, aside from the potential health risks, there are other challenges such as the flight reductions, the ever-changing quarantine rules, making it extremely difficult to bring our staff into mainland China and the stringent pandemic-control policies also require us to be cautious and to stay flexible on operations. Moreover, the Covid-19 has intensified competition in the market, putting businesses under unprecedented levels of pressure, where cutting business costs has to be our top priority. In 2021, we have moved to a more economical office for reducing the administrative costs, and also have been suffering from manpower loss, which is the last thing we want to see, as we have always attached great importance to the social responsibility that we have and our staff has always been the core assets for us. Looking into the future, we will continue our efforts in cost reduction, as well as controlling the impact of the pandemic on operations to a minimum.

To this day, the world is still haunted by the Coronavirus. However, we came to realize that there has been growing support in recent years for the concept of Environmental, Social and Governance (ESG) all around the globe. In China, the government and the public have given more recognition to the importance of social responsibility and the commitment of enterprises. As of 19th August 2021, a total of 2,579 companies were listed on the Hong Kong Stock Exchange and 93.8% of them, representing 2,418 companies have disclosed ESG information as of 31st July, 2021. In fact, making ESG reporting mandatory imposes intense pressure on the companies like us, which has been already struggling with the rising costs. Meanwhile, our staff needs to devote a lot of time and effort to enhance our capabilities in ESG, while they are already struggling to find new contracts for the company. Nevertheless, as a company involved in the mining business, we would like to step up our efforts to reduce our emissions and pollution, to be in line with China's green revolution for helping the nation attain its carbon-neutral goals, as well as to fulfill its commitments to the world. With that said, the Group will proactively integrate ESG issues into our existing business and further into our strategic planning.

Human beings are facing the worst pandemic in modern history, and sadly at this point we still cannot reach a basic consensus on how to end the COVID crisis. Whether to stick with the dynamic zero infection policy or co-existence with the virus, the future development of the employees will be based on the primary premise of the life safety and collective interests of the public. What I know is when the survival of the group surpasses the survival of the individual, this is how nature teaches us about our humanity as none of us will be safe until everyone is safe. At this moment, some of our employees are still under weeks of quarantine in different places in Mainland China, I must pay tribute to all the hard work they have done for the Group. Although at this point we can barely see the light at the end of the tunnel, more than ever before, we need solidarity, hope, and hard work. I call for everyone in Kaisun to pull together and work shoulder to shoulder, and I believe strength and growth will come through our hard work and persistence.

The delay in the announcement of annual results for the year 2021, again, has put extra pressure on our shareholders, directors, employees, and professional agencies. However, under the impact of the fifth wave of COVID-19, we had no choice but to delay the announcement of annual results again. Fortunately, the Hong Kong Stock Exchange, the agencies, and our colleagues have worked hard together for completing the audit and this report. Once again, I would like to express my sincere gratitude for everyone's patience.

Management Discussion and Analysis

KAISUN ENERGY GROUP

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 50 sets of safety certificates for mining products. Its major products are overhead manned cableway devices and its accessories, as well as technical consultancy services including equipment installation, technical support and after-sales services.

Analysis on China's mining machinery manufacturing industry in 2021

In mid-2021, an energy shortage across a number of provinces saw homes and businesses hit by power cuts. Since the third quarter, government departments and coal enterprises in the various parts of Mainland have introduced measures to support coal production and price stability, which helped increase coal production and market supply in China, with the highest daily coal production reaching 11.93 million tonnes, a record high in recent years. In addition, electric coal supply and coal stocks in power plants continued to increase, with railway loading of electric coal remained at a record high of over 60,000 cars and more than 35% year-on-year increase since November. The average daily supply of coal to power plants since November reached 7.74 million tonnes, with stocks increasing by an average of 1.6 million tonnes per day.

The Group believes that with the release of coal mine nuclear production, the gradual commissioning of construction coal mines and the resumption of production of temporary coal mines, the domestic demand for mining machineries and equipment is expected to increase, which will drive Tengzhou Kaiyuan's business growth.

(Data from: http://www.gov.cn/xinwen/2021–11/10/content_5649999.htm)

Tengzhou Kaiyuan Highlights for the year

- Tengzhou Kaiyuan strives to improve the slow collection of accounts receivable. A task force was set up in the 2nd quarter and it began working on adjusting accounts receivable collection period, reducing turnover period and enhancing the efficiency of capital in the 3rd quarter.

- Tengzhou Kaiyuan has restructured its internal management in the 2nd quarter and formed a new management team in order to improve operation efficiency. The management team has been led by a new chairman and general manager since the 3rd quarter, who successfully revamped the organizational structure and changed the inventory and financial processes to improve the management quality and efficiency.

- Tengzhou Kaiyuan successfully achieved its year-end targets by increasing sales and monthly accounts receivable recoveries, reducing production costs and the time required for inventory movement. Despite improvements in operations, inventory management and financial management, Tengzhou Kaiyuan recorded a loss in 2021, with an accumulated sales revenue of approximately HK$13.68 million for the year, due to COVID-19, the impact of the winter coal shortages and power cut, as well as previous internal management changes.

Management Discussion and Analysis

Daily operations of Tengzhou Kaiyuan

ii. Shandong — Supply Chain Management Services

Shandong Kailai Energy Industrial Co., Limited ("Shandong Kailai") is a joint venture between a subsidiary of the Company and Shandong Bayi Coal Electrochemical Co., Ltd.

Shandong Kailai Energy Industrial Co., 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 enjoys favorable geographical advantage as it is located at China's railway hub with a number of state-owned enterprises nearby. At present, Shandong Kailai's logistics centre, including its environmental protection facilities and storage centre, boasts a total area of 110,000m^2, with an annual loading capacity of 3 million tons.

Analysis on China's coal rail transportation in 2021

In 2021, the supply and demand for coal in the Mainland continued to be tight, with energy prices rising sharply that caused power cuts and restrictions in some areas. The onslaught of cold weather, coupled with severe flooding in Shanxi, a major coal production province, led to unstable coal supply in the Mainland.

In order to protect the economy and people's livelihood, the mainland authorities have placed more emphasis on the coal transportation for power and heat generation, and coal-fired power companies have stepped up efforts to reserve coal to ensure the return of normal coal supply. According to China Railway Group, after unremitting efforts since the launch of operation to ensure steady coal supply in October 2021, the average number of days of coal storage in direct power supply plant has increased from 7 days to 12 days, 15 days and then more than 18 days, which help relieved the urgent need for coal from coal-fired power plants. At the same time, China Railway Group organized point-to-point supply and transportation for 18 power plants in Shandong and Jiangsu with relatively low days of coal availability.

The Group believes that the central government has found solutions to increase coal supply and improve its supporting facilities following the power restriction crisis, including introducing targeted coal transportation measures that cater to the needs of different provinces, which would bring a positive impact to Shandong Kailai's coal supply chain business.

(Data from: https://www.china5e.com/news/news-1128273-1.html)

Management Discussion and Analysis

Shandong Kailai for the year

- Shandong Kailai's fully-enclosed and environmentally friendly storage centre located at the eastern platform commenced operations in the 1st and 2nd quarter, which helps suppress dust pollution, promote the concept of sustainable development, meet EIA standards and fulfil corporate social responsibility.

- Shandong Kailai planned to increase its business scale in the 2nd quarter by adding new business partners, including coal suppliers and power stations, and held discussions with the partners in the 3rd quarter with a view to increasing trading volume and expanding the coal supply management market.

- In order to achieve higher environmental standards, Shandong Kailai placed emphasis on improving the station facilities in the 4th quarter, including building more sheds, updating the feasibility study reports and temporarily suspending operations for the quarter to allow for the expansion of the station. Shandong Kailai also capitalised on its prime location and partnered with a local company in the 4th quarter to establish a subsidiary to help quickly penetrate the local market, promote local sales and expand the sales network.

- Since Shandong Kailai's partners are mainly state-owned enterprises, the collection of accounts receivable remains stable. Tengzhou Kailai recorded a cumulative sales revenue of approximately HK$130.61 million for the year 2021.


Shandong Kailai's fully-enclosed environmentally friendly storage centre


Daily operations of Shandong Kailai

Management Discussion and Analysis

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 coal fields in Xinjiang province. Xingliang Mine primarily contains long-flame coal, which is mainly used by power plants and chemical industries. In 2018, Xingliang Mine signed an integrity agreement with Turpan Gaochang District Government for the consolidation of nearby small-scale mines, with Xingliang Mine as the main body of the consolidation project.

To facilitate the consolidation project, Xingliang Mine was granted a prospecting license of 1.2 million tons on 11 August 2020. In addition, Xingliang Mine's application for the coal fire extinguishment work has been approved within this year, and a cooperation agreement has been reached with the subcontractor for the project, which helped kickstarted the project in the 3rd quarter of 2021.

Analysis of Xinjiang's coal industry in 2021

As China's coal supply security policies continue to take effect, coal output continues to increase. Xinjiang produced 319.92 million tonnes of coal in 2021, up 18.3% year-on-year; raw coal sales increased by 14.6%, and coal stocks in year-end were essentially unchanged with 0.2% increase, latest data from Xinjiang Bureau of Statistics shows.

In addition, according to the State Grid Xinjiang Electric Power Co Ltd., Xinjiang transmitted a record 122 billion kilowatt-hours of locally generated electricity to other parts of China in 2021, up over 16% year-on-year. Since the launch of the power transmission project in 2010, the annual transmission volume has risen 40 times from 3 billion kWh in 2010 to over 122 billion kWh in 2021, showcasing the rapid development of Xnijiang's coal and power industry.

The Group believes that China's coal mining hub has been gradually shifting towards Xinjiang, with gradual improvement in the region's already well-developed mining infrastructure. Under the nation's macro-policy support and the rise in demands for coal and electricity within the region, Xingliang Mine will generate a steady stream of revenue and profit for the Group.

(Data from: http://www.news.cn/local/2022–01/10/c_1128248894.htm)

Xingliang Mine for the year

- To prepare for the coal fire extinguishment project, the construction team of Xingliang Mine started preliminary infrastructure works in the 1st and 2nd quarter, including leveling the road of the coal yard and building new staff quarters, with the view to increasing the size of the administrative zone of the mine. In addition, the construction team was on standby at the mine, with various types of construction equipment ready, while implementing strict safety standards to reduce safety risks.

Management Discussion and Analysis

- After final review, Xingliang Mine received approval from the Turpan Gaochang District Government in the 3rd quarter for the coal fire extinguishment project on 1 September 2021 and completed the tendering process for the coal fire extinguishment works on 2 September 2021. The tender for Xingliang Mine's coal fire extinguishment project was awarded to Exploration Team 156 of the Xinjiang Coalfield and Geological Bureau. The works will be carried out in the form of stripping and levelling and are expected to generate coal from the process.

- Xingliang Mine had its electricity and water fully connected in the 4th quarter throughout the whole mining area, which helped facilitate the work of the construction team. The construction team has also started the coal fire extinguishment works, including excavation and separation works to differentiate coal among other materials.

- Xingliang Mine has been preparing the applications for the mining license of 1.2 million tons, and expects to obtain approval by mid-2022.

Construction team and its equipment

Management Discussion and Analysis

The construction team excavates and removes the soil

Management Discussion and Analysis

iv. Mongolia — Supply Chain Management Business

The railway logistics platform in Choir, Mongolia, is located at a strategically important conduit between Russia and China, and has a unique geographical advantage on the trilateral trade between China, Mongolia and Russia. The railway logistics platform covers 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 of Mongolia's mining industry amid COVID-19 pandemic in 2021

In 2021, the spread of COVID-19 and the subsequent closure of borders between China and Mongolia heavily disrupted the coal supply of Mongolia. Mongolia's coal production in December 2021 slumped 59.57% year-on-year but rose 3.36% compared to that of last month. However, from January to December, the coal production of Mongolia dropped 29.6% year-on-year to 30.12 million tonnes in 2021, data from the National Statistical Office of Mongolia showed.

Despite recurring COVID-19 in Mongolia and slowdown in coal exports, the Group remains full faith in the medium to long-term potential of Mongolia's coal industry. The power crisis in China highlighted its reliance on coal imports, and with the trade tensions between China and Australia, together with the uncertainties following the Russia-Ukraine conflict, the Group expects China to capitalise on its geographical advantage with Mongolia to increase coal imports from Mongolia, which would increase bilateral ties and benefit the business development of Choir Logistics Centre in the long run.

(Data from: http://www.coalchina.org.cn/index.php?m=content&c=index&a=show&catid=44&id=135207)

Choir Project for the year

- As Mongolia's COVID-19 situation remains severe, the government's strict COVID-19 regulations remain in place, including the closure of land borders, which prevented the Group's management team from being able to handle the issues on-site. Therefore, the Group was unable to reach a consensus with the vendor regarding the fulfilment clause for the acquisition of Choir Logistics Centre and complete the acquisition in the 1st and 2nd quarter.

- The Group brought in Sainsaikhan Consulting Services LLC as the constructor, operator and strategic subcontractor of the Choir project. The strategic subcontracting partnership is intended to utilize Sainsaikhan's local contacts and management experience to create mutual benefits and help resolve the legal dispute through discussions with the vendor to expedite the commissioning of the station operation.

- Sainsaikhan will employ local staff and technicians to manage day-to-day operations, which helps reduce operating expenses and capital expenditure.

- Through negotiations, the Group reached a consensus with the vendor regarding the fulfilment clause and formally completed the acquisition of Choir Logistics Centre on 30 December 2021 in the 4th quarter. As the Group's management team was still unable to manage the project on-site, our partner Sainsaikhan will execute the completion agreement on our behalf. Our partner will conduct electricity connection works, track repairing works and renewal formalities for the rights to use the railway as soon as possible.

Management Discussion and Analysis

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.

Over the past two decades Cheung Lee has evolved into an agricultural integrator that provides unique green agri-food industry chain solutions, consisting of modern farming, cultivation management as well as physical and online sales platforms connecting both Chinese and international green food wholesale and retail businesses.

Cheung Lee Highlights for the year

- Cheung Lee improved its vegetable production system and management system to achieve high quality development.

- Cheung Lee continued to develop its tea trading business and expand its business scale by improving its quality, creating brands and improving efficiency.

FIRST QUARTER 2022 DEVELOPMENT GOALS

The Group will continue to build on existing business, maintain steady growth, solidify business network and accelerate business expansion. The Group's business goals in the 1st quarter are as follows:

Shandong — Mining and Metallurgical Machinery Production

- Tengzhou Kaiyuan will complete market analysis to help effectively target customers and improve marketing effectiveness.

- To achieve product diversification, Tengzhou Kaiyuan will continue to develop mining machineries to provide customers with more options.

Shandong — Supply Chain Management Services

- Shandong Kailai plans to increase the annual coal storage and distribution capacity and increase environmental protection facilities to meet current and future demand.

- Shandong Kailai will develop a partnership programme with existing partners to increase trading volume in order to increase turnover and profits.

Xinjiang — Coal Exploitation Business

- Xingliang Mine is in close vicinity to an industrial area, with power plants and chemical plants as potential customers, including Xinjiang Huadian Turpan Power Plant, Xinjiang Guanghui Coal Cleaning Chemical Company Limited and Shenhong Industrial Park. As there is excess demand in the local area, Xingliang Mine will continue to initiate talks with potential customers with the aim to satisfy the local industrial coal demand with the majority of coal produced by Xingliang Mine.

- Xingliang Mine has been preparing the applications for the mining license of 1.2 million tons, and expects the applications to enter the final stages and obtain approval within the next 6 months.

Mongolia — Supply Chain Management Business

- The Group will continue its strategic subcontracting partnership with Sainsaikhan, improve the facilities of the railway logistics centre and complete the remaining construction in order to kickstart coal trading with China. The Group expects the construction to complete by the 2nd quarter of 2022, and kickstart the project between the 3rd and 4th quarter.

Agricultural Investment and Development

- Cheung Lee aims to analyse the tea market and its competitors, preserve the value of its brand and gain competitive edges in trading.

- Cheung Lee aims to consolidate the scale of its agriculture bases, and look for ideal locations to build new vegetable bases, so as to expand its scale.

KAISUN BUSINESS SOLUTION

Event Management & Consulting Business

In 2021, facing the second year of the partial border closure in Hong Kong, the unit achieved better than expected results, and the business focus of the Unit has continued its shift to political public relations and advertising agency services. Meanwhile, as the video conferencing and hybrid conferencing becomes the new normal during the pandemic, the team has gradually turned itself into one of the most reliable event management companies for the online event service in the process of providing various technical support for different customers. In the year 2021 the revenue and business volume of the Unit has become more polarized. During the period between March and December, due to the increasing business demand for the advocacy advertising on political issues in Hong Kong, the Unit witnessed a jump in revenue by providing related design and advertising service.

However, the epidemic still produces unprecedented challenges to the offline events. An offline event plan may change several times a day due to the changes in social distancing rules, and many events has to be cancelled in the end. In addition, the overall gross profit of the industry has been on a declining trend since the outbreak of the Coronavirus and some companies are beginning to increasingly extend payment terms, which puts an extra strain to the Unit's cash flow. Therefore, the team had little choice but to reduce payroll in response to income lost during the pandemic as its gross profit cannot be greatly improved for the time being. In 2022, the team hopes to maximize its profits relying on the current team size, at the same rime strives to keep themselves in a strong position in political public relations and video conference industry.

Esports Business

The eSports business — EvoLoop has made substantial progress in the year of 2021. Since the Company's first round of fundraising in 2017, its Intellectual property (IP) GIRLGAMER Esports Festival under incubation for several years has been widely recognized by the global market. In 2021, EvoLoop formally signed an IP Licensing Agreement with its overseas strategic partner and will collect annual license fees as its main income.

In 2021, in the view of the pandemic, the team organized GIRLGAMER Challenge, an online global eSports competition having the best eSports teams from Asia, Africa, Middle East, Europe and America and the team also invited top eSports influencers from all around the world to share their expertise online for improving the whole online experience. In 2022, the team will launch a new global tournament working together with its local partners. The offline events are scheduled to be held in countries includes United Arab Emirates, Philippines, Maldives, Singapore, Australia and Brazil and etc., tournaments in Italy, Turkey, Romania, Spain are also under discussion and due to the spread of Omicron all events will be postponed to the second quarter of the year. Looking into the future, the team will develop new eSports IPs as the global pandemic unfolds.

Management Discussion and Analysis

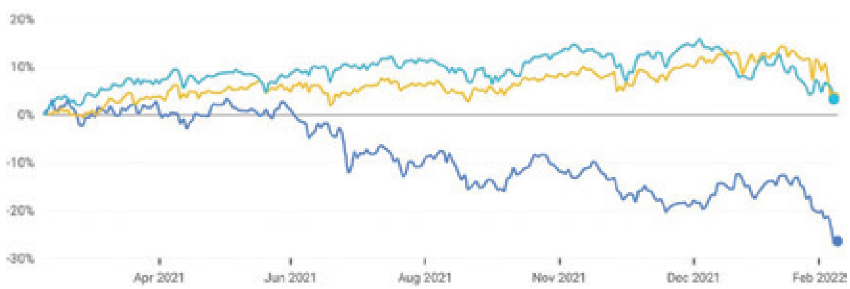
Kaisun Trust

In 2021, Kaisun Trust has enjoyed a steady growth with a focus on customer maintenance and brand marketing. However, the Unit's development prospects undermined due to the reduced cross-border travel, making it losing its connections to the resources in the Greater Bay Area (GBA) and its chance to capitalize on the GBA opportunities. Meanwhile, with the loss of talent in Hong Kong, the "brain drain" added more challenges to the company's recruitment plan. In 2022, the team hopes to expand its team size for better serve its clients, also bring in stable cash flow for the Group.

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 and meetings regularly held to review and evaluate the risks of the portfolio. In 2021, the pandemic and border restrictions eased in various countries where vaccination efforts are rolling out widely despite the appearance of the new COVID-19 variants, boosting the economy and performance of stock market in Europe and other emerging markets. However, Hong Kong's economic recovery severely hindered due to border closure, China's regulatory tightening on a number of industries and capital flowing to Europe. The emergence of the Omicron Variant in Q4 further leaving the city in struggle with the fifth wave of the pandemic. The Hang Seng Index has dropped over 20%, which hits six-year low, marking the worst performing globally. Meanwhile, the fighting in Ukraine continues and talks between Russia and Ukraine end without breakthrough, presenting substantial uncertainties for the global financial markets.

1 Year HSI, FTSE 100 & Dow Jones Comparison (As of 08 Mar 2022)



Hang Seng Index	**-7,636.85**	**↓26.76%**
FTSE 100 Index	**+240.35**	**↑3.58%**
Dow Jones Industrial Index	**+1,014.94**	**↑3.19%**

As at 31 December 2021, the fair value of listed investment was HK$19,204,896. The cost of listed investment was HK$44,906,164.

In 2021, part of our existing securities portfolio recorded an unrealized loss. The unrealized fair value loss was HK$5,485,434. Dividend received from listed securities was HK$64,096.

During the last annual reporting period, Hong Kong has started providing vaccination service and the pandemic was also under control, therefore the market confidence was raised in a short term. Unfortunately, the vaccination rates have always been low, followed by the fifth wave of the pandemic and concerns over the Russia-Ukraine War. The investment committee hopes the compulsory universal testing scheme will pave way for the city's border reopening plan, and the new batch of consumption vouchers can boost the local economy and the stock market can also return to normal. In view of the highly unpredictable nature of the Russia-Ukraine war, the investment committee decided to sit tight and will continue to invest in blue chip stocks and stocks that pay dividend to lower the risk of new economy stocks.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue of the Group for the year ended 2021 amounted to approximately HK$156.6 million, represented an increase of approximately 3.4 times when compared with the same period in 2020 (2020: HK$36.0 million). The increase in revenue was mainly attributable to partial resumption of the operations.

The Group's gross profit for the year ended 2021 decreased approximately 48% to approximately HK$7.0 million when compared with the same period in 2020 (2020: HK$13.4 million). The decrease in gross profit was primarily due to the decrease in revenue recognised from sale of mining and metallurgical machineries products during the year ended 31 December 2021. The decrease in gross profit margin was primarily due to the substantial increase in revenue recognised from provision of supply chain management services for mineral business, which traditionally with a lower gross profit margin when compared with other source of revenue of the Group.

For the year ended 31 December 2021, the Group recognized gain on disposal of financial assets at FVTPL and fair value loss on financial assets at FVTPL of approximately HK$3.6 million and HK$5.5 million respectively. Gain on disposal of financial assets at FVTPL represented realized gain on trading of the Group's investment portfolio, while fair value loss on financial assets at FVTPL represented the unrealized loss in fair value on the Group's investment portfolio.

The Group recognized i) fair value loss on financial liabilities at FVTPL of approximately HK$4.5 million, ii) impairment loss on trade and other receivables of approximately HK$3.4 million, and iii) reversal of impairment loss on intangible assets of approximately HK$24.7 million during the year ended 31 December 2021, these amounts resulted from fair value adjustments or impairment assessment towards assets and liabilities of the Group in accordance with the relevant accounting standards.

Exploration expenses for the year ended 31 December 2021 of approximately HK$18.2 million represented exploration expenditures recognised which were considered no future economic benefit.

Administrative and other operating expenses were approximately HK$58.8 million, which was relatively stable when compared with the same period in 2020 (2020: HK$60.2 million).

Combining the effects of the abovementioned items, the Group recorded a loss for the year of approximately HK$71.3 million (2020: HK$64.3 million).

The total comprehensive loss attributable to owners of the Company for the year 2021 amounted to approximately HK$63.2 million (2020: HK$50.3 million).

Management Discussion and Analysis

As at 31 December 2021, the Group held financial assets at FVTPL of approximately HK$19.2 million, wholly comprised of listed investment in securities listed in Hong Kong. In the midst of poor performance of Hong Kong stock market in 2021, the gain on disposal of financial assets at FVTPL amounted to approximately HK$3.6 million (2020 gain on disposal: HK$1.0 million), whilst the fair value loss on financial assets at FVTPL was approximately HK$5.5 million for the year ended 2021 (2020: HK$18.1 million). The details of financial assets at FVTPL are set out as follow:

Company Name	Number of shares held as at 31 December 2021	% of shareholding as at 31 December 2021	Unrealized gain/(loss) on fair value change for the year ended 31 December 2021	Fair value as at 31 December 2021	Fair value as at 31 December 2020	% of the Group's net assets as at 31 December 2021	Investment cost	Reasons for fair value loss
			HK$	**HK$**	HK$		HK$	
Hong Kong Listed Securities								
Baidu, Inc. (9888) *(Note 1)*	1,100	0.00004%	(23,640)	**159,060**	—	0.52%	182,700	Drop in share price
Bilibili Inc. (9626) *(Note 2)*	660	0.0002%	(154,934)	**236,676**	—	0.77%	391,610	Drop in share price
BOC Hong Kong (Holdings) Limited (2388) *(Note 3)*	35,000	0.0003%	43,750	**894,250**	352,500	2.91%	960,750	—
EJE (Hong Kong) Holdings Limited (8101) *(Note 4)*	9,800,000	2.82%	(4,557,000)	**—**	4,557,000	0.00%	14,020,604	Suspension of trading
HSBC Holdings plc (0005) *(Note 5)*	20,000	0.0001%	123,000	**938,000**	815,000	3.05%	1,015,000	—
Tencent Holdings Limited (0700) *(Note 6)*	3,500	0.00004%	(395,950)	**1,598,800**	—	5.20%	1,994,750	Drop in share price
Tesson Holdings Limited (1201) *(Note 7)*	2,973,000	0.24%	178,380	**1,397,310**	5,418,150	4.54%	1,397,310	—
Wealthking Investments Limited (1140) *(Note 8)*	17,476,000	0.50%	(699,040)	**13,980,800**	14,679,840	45.45%	24,943,440	Drop in share price
Target Insurance (Holdings) Limited (6161) *(Note 9)*	—	—	—	**—**	10,470,160	—	—	—
Total			(5,485,434)	**19,204,896**	36,292,650	62.44%	44,906,164	

Management Discussion and Analysis

Notes:

1. Baidu Inc (HKEx: 9888) — Baidu Inc is a leading AI company with a strong Internet foundation.

2. Bilibili Inc (HKEx: 9626) — Bilibili Inc is an iconic brand and a leading video community for young generations in China. The group is a full-spectrum video community that offers a wide array of content serving young generations' diverse interests.

3. 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.

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. HSBC Holdings plc (HKEx: 0005) — HSBC Holdings plc products and services are delivered to clients through four global businesses: Retail Banking and Wealth Management ("RBWM"), Commercial Banking ("CMB"), Global Banking and Markets ("GB&M") and Global Private Banking ("GPB").

6. Tencent Holdings Limited (HKEx: 0700) — Tencent Holdings Limited is principally engaged in the provision of VAS, FinTech and Business Services and Online Advertising services.

7. Tesson Holdings Limited (HKEx: 1201) — Tesson Holdings Limited is principally engaged in Lithium Ion Motive Battery Business and Property and Cultural Business during the year.

8. Wealthking Investments Limited (HKEx: 1140) — The principal investment objective is to achieve earnings for the Company in the form of medium to long term capital appreciation through investing in a diversified portfolio of global investments in listed and unlisted enterprises.

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

Management Discussion and Analysis

As at 31 December 2021, the Group held financial assets at fair value through other comprehensive income ("FVTOCI") with carrying amount of approximately HK$17.4 million, comprised of unlisted equity securities in Hong Kong and British Virgin Islands and redeemable preference shares. The details of financial assets at FVTOCI are set out as follow:

Company Name	% of shareholding as at 31 December 2021	Investment cost as at 31 December 2021 HK$	Investment cost as at 31 December 2020 HK$	Carrying amount as at 31 December 2021 HK$	Carrying amount as at 31 December 2020 HK$	% of carrying amount to the Group's total assets as at 31 December 2021
Financial assets at FVTOCI						
Cheung Lee Farming Corporation *(Note 1)*	8.7%	**8,700,000**	8,700,000	**8,300,000**	10,900,000	2.3%
Connect-Me Technologies Limited *(Note 2)*	9.9%	**990**	990	**—**	—	N/A
Xin Ying Holdings Limited *(Note 3)*	N/A	**8,000,000**	8,000,000	**9,100,000**	8,200,000	2.5%
		16,700,990	16,700,990	**17,400,000**	19,100,000	

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. 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. As at 31 December 2021, the Group held 8,000,000 redeemable preference shares of Xin Ying.

Management Discussion and Analysis

OUTLOOK

The Group will have to focus on reshaping the business model given the uncertainty of the COVID-19 disease control policy of our country both in the Mainland and Hong Kong which put not only the Group but almost all the business enterprises into a standstill.

In 2021, the Group consolidated almost all of its offshore business units amid travel bans and extremely long quarantine time either way. The fact that the staff of the Group and independent professional services providers' unwillingness to travel overseas mainly frontiers and emerging markets in which the Group focuses on to perform their duties forced the Group to give up its hard-earned business network with regret.

The traditional business in coal mining and mining machinery assembling and trading business remain a core business unit of the Group. However, the Group is putting a lot of effort to comply with the global ESG standard to keep the environment clean despite at high cost which all businesses are encountering the same issue. The Xinjiang coal asset of the Group should experience a new milestone given the Autonomous Region has a new party secretary and a new plan to revitalize Xinjiang to be a pearl of the Country's Belt and Road development.

The Group's service business was stagnant in 2021 and the Board cannot possibly forecast growth for 2022 given the isolation of Hong Kong from the rest of the world under the current COVID-19 disease control policy which everyone has to live with it.

Since 2019, the Group has suffered loss of human resources for reason of social unrest. The COVID pandemic further rubbed salt into the wound. The Board's goal of 2022 onwards is to rebuild the Group's talent pool to reinforce its management team to meet with the ever changing rules and regulations.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group has bank and cash balances of approximately HK$8.3 million (2020: HK$10.4 million).

The net current liabilities of the Group as at 31 December 2021 amounted to approximately HK$182.2 million. The net current liabilities status of the Group revealed potential going concern issues of the Group, to address the going concern issue, the management of the Group will if necessary, liaise with creditors on the maturity dates and repayment schedule of debts so that the Group can continue as a going concern; and consider fund-raising activities in the future. The Company will issue further announcements as of when appropriate in this regard.

GEARING RATIO

The Group's gearing ratio, which represents the ratio of the Group's bonds payables over the Group's total assets, was 0.14 as at 31 December 2021 (2020: 0.14).

FOREIGN EXCHANGE EXPOSURE

Majority of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), United States dollars, Tajikistan Somoni and Mongolian Tugrik. As at 31 December 2021, the Group had no other significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Management Discussion and Analysis

INCOME TAX

Details of the Group's income tax expense/credit for the year 2021 are set out in note 11 to the consolidated financial statements.

HUMAN RESOURCES

As at 31 December 2021, the Group had 116 (2020: 117) staff 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 2021, 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$25.7 million (2020: HK$23.8 million) for the year 2021.

SEGMENT REPORT

The detailed segmental analysis are provided in note 48 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2021.

LITIGATION

As at 31 December 2021, the Group had no significant pending litigation.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the year ended 31 December 2021 and up to the date of this report.

Management Discussion and Analysis

OTHER INFORMATION

At the request of the Stock Exchange, the Board would like to provide the following information:

Discloseable Transactions — Acquisition of Listed Securities of EJE (Hong Kong) Holdings Limited

The Board announces that the Group has acquired 9,800,000 shares in EJE (Hong Kong) Holdings Limited ("EJE") (HKEx Stock Code: 8101) for an aggregate consideration of approximately HK$14 million in a series of trade executed on the open market during the period from 5 December 2019 to 14 January 2020. The average purchase price of each share in EJE was approximately HK$0.143. The purchase price paid by the Group for each transaction was the market price of EJE and was financed by internal resources of the Group. The 9,800,000 shares in EJE acquired by the Group represented approximately 2.82% of the issued share capital of EJE as at the date of this annual report.

As the 9,800,000 shares of EJE acquired by the Group were acquired through the open market, the Directors were not aware of the identities of the sellers of the 9,800,000 shares of EJE. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the sellers and, if applicable, its ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Information of EJE

EJE is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the GEM of the Stock Exchange (stock code: 8101). EJE and its subsidiaries are principally engaged in (i) manufacture of custom made furniture; (ii) the design, manufacture and sale of mattress and soft bed products; (iii) property investment; (iv) securities investment; and (v) money lending.

The following financial information is extracted from the published unaudited management accounts and the annual report of EJE:

	Year ended 31 March		
	2021	2020	2019
	HK$'000	HK$'000	HK$'000
	(unaudited)	(audited)	(audited)
(For continuing operations)			
Revenue	**84,796**	140,464	130,308
(Loss)/profit before taxation	**(18,201)**	62,791	(7,430)
(Loss)/profit after taxation	**(20,435)**	61,879	(613)
Total assets	**923,459**	915,216	628,877
Net asset value	**426,330**	393,374	313,090

Management Discussion and Analysis

Reasons for and benefits of the acquisitions

The Company considered that based on the EJE's stable development of business and the recent downside of shares of EJE, the acquisitions of shares of EJE represented an investment opportunity of the Group.

As the acquisitions were made at market price, the Directors were of the view that the terms of the acquisitions were fair and reasonable, on normal commercial terms, and in the interests of the Company and its shareholders as a whole.

As at the date of this annual report, the Group beneficially owns 9,800,000 shares of EJE, representing approximately 2.82% of the total issued share capital of EJE as at the date of this annual report. The investment in EJE is accounted for as financial assets at FVTPL and EJE's financial results have not been consolidated in the accounts of the Group.

Listing Rules Implications

As one or more of the application percentage ratios for the acquisitions of the shares of EJE, when aggregated, exceeded 5% but all of them were less than 25% under Chapter 19 of the GEM Listing Rules, the acquisitions together constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Discloseable Transactions — Acquisition of Listed Securities of Tesson Holdings Limited

The Board announces that the Group has acquired 13,215,000 shares in Tesson Holdings Limited ("Tesson") (HKEx Stock Code: 1201) for an aggregate consideration of approximately HK$6.2 million in a series of trade executed on the open market on 9 September 2020. The average purchase price of each share in Tesson was approximately HK$0.469. The purchase price paid by the Group for each transaction was the market price of Tesson and was financed by internal resources of the Group. The 13,215,000 shares in Tesson acquired by the Group represented approximately 1.07% of the issued share capital of EJE as at the date of this annual report.

As the 13,215,000 shares of Tesson acquired by the Group were acquired through the open market, the Directors were not aware of the identities of the sellers of the 13,215,000 shares of Tesson. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the sellers and, if applicable, its ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Information of Tesson

Tesson is an exempted company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 1201). Tesson and its subsidiaries are principally engaged in (i) the manufacturing and sale of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sale of relevant equipment, investment holding and import and export trading; and (ii) the property development business, as well as the cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering.

The following financial information is extracted from the published unaudited management accounts and the annual report of Tesson:

	Year ended 31 December		
	2021	2020	2019
	HK$'000	HK$'000	HK$'000
	(unaudited)	(audited)	(audited)
Revenue	**171,294**	762,891	912,346
(Loss)/profit before taxation	**(455,936)**	112,974	(93,761)
(Loss)/profit after taxation	**(434,886)**	39,482	(125,762)
Total assets	**2,672,914**	2,993,795	3,175,512
Net asset value	**865,444**	1,240,390	1,105,276

Reasons for and benefits of the acquisitions

The Company considered that the acquisitions of shares of Tesson represented an investment opportunity of the Group as it is optimistic on the future development of Tesson.

As the acquisitions were made at market price, the Directors were of the view that the terms of the acquisitions were fair and reasonable, on normal commercial terms, and in the interests of the Company and its shareholders as a whole.

As at the date of this annual report, the Group beneficially owns 2,973,000 shares of Tesson, representing approximately 0.24% of the total issued share capital of Tesson as at the date of this annual report. The investment in Tesson is accounted for as financial assets at FVTPL and Tesson's financial results have not been consolidated in the accounts of the Group.

Listing Rules Implications

As one or more of the application percentage ratios for the acquisitions of the shares of Tesson, when aggregated, exceeded 5% but all of them were less than 25% under Chapter 19 of the GEM Listing Rules, the acquisitions together constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Management Discussion and Analysis

Omissions of the Company to Disclose the Discloseable Transactions

The omissions by the Company to comply with the GEM Listing Rules requirements to make timely disclosure for the acquisitions of shares of EJE and Tesson was due to inadvertent mistake from the Company having believed that the acquisitions of shares of EJE and Tesson were of a revenue nature and in the ordinary and usual course of business of certain members of the Group and they would therefore be exempt from the requirements under Chapter 19 of the GEM Listing Rules pursuant to Rule 19.04(1)(g) of the GEM Listing Rules.

The Company wishes to apologise for the above non-compliances and hereby provide details of the acquisitions of shares of EJE and Tesson.

To avoid any similar delay in notification in the future and to fine tune the Group's internal control procedures, the Company will (i) continuously review and oversee the legal and regulatory compliance procedures and internal controls of the Group to ensure that all existing and further transactions of the Company fully comply with the Listing Rules; (ii) provide written guideline on the procedures for similar transactions to all Directors, senior management and relevant personnel of the Company, which would include requiring written calculation of the relevant size tests as to whether public disclosure is required before entering into similar transactions and closely monitoring the transactions entered into from time to time; and (iii) provide further training to the Directors, the senior management and the relevant personnel of the Company to help them better understand any new requirements of the GEM Listing Rules and identify any potential notifiable transactions of the Group on a timely basis.

At the request of the Stock Exchange, the Board would like to further provide the following information:

Loans to Up Energy Development Group Limited and Advance of Restructuring Cost

Background

As at 31 December 2014, Up Energy (Fukang) Coal Washing Ltd., a subsidiary of Up Energy Development Group Limited ("Up Energy", former HKEx Stock Code: 307, together with its subsidiaries, "Up Energy Group"), was a trade debtor of the Group with an outstanding amount of approximately HK$9.6 million payable to the Group.

As disclosed in the annual report for the year ended 31 March 2015 of Up Energy, the Up Energy Group had a net current liabilities status and there was a significant doubt on the Group's ability to continue as a going concern.

The Loans

During the period from 22 September 2015 to 11 December 2015, the Company (as lender) entered into a series of loan agreements with Up Energy (as borrower) to lend an aggregate amount of HK$15,000,000 to Up Energy with loan period of one year and interest rate of 17% respectively.

The Advance on Restructuring Cost

On 19 September 2016, the Supreme Court of Bermuda ruled that joint provisional liquidators will be appointed by the Bermudan court order on a soft touch basis to supervise the restructuring of Up Energy, and thereafter the debt restructuring process of Up Energy commenced.

Management Discussion and Analysis

During the debt restructuring process, due to the Group's knowledge and experience in the coal mining business, Kaisun Consulting Limited, a wholly-owned subsidiary of the Company, was engaged as coordinator for certain creditors of Up Energy and introducer of financing of Up Energy. The engagement was an engagement under the Group's corporate services business segment, subject to certain conditions, the Group's service fee under the engagement was ranged from HK$5 million to HK$50 million.

In order to facilitate the debt restructuring process of Up Energy, during the period from October 2016 to December 2019, the Group advanced restructuring cost of approximately HK$24.3 million, which in the management's view was incidental to the engagement.

Reasons for and benefits of the loans to Up Energy and the advance on restructuring costs

As disclosed in the annual report for the year ended 31 March 2015 of Up Energy, as at 31 March 2015, Up Energy Group had total assets amounted to approximately HK$20 billion and net assets amount to approximately HK$10 billion. Given the vast amount of assets owned by the Up Energy Group, the management of the relevant times were of the view that the financial difficulties faced by Up Energy were temporary and there was a very high chance that the restructuring would be successful.

The loans to Up Energy and the advance on restructuring costs would facilitate and speed up the debt restructuring process, which in turn would facilitate and speed up the recovery of outstanding amount payable to the Group by Up Energy.

It was the management's view that the risks associated with the loans to Up Energy and the advance on restructuring costs was low as the amount of loans and advance were insignificant when compared to the assets owned by the Up Energy Group.

Current Status

On 5 January 2022, the shares of Up Energy were delisted from the Stock Exchange. Nevertheless, the provisional liquidators, the Group and other creditors of Up Energy are still working on the debt restructuring. The asset value of Up Energy Group is expected to rise following the recent increase in coal price, therefore, the management of the Group is still optimistic on the recovery of trade receivables, loans to Up Energy and the advanced restructuring cost. Further updates will be provided as and when appropriate.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Nap Kee, Joseph, aged 61, is the chairman, 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 over 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. 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 GEM 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 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 52, 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 58, 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.

Dr. Wong Yun Kuen, aged 64 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 the independent non-executive director of GT Group Holdings Limited.

He was the chairman and executive director of Far East Holdings International Limited until 22 December 2020, non-executive director of China Sandi Holdings Limited until 29 September 2019, and the independent non-executive director of DeTai New Energy Group Limited, Synergis Holdings Limited until 22 December, 2020, China Asia Valley Graphene Group Limited until 29 December 2020, Kingston Financial Group Limited until 28 August 2019. All are listed on the Stock Exchange. He was also independent non-executive director of formerly listed companies Asia Coal Limited until 6 June 2019, and Tech Pro Technology Development Limited until 2 March 2020.

Biography of Directors and Senior Management

Mr. Wu Zheng, aged 52, is chairman of Nomination and Corporate Governance Committee, member of audit committee and remuneration committee since 31 October 2021.

Mr. Wu holds a Master Degree of Science in Engineering from the School of Management of Xi'an Jiaotong University. Mr. Wu has over 20 years of experience in corporate finance, mergers and acquisitions, business consultancy, and investment management. From 2001 to 2019, Mr. Wu worked as key management personnel of various companies in the finance sectors including deputy general manager of Jinghua Shanyi Information Consulting (Shenzhen) Co., Ltd. (京華山一信息諮詢(深圳)有限公司), executive director of Dongying Investment Consulting (Shenzhen) Co., Ltd (東英投資顧問(深圳)有限公司) and the China region general manager of OP Investment Management Limited. From 2019 onwards, Mr. Wu is the beneficial owner and key management personnel of SHANGHAISIYANTOUZIGUANLI CO.,LTD (上海思延投資管理有限公司).

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 2021.

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 43 to the Consolidated Financial Statements.

An analysis of the Group's performance for the year ended 31 December 2021 by segments is set out in note 48 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on pages 66 to 67.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2021.

BUSINESS REVIEW

A review of the business of the Group for the year 2021 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 2021 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.

Directors' Report

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity of the Group.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2021 amounted to HK$Nil (2020: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment 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 39 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2021 amounted to HK$nil (2020: HK$nil). 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, however, it is not guaranteed that dividend will be proposed within any period of 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 2021, neither the Company nor any of its subsidiaries has purchased or sold any of its listed securities.

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.

No shares were purchased by the trustee of the Share Award Scheme 2016 for year ended 31 December 2021 and 2020. 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 approximately HK$2,976,000. 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 approximately HK$395,000. Hence, the total no. of shares in the Share Award Scheme as at 31 December 2021 was 13,610,000.

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

As at the date of this report, the Share Award Scheme 2016 is expired. It is planned that a new Share Award Scheme using the shares currently held by the trustee of Share Award Scheme 2016 as the pool of shares to be awarded will be adopted. Further announcements will be made by the Company as and when appropriate.

Directors' Report

DIRECTORS

The Directors during the year 2021 were:

Executive Directors:

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

Independent Non-Executive Directors:

Mr. Liew Swee Yean
Dr. Wong Yun Kuen
Mr. Wu Zheng (appointed on 31 October 2021)
Mr. Anderson Brian Ralph (retired on 1 August 2021)

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.

In accordance with Article 86 of the Articles, Mr. Wu Zheng will retire from office and shall then be eligible for re-election at forthcoming AGM.

According to Code provisions B.2.3 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.

As Mr. Liew Swee Yean and Dr. Wong Yun Kuen served for more than 9 years in year 2021, accordingly, their further appointments in 2022 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 and Dr. Wong Yun Kuen offered themselves for re-election at the AGM.

The Company has received from each of Mr. Liew Swee Yean and Dr. Wong Yun Kuen, being the independent non-executive directors, annual confirmations of their 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, Dr. Wong Yun Kuen and Mr. Wu Zheng, 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 2022, Dr. Wong Yun Kuen has been appointed as an independent non-executive director up to 29 September 2022, Mr. Wu Zheng has been appointed as an independent non-executive director up to 30 October 2022.

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 2021 under review.

Directors' Report

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 2021	Approximate percentage of the total issued Shares as at 31 December 2021
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%
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 2021, 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 159,132,298. 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 year ended 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 2021.

2. Of these, 400,000 shares were shares awarded to Mr. Yang Yongcheng ("Mr. Yang") 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.

3. Of these, 150,000 shares were shares awarded to each of Mr. Liew Swee Yean and Dr. Wong Yun Kuen 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 2021, 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:

Long positions in shares and underlying shares:

Name of Shareholders	Capacity and nature of interest	Number of shares as at 31 December 2021	Approximate percentage of the total issued shares as at 31 December 2021
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 2021, 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

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 2021 under review.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of cost of sales and sales for the year 2021 attributable to the Group's major suppliers and customers are as follows:

Cost of sales	
— the largest supplier	39%
— five largest suppliers combined	76%
Sales	
— the largest customer	43%
— five largest customers combined	74%

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 2021. Details of compliance and deviation are set out in the Corporate Governance Report on pages 40 to 60.

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 43 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

There were no significant events after the year ended 31 December 2021 and up to the date of this report.

AUDITOR

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

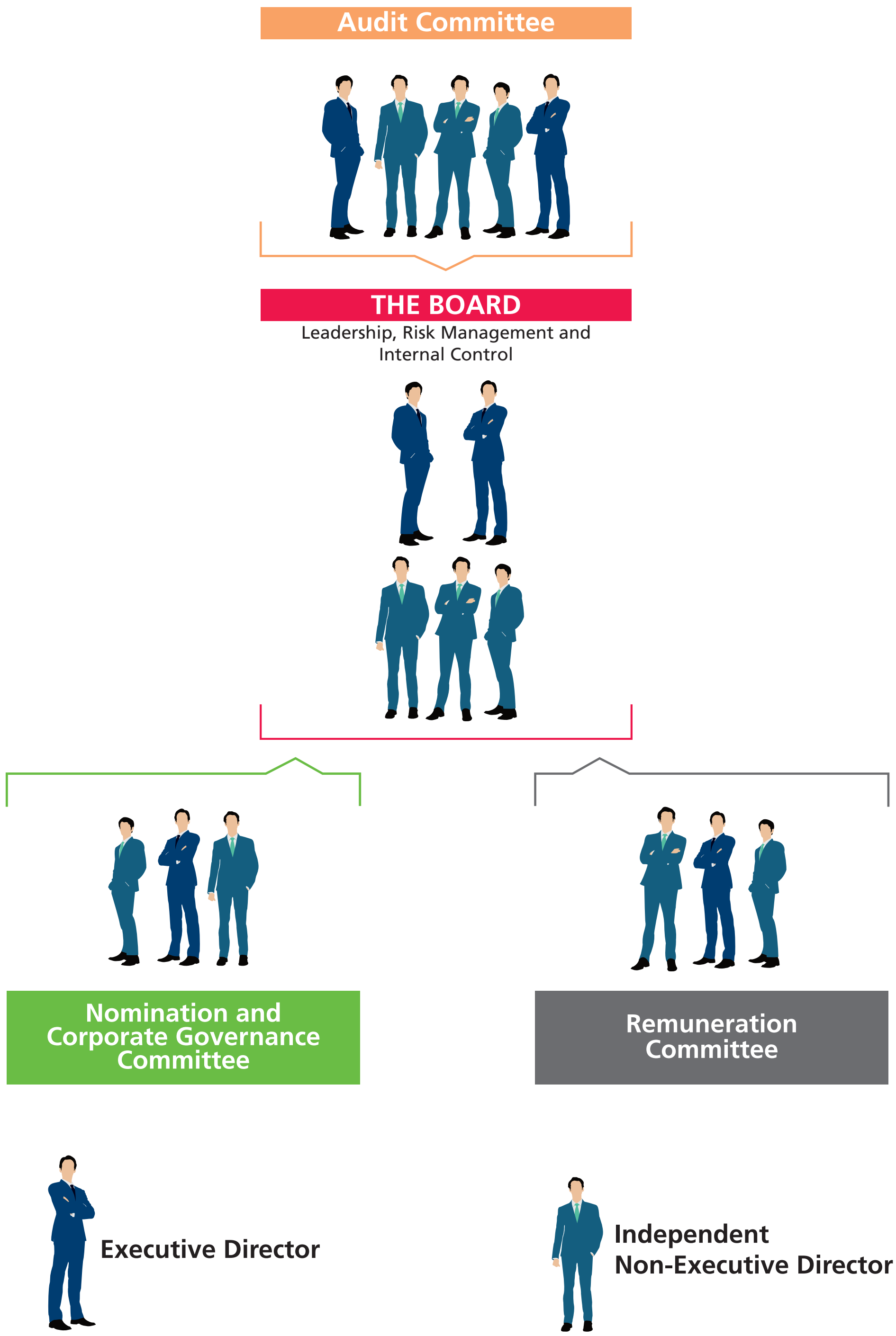
Chan Nap Kee, Joseph
Chairman

Hong Kong, 13 May 2022

Corporate Governance Report

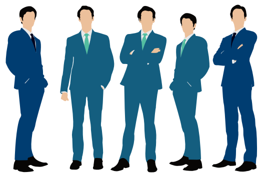
OUR GOVERNANCE FRAMEWORK

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
- Reviews internal control and risk management system

Nomination and Corporate Governance Committee

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

Remuneration Committee

- Sets remuneration policy for executive directors
- Determines executive director's remuneration and incentives

Corporate Governance Report

Remuneration Committee Report Page 47 to Page 48

Nomination and Corporate Governance Committee Page 48 to Page 49

Audit Committee Report Page 53 to Page 54

Risk Management and Internal Control Report Page 55

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.

Corporate Governance Report

Appointment of Joint chief executive officers (CEOs)

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 remains 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.

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 establishes 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 Joint Chief Executive Officers and the management.

Independent Non-Executive 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.

Corporate Governance Report

In 2021, three Independent Non-executive Directors drawn from diverse and complementary backgrounds spanning mining, accounting and corporate finance. 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 Expertise as a geological expert	Dr. Wong Yun Kuen
MACRO-ENVIRONMENT AFFECTING THE GROUP Expertise in the economic, political social environment affecting the Group and its operation	Dr. Wong Yun Kuen
AUDIT COMMITTEE ACCOUNTING EXPERTISE Expertise on "Audit Committee Accounting Expertise" under the Listing Rules	Mr. Liew Swee Yean
CORPORATE FINANCE EXPERTISE Corporate finance expertise for advising capital management of the Group	Mr. Wu Zheng

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

Corporate Governance Report

HOW THE BOARD, JOINT CEOs AND MANAGEMENT WORKS TOGETHER

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

For the day-to-day operation of the business, the Board relies on Joint CEOs and management. The Board monitors what Joint CEOs and management are 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.

With wide range of experiences, specific expertise, and fresh objective perspectives, the Independent Non-Executive Directors provide independent challenge and review. 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.

THE BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2021, the Board comprised five directors, including two executive directors, namely Mr. Chan Nap Kee, Joseph and Mr. Yang Yongcheng and three independent non-executive directors, namely Mr. Liew Swee Yean, Dr. Wong Yun Kuen and Mr. Wu Zheng. 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 qualification, or 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 annual confirmations of their independence from each of its independent non-executive directors 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.

Corporate Governance Report

Chairman and Joint Chief Executive Officers

As part of the Group's long term management succession plan which promote our professional and young 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 of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Hence, 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. Chan Nap Kee, Joseph relinquished as Chief Executive Officer, and remains 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

Eight Board meetings were held during the year ended 31 December 2021. The Board meetings involved the active participation of the directors either in person or by telephone or through other electronic means of communication.

Attendance of each of the directors at Board meetings during the year ended 31 December 2021 is set out as follows:

Number of Board Meetings	**8**	
Executive Directors:		
Mr. Chan Nap Kee, Joseph *(Chairman)*	8/8	100%
Mr. Yang Yongcheng	8/8	100%
Independent Non-Executive Directors:		
Mr. Liew Swee Yean	8/8	100%
Dr. Wong Yun Kuen	8/8	100%
Mr. Wu Zheng (appointed on 31 October 2021)*	1/1	100%
Mr. Anderson Brian Ralph (retired on 1 August 2021)*	4/4	100%
Average attendance rate	100%	

* Only the meeting during his tenure is counted.

Annual General Meeting

Except for Mr. Yang Yongcheng, all other four Directors attended the Annual General Meeting held on 30 June 2021.

Corporate Governance Report

Company Secretaries

As stated in the Company's announcement dated 26 April 2021, Mr. Pang Yick Him was appointed as Group Financial Controller, Company Secretary and Authorized Representative with effect from 26 April 2021. As stated in the announcement of the Company dated 14 April 2021 and 16 April 2021, Miss Helen Young ceased to be the Joint Company Secretary with effect from 14 April 2021. As stated in the Company's announcement date 26 April 2021, Mr. Wong Lok Man resigned as Joint Company Secretary, Authorized Representative and Group Financial Controller with effect from 26 April 2021.

All Directors have access to the advices and services from the Company Secretary, Mr. Pang Yick Him confirmed that he has taken no less than 15 hours of the relevant professional training for the year ended 31 December 2021 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 Corporate Governance ("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.

REMUNERATION COMMITTEE REPORT

Composition of the Remuneration Committee

Committee Chairman	Dr. Wong Yun Kuen*
Members	Mr. Anderson Brian Ralph* (retired on 1 August 2021) Mr. Wu Zheng* (appointed on 31 October 2021) 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.

Corporate Governance Report

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 two meetings during the year ended 31 December 2021. During the meeting, the Remuneration Committee had reviewed and approved, if any, 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 2021 is set out as follows:

Number of Remuneration Committee Meetings		**2**	
Dr. Wong Yun Kuen *(Committee Chairman)*	2/2		100%
Mr. Chan Nap Kee, Joseph	2/2		100%
Mr. Anderson Brian Ralph (retired on 1 August 2021)*	1/1		100%
Mr. Wu Zheng (appointed on 31 October 2021)*	0/0		N/A
Average attendance rate		100%	

* Only the meeting during his tenure is counted.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

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

Committee Chairman	Mr. Anderson Brian Ralph* (retired on 1 August 2021) Mr. Wu Zheng* (appointed on 31 October 2021)
Members	Mr. Liew Swee Yean* Mr. Chan Nap Kee, Joseph◆

* *Independent Non-executive Director*

◆ *Executive Director*

Role and Function of NC

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.

Appointment of Mr. Wu Zheng as Chairman of NC

Following the retirement of Mr. Anderson Brian Ralph as independent non-executive director and Chairman of NC of the Company on 1 August 2021, Mr. Wu Zheng was appointed by the Board as the chairman of NC of the Company with effect from 31 October 2021 when he is appointed as an independent non-executive Director.

For details of the appointment of Chairman of NC, please refer to the Company's announcement dated 31 October 2021.

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, NC 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 decided not to set any measurable objectives for implementing the Board Diversity Policy.

The NC will continue to ensure that diversity is taken into consideration when assessing Board composition.

GENDER

Corporate Governance Report

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

Corporate Governance Report

DIRECTORSHIP WITH OTHER PUBLIC LISTED COMPANIES (NO. OF COMPANIES)

Attendance of each of the directors at the NC meetings for the year ended 31 December 2021 is set out as follows:

Number of Nomination and Corporate Governance Committee Meeting	**2**	
Mr. Anderson Brian Ralph *(Committee Chairman retired on 1 August 2021)**	1/1	100%
Mr. Wu Zheng *(Committee Chairman appointed on 31 October 2021)**	0/0	N/A
Mr. Liew Swee Yean	2/2	100%
Mr. Chan Nap Kee, Joseph	2/2	100%
Average attendance rate	100%	

* Only the meeting during his tenure is counted.

AUDITORS' REMUNERATION

For the year ended 31 December 2021, the fee paid or payable to external auditors in respect of audit services amounted to HK$2.8 million.

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, results and cash flows for the year 2021 under review. In preparing the accounts for the year ended 31 December 2021, 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.

AUDIT COMMITTEE REPORT

Composition of the Audit Committee ("AC")

Committee Chairman	Mr. Liew Swee Yean*
Members	Dr. Wong Yun Kuen* Mr. Wu Zheng* (appointed on 31 October 2021) Mr. Anderson Brian Ralph* (retired on 1 August 2021)

* *Independent Non-executive Director*

Role and Function of the AC

The primary duties of the AC are to review and supervise the financial reporting process and internal control system of the Group and build an important bridge 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 ended 31 December 2021, 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 CG Code.

Attendance of each of the independent non-executive directors at the AC meetings during the year ended 31 December 2021 was set out as follows:

Number of Audit Committee Meetings	**4**	
Mr. Liew Swee Yean *(Committee Chairman)*	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Mr. Wu Zheng (appointed on 31 October 2021)*	1/1	100%
Mr. Anderson Brian Ralph (retired on 1 August 2021)*	2/2	100%
Average attendance rate	100%	

* Only the meeting during his tenure is counted.

Corporate Governance Report

During the year 2021, 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 2021, 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 complied with the Code Provisions on internal controls as set forth in the CG Code for the year 2021.

The Group's financial statements for the year ended 31 December 2021 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. 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 2021 under review, except for the following deviation.

Following the retirement of Mr. Anderson Brian Ralph as independent non-executive Director on 1 August 2021, (i) the number of independent non-executive Directors fell below the minimum number required under Rules 5.05(1) of the GEM Listing Rules; and (ii) the number of members of the audit committee of the Company (the "Audit Committee") fell below the minimum number required under Rule 5.28 of the GEM Listing Rules. The non-compliance was subsequently rectified following the appointment of Mr. Wu Zheng as an independent non-executive Director on 31 October 2021.

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 2021. 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 2021 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 2021, 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.

Corporate Governance Report

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.

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 chairman or members of the committees are available to take shareholders' questions.

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.

The current Directors received the following trainings during the year ended 31 December 2021:

	Attending seminar(s)/ programme(s)/ conference(s) and/or reading materials relevant to the business or directors' duties
Mr. Chan Nap Kee, Joseph *(Chairman)*	✓
Mr. Yang Yongcheng	✓
Mr. Liew Swee Yean	✓
Dr. Wong Yun Kuen	✓
Mr. Wu Zheng (appointed on 31 October 2021)	✓
Mr. Anderson Brian Ralph (retired on 1 August 2021)	✓

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 page 65 of this report.

AUDIT MODIFICATION

As described under the section headed "Basis for Disclaimer of Opinion" of the "Independent Auditor's Report", the Group had defaulted in repayment of its bonds payable with a principal amount of HK$50,000,000 and the accrued interest of approximately HK$11,022,000 when they fell due on 23 August 2021 and incurred a loss of approximately HK$71,283,000 during the year ended 31 December 2021 and, as of that date, the Group had net current liabilities of approximately HK$182,157,000. 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.

As described under the section headed "Other Modification" of "Independent Auditor's Report", had the Auditors not disclaimed their opinion in respect of the matters described in the "Basis for Disclaimer of Opinion" section, the Auditor would otherwise have modified their opinion in respect of the scope limitations on their audit relating to (a) Investment in associates; (b) Discontinued operations in the production in the production and exploitation of coal business in Tajikistan; and (c) Opening balances and corresponding figures.

For further details of the abovementioned disclaimer of opinion and other modifications, please refer to the "Independent Auditor's Report" set out on page 61 to page 65 of this annual report.

Corporate Governance Report

MANAGEMENT'S VIEW ON THE DISCLAIMER OF OPINION AND OTHER MODIFICATION

The management of the Company given careful consideration to the Disclaimer of Opinion (the "Disclaimer") and Other Modifications and has had ongoing discussion with RSM Hong Kong when preparing the Group's consolidated financial statements.

The Disclaimer

In respect of the Disclaimer, management of the Company plans to undertake a number of measures (for details please refer to the below section "Action Plan of the Group to Address the Audit Modification") to improve the Group's future operating results, cash flows, liquidity and financial position to enable the Group to meet its liabilities as and when they fall due for the foreseeable future. The management of the Company is of the view that after taking consideration of the Group's financial forecast and measures to be taken, the Group will have sufficient working capital to operate as a going concern for at least 12 months from the end of reporting period, therefore the Group's consolidated financial statements are prepared on a going concern basis.

However, the Company's auditor is of the view that they were unable to obtain sufficient appropriate audit evidence as to the validity of the going concern basis, as the validity of the going concern basis depends the outcome of measures to be taken, which is subject multiple uncertainties due to future conditions and circumstances, including (i) whether the improvement of future operating results and cash flows would be realised; (ii) whether the agreements with the Group's creditors on the extension of repayment of debts would be reached; and (iii) whether the future fund raising activities of the Company would be successfully executed.

The Disclaimer was due to the absence of sufficient appropriate audit evidence on outcome of future events, there are no difference in view between the management of the Company and the auditor.

Other Modifications

The Other Modifications on (a) Investment in associates; (b) Discontinued operations in the production in the production and exploitation of coal business in Tajikistan were due to the absence of relevant financial information of the associates of the Company and a subsidiary of the Company in Tajikistan. The issues in relation to these two modifications were brought forward from 2020 and remained unresolved in 2021. The absence of the relevant financial information was caused by the COVID-19 pandemic in United Kingdom and Tajikistan which seriously impacted the assess of information by the Group due to the local and worldwide lockdown measures.

The Other Modifications on (a) Investment in associates; (b) Discontinued operations in the production in the production and exploitation of coal business in Tajikistan was due to the absence of relevant financial information, there are no difference in view between the management of the Company and the auditor.

The Other Modifications on opening balances and corresponding figures represented the brought forward effect of the Other Modifications on the consolidated financial statements from prior years.

As the interest in associates of the Company was disposed during the year ended 31 December 2021, the Board is of the view that the Other Modification on investment in associates will not have future significant impacts on the Group's financial position in the future.

Corporate Governance Report

Based on the current draft opinion legal opinion obtained by the Company in relation to the abandonment of operations in the production in the production and exploitation of coal business in Tajikistan, the Board is of the view that the relevant Other Modification will not have future significant impacts on the Group's financial position in the future.

The management of the Company acknowledged and agreed with the disclaimer of opinion and other modifications RSM Hong Kong issued based on their professional and independent assessment.

ACTION PLAN OF THE GROUP TO ADDRESS THE AUDIT MODIFICATION AND REMOVAL OF AUDIT MODIFICATION

The Disclaimer

The directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance to continue as going concern. In the opinion of the directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group covering the next twelve months from 31 December 2021 prepared by the management of the Company; and after taking into consideration the following:

(i) having regard to the gradual resumption of the normal business activities of the Group following the easing of the COVID-19 Pandemic, the directors believe that the Group will be able to generate sufficient cash flows from operations;

(ii) the expected positive results of the ongoing negotiations with the Group's creditors on the extension of repayment of debts, including but not limited to the matured bond payables of HK$50,000,000 and the accrued interest of approximately HK$11,022,000 as disclosed in note 34 to the consolidated financial statements; and

(iii) consideration of future fund raising activities of the Company in the open stock market.

The management considered that the proposed measures mentioned above, if successful, could improve the Group's liquidity and therefore could help to address the Disclaimer. However, as the management's assessment of the Group's ability to continue as a going concern for the purposes of preparing the Group's consolidated financial statements for the year ending 31 December 2022 has to take into consideration of the future conditions and circumstances and could only be made at the end of the relevant reporting period, the management is unable to ascertain at this moment whether the Disclaimer can be removed in the next financial year purely based on the Company's measures above.

Other Modifications

In respect of investment in associates, as the Group has disposed its interest in the associates during the last quarter of 2021 according to the action plan as disclosed in the Third Quarterly Report 2021 of the Company dated 8 November 2021, it is expected that the relevant audit issues will not be existed in future periods and thus the other modification can be removed in 2022.

Corporate Governance Report

In respect of discontinued operations in the production and exploitation of coal business in Tajikistan, according to the action plan as disclosed in the Third Quarterly Report 2021 of the Company dated 8 November 2021, the Group shall obtain a legal opinion to confirm the abandonment has been completed so that the audit issue can be resolved. Up to the date of this report, a draft legal opinion is obtained by the Company and the Company will communicate closely with RSM Hong Kong with an aim to removed the audit modification. Based on the information currently available, it is estimated that the draft legal opinion can be finalized by the end of July 2022.

The modification on opening balances and corresponding figures is expected to be removed when other modifications are removed.

AUDIT COMMITTEE'S VIEW ON THE AUDIT MODIFICATIONS

The audit committee of the Company confirmed that it had independently reviewed and agreed with (i) the management's position and basis concerning the Disclaimer and Other Modifications as set out above; and (ii) the action plan of the Group to address the Disclaimer and Other Modifications as set out above.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF KAISUN HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Kaisun Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 158, which comprise the consolidated statement of financial position as at 31 December 2021, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties relating to going concern

As detailed in note 2 to the consolidated financial statements of the Group, the Group had defaulted in repayment of its bonds payable with a principal amount of HK$50,000,000 and the accrued interest of approximately HK$11,022,000 when they fell due on 23 August 2021 and incurred a loss of approximately HK$71,283,000 during the year ended 31 December 2021 and, as of that date, the Group had net current liabilities of approximately HK$182,157,000. 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.

Independent Auditor's Report

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Material uncertainties relating to going concern *(Continued)*

Management of the Company plan to undertake a number of measures to improve the Group's future operating results, cash flows, liquidity and financial position to enable the Group to meet its liabilities as and when they fall due for the foreseeable future which are set out in note 2 to the consolidated financial statements of the Group. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including: (i) the successful improvement of future operating results and cash flows; (ii) the positive results of the ongoing negotiations with the Group's creditors on the extension of repayment of debts, including but not limited to the defaulted bonds payable with a principal amount of HK$50,000,000 and the accrued interest of approximately HK$11,022,000 mentioned above; and (iii) the successful future fund raising activities of the Company in open stock exchange market. However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that (i) the improvement of future operating results and cash flows would be realised; (ii) the agreements with the Group's creditors on the extension of repayment of debts would be reached, including the default bonds payable mentioned above as its negotiation is at a preliminary stage; and (iii) the future fund raising activities of the Company would be successfully executed as the relevant process has not yet been commenced.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying 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 non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements of the Group.

In view of the significance of and the potential interaction of the multiple uncertainties described above and their possible cumulative effects on the consolidated financial statements, we disclaim our opinion in respect of the consolidated financial statements of the Group for the year ended 31 December 2021.

OTHER MODIFICATIONS

Had we not disclaimed our opinion in respect of the matters described in the Basis of Disclaimer of Opinion section above, we would otherwise have modified our opinion in respect of the scope limitations on our audit relating to the matters detailed below.

(a) Investment in associates

As disclosed in note 23 to the consolidated financial statements of the Group, 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"). 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"). 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 approximately HK$7,800,000 at the Acquisition Date and a fair value loss of approximately HK$5,841,000 on the derecognition was accounted for and charged to other comprehensive income in the consolidated financial statements of the Group for the year ended 31 December 2019.

OTHER MODIFICATIONS *(Continued)*

(a) Investment in associates *(Continued)*

The operations of SCH and Sturgeon Capital were affected by the outbreak of COVID-19 pandemic since early 2020. The directors of the Company advised that the Group were unable to access the books and records of SCH and Sturgeon Capital since the Acquisition Date. As such, no adequate 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".

As the business and operations of SCH and Sturgeon Capital had continued to be affected by the pandemic for the year ended 31 December 2020, the directors of the Company had decided to make a full impairment loss to the carrying amount of the investment in associates and recognised the loss of approximately HK$1,959,000 in the consolidated statement of profit or loss for the year ended 31 December 2020.

As disclosed in note 23 to the consolidated financial statements of the Group, the Group disposed of all the investment in the associates by a series of transactions and recognised a gain on disposal of the investment in associates of approximately HK$293,000 for the year ended 31 December 2021.

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 (i) the fair value of the assets and liabilities of SCH and Sturgeon Capital at the Acquisition Date; (ii) fair value loss on remeasurement of the Group's previously held interest of 9.96% in Sturgeon Capital recognised in other comprehensive income of approximately HK$5,841,000 for the year ended 31 December 2019; (iii) the accounting for SCH and Sturgeon Capital under the equity method in IAS 28 "Investments in Associates and Joint Ventures" for the years ended 31 December 2020 and 2021; and (iv) whether the impairment loss of approximately HK$1,959,000 recognised for the year ended 31 December 2020 and the gain on disposal of associates of HK$293,000 for the year ended 31 December 2021 were fairly stated.

Independent Auditor's Report

OTHER MODIFICATIONS *(Continued)*

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

As set out in note 16 to the consolidated financial statements of the Group, the Group dissolved the wholly owned subsidiary, Better Business International Limited ("Better Business") and shut down the production and exploitation of coal business in Tajikistan during the year ended 31 December 2019. As detailed in our auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2020 and note 16 to the consolidated financial statements of the Group for the year ended 31 December 2021, because 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 to ascertain that the abandonment of the coal business in Tajikistan had been completed during the year ended 31 December 2019. The limitations on our audit of work remained unresolved during our audit of the Group's consolidated financial statements for the year ended 31 December 2021. In addition, we were unable to obtain sufficient appropriate audit evidence regarding the cash and bank balance of approximately HK$14,000, other payables and accruals of approximately HK$4,569,000 and current tax liabilities of approximately HK$479,000 included in the Group's consolidated statement of financial position as at 31 December 2020 and 2021 and the relevant disclosures in the consolidated financial statements in respect of the discontinued operations.

(c) Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 issued on 22 March 2021 (the "2020 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, included the limitations on our scope of work described in paragraph (a) and paragraph (b) above on the 2020 Financial Statements in respect of investment in associates and discontinued operations in the production and exploitation of coal business in Tajikistan. Any adjustments that might be found necessary as a result of the matters described in paragraph (a) and paragraph (b) above might have a consequential effect on the Group's results and cash flows for the year ended 31 December 2020 and the financial position of the Group as at 31 December 2020 and the related disclosures in the 2020 Financial Statements.

The matters giving rise to the abovementioned limitations on our audit of work were not resolved in our audit of the consolidated financial statements of the Group for the year ended 31 December 2021 as detailed in paragraph (a) and paragraph (b) above.

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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board 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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

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

RSM Hong Kong
Certified Public Accountants

13 May 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	8	**156,576**	35,958
Cost of goods sold		**(149,591)**	(22,585)
Gross profit		**6,985**	13,373
Gain on disposal of financial assets at fair value through profit or loss ("FVTPL")		**3,590**	1,000
Fair value loss on financial assets at FVTPL		**(5,485)**	(18,139)
Fair value (loss)/gain on financial liabilities at FVTPL		**(4,474)**	6,347
Impairment loss on trade and other receivables		**(3,372)**	(4,762)
Impairment loss on investment in associates		**—**	(1,959)
Impairment loss on goodwill		**—**	(1,118)
Impairment loss on property, plant and equipment		**(7,814)**	—
Impairment loss on right-of-use assets		**(308)**	—
Property, plant and equipment written off		**(81)**	—
Recovery income from trade and other receivables previously written off		**—**	161
Reversal of impairment loss on intangible assets		**24,714**	—
Exploration expenses		**(18,228)**	—
Other gains and losses	9	**990**	563
Administrative and other operating expenses		**(58,755)**	(60,229)
Loss from operations		**(62,238)**	(64,763)
Finance costs	10	**(6,348)**	(4,942)
Loss before tax		**(68,586)**	(69,705)
Income tax (expense)/credit	11	**(2,697)**	5,438
Loss for the year	12	**(71,283)**	(64,267)
Attributable to:			
Owners of the Company		**(66,178)**	(60,295)
Non-controlling interests		**(5,105)**	(3,972)
		(71,283)	(64,267)
Loss per share (cents)			
Basic	17	**(11.48)**	(10.46)
Diluted	17	**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Loss for the year		**(71,283)**	(64,267)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")		**(1,700)**	—
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**5,590**	4,900
Other comprehensive income for the year, net of tax		**3,890**	4,900
Total comprehensive income for the year		**(67,393)**	(59,367)
Attributable to:			
Owners of the Company		**(63,177)**	(50,288)
Non-controlling interests		**(4,216)**	(9,079)
		(67,393)	(59,367)

Consolidated Statement of Financial Position

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	18	34,780	12,650
Right-of-use assets	19	14,379	15,490
Goodwill	20	—	—
Intangible assets	21	128,035	110,369
Exploration and evaluation assets	22	53,906	56,029
Investment in associates	23	—	—
Financial assets at FVTOCI	24	17,400	19,100
Long-term deposits	25	—	20,000
Deferred tax assets	38	7,078	6,173
		255,578	239,811
Current assets			
Inventories	27	8,416	6,996
Financial assets at FVTPL	26	19,205	36,293
Trade and bills receivables	28	23,894	27,284
Deposits, prepayment and other receivables	29	24,134	19,074
Deposits in a licensed corporation		28,883	13,979
Bank and cash balances	30	8,279	10,353
		112,811	113,979
Current liabilities			
Trade payables	31	4,150	5,312
Other payables and accruals	32	164,945	130,423
Contract liabilities	33	40,982	—
Bonds payable	34	50,000	50,000
Other financial liabilities	35	29,681	14,713
Lease liabilities	36	1,012	1,231
Redeemable convertible preference shares	37	541	525
Current tax liabilities		3,657	4,132
		294,968	206,336
Net current liabilities		(182,157)	(92,357)
Total assets less current liabilities		73,421	147,454

Consolidated Statement of Financial Position

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Other financial liabilities	35	11,457	21,951
Lease liabilities	36	826	1,390
Deferred tax liabilities	38	30,379	26,013
		42,662	49,354
NET ASSETS		30,759	98,100
Capital and reserves			
Share capital	39	57,657	57,657
Reserves	41	(45,868)	17,494
Equity attributable to owners of the Company		11,789	75,151
Non-controlling interests		18,970	22,949
TOTAL EQUITY		30,759	98,100

Approved by the Board of Directors on 13 May 2022 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 2021

	Attributable to owners of the Company								
	Share capital	Shares held under share award scheme *(note 42)*	Share premium *(note 41(b)(i))*	Foreign currency translation reserve *(note 41(b)(ii))*	Financial assets at FVTOCI reserve *(note 41(b)(iii))*	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	57,657	(3,371)	1,361,095	(9,287)	2,400	(1,283,182)	125,312	33,865	159,177
Total comprehensive income for the year	—	—	—	10,007	—	(60,295)	(50,288)	(9,079)	(59,367)
Purchase of non-controlling interest *(note 44(a)(i))*	—	—	—	—	—	127	127	(1,837)	(1,710)
Changes in equity for the year	—	—	—	10,007	—	(60,168)	(50,161)	(10,916)	(61,077)
At 31 December 2020	57,657	(3,371)	1,361,095	720	2,400	(1,343,350)	75,151	22,949	98,100
At 31 December 2020 and 1 January 2021	57,657	(3,371)	1,361,095	720	2,400	(1,343,350)	75,151	22,949	98,100
Total comprehensive income for the year	—	—	—	4,701	(1,700)	(66,178)	(63,177)	(4,216)	(67,393)
Capital contribution by non-controlling interest	—	—	—	—	—	—	—	52	52
Dilution of the Company's interest in a subsidiary upon capital injection *(note 44(a)(ii))*	—	—	—	—	—	(185)	(185)	185	—
Changes in equity for the year	—	—	—	4,701	(1,700)	(66,363)	(63,362)	(3,979)	(67,341)
At 31 December 2021	57,657	(3,371)	1,361,095	5,421	700	(1,409,713)	11,789	18,970	30,759

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(68,586)**	(69,705)
Adjustments for:			
Depreciation on property, plant and equipment		**846**	1,000
Depreciation on right-of-use assets		**1,724**	1,849
Amortisation of intangible assets		**10,936**	10,190
Gain on disposal of financial assets at FVTPL		**(3,590)**	(1,000)
Fair value loss on financial assets at FVTPL		**5,485**	18,139
Fair value loss/(gain) on financial liabilities at FVTPL		**4,474**	(6,347)
Impairment loss on trade and other receivables		**3,372**	4,762
Exploration expenses		**12,189**	—
Reversal of impairment loss on intangible assets		**(24,714)**	—
Impairment loss on investment in associates		**—**	1,959
Impairment loss on goodwill		**—**	1,118
Impairment loss on property, plant and equipment		**7,814**	—
Impairment loss on right-of-use assets		**308**	—
Property, plant and equipment written off		**81**	—
Loss on disposal of property, plant and equipment		**—**	26
Derecognition of lease liabilities		**—**	(928)
Derecognition of right-of-use assets		**—**	904
Gain on disposals of associates		**(293)**	—
Gain on disposal of a subsidiary		**(48)**	—
Finance costs		**6,348**	4,942
Investment income		**(77)**	(216)
Operating loss before working capital changes		**(43,731)**	(33,307)
Increase in inventories		**(1,169)**	(1,533)
Decrease/(increase) in trade and bills receivables		**7,802**	(2,303)
(Increase)/decrease in deposits, prepayment and other receivables		**(11,366)**	5,816
Increase in deposits in a licensed corporation		**(14,904)**	(13,979)
(Decrease)/increase in trade payables		**(1,314)**	530
Increase in other payables and accruals		**18,735**	77,591
Increase in contract liabilities		**40,982**	—
Cash (used in)/generated from operations		**(4,965)**	32,815
Purchases of financial assets at FVTPL		**(3,945)**	(16,707)
Net proceeds from disposal of financial assets at FVTPL		**19,137**	15,764
Income tax paid		**(647)**	(375)
Interest on lease liabilities	44(b)	**(133)**	(239)
Net cash generated from operating activities		**9,447**	31,258

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		13	145
Dividend income from equity investments		64	71
Purchases of property, plant and equipment		(459)	(49)
Proceeds from disposals of property, plant and equipment		—	22
Proceeds from disposals of associates		293	—
Additions to exploration and evaluation assets		(8,281)	(39,088)
Net cash used in investing activities		(8,370)	(38,899)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments	44(c)	(1,288)	(1,282)
Net cash used in financing activities		(1,288)	(1,282)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(211)	(8,923)
Effect of foreign exchange rate changes		(1,863)	(8,231)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		10,353	27,507
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		8,279	10,353
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		8,279	10,353

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 Room 1304, 13/F., Car Po Commercial Building, 18–20 Lyndhurst Terrace, Central, Hong Kong. The Company's shares are listed on the 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 43 to the consolidated financial statements.

2. BASIS OF PREPARATION AND GOING CONCERN

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.

Going concern basis

The Group incurred a loss of approximately HK$71,283,000 during the year ended 31 December 2021 and, as of that date, the Group had net current liabilities of approximately HK$182,157,000.

As disclosed in note 34 to the consolidated financial statements, the Group had defaulted in repayment of its bonds payable with a principal amount of HK$50,000,000 and the accrued interest of approximately HK$11,022,000 when they fell due on 23 August 2021.

These events or conditions indicate the existence of a material uncertainty exists that 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. BASIS OF PREPARATION AND GOING CONCERN *(Continued)*

Going concern basis *(Continued)*

The directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance to continue as going concern. In the opinion of the directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group covering the next twelve months from 31 December 2021 prepared by the management of the Company; and after taking into consideration the following:

(i) having regard to the gradual resumption of the normal business activities of the Group following the easing of the COVID-19 Pandemic, the directors believe that the Group will be able to generate sufficient cash flows from operations;

(ii) the expected positive results of the ongoing negotiations with the Group's creditors on the extension of repayment of debts, including but not limited to the matured bond payables of HK$50,000,000 and the accrued interest of approximately HK$11,022,000 as disclosed in note 34 to the consolidated financial statements; and

(iii) consideration of future fund raising activities of the Company in the open stock market.

Accordingly, the directors of the Company are 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 Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to IFRS 16	COVID-19 Related Rent Concessions

Except as described below, the application of the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").

The amendments do not have material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendment to IFRS 16, COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19 Related Rent Concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The application of the amendments had no impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 applied any new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to IFRS 16 Lease — COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IFRS 3 Business Combination — Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018–2020 Cycle	1 January 2022
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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.

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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) 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 assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

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

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below), property, plant and equipment 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.

Depreciation of property, plant and equipment 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:

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, with the effect of any changes in estimate accounted for on a prospective basis.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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.

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. 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(g) 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 tested for impairment at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Exploration and evaluation assets

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditure comprises costs which are directly attributable to:

— researching and analysing historical exploration data;

— gathering exploration data through topographical, geochemical and geophysical studies;

— exploratory drilling, trenching and sampling;

— determining and examining the volume and grade of the resource;

— surveying transportation and infrastructure requirements; and

— conducting market and finance studies.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. Exploration and evaluation expenditures, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

The capitalised costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets. Tangible and intangible exploration and evaluation assets that are available for use are depreciated/amortised over their useful lives. When a project is abandoned, the related irrecoverable costs are written off to profit or loss immediately.

(i) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(aa) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognised.

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

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

(k) 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 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Recognition and derecognition of financial instruments *(Continued)*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(l) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

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.

(m) 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.

(n) 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.

(o) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Discontinued operations *(Continued)*

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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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.

(u) 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.

Revenues from the production and sales of coal, sales of manufactured mining and metallurgical machineries 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 organises eSports events and provides events management services and corporate services. Revenues are recognised over time where the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs. Revenue from such services are recognised based on the stage of completion of the contract. Payment for provision of services are not due from the customers until the services are completed 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. Otherwise revenue were recognised at a point in time.

Revenue from logistics services for mineral business and trust and trustee services are recognised when the services are rendered.

Media production services income is recognised when the services are rendered or on the date of the relevant production is delivered.

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 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(w) 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.

(x) Borrowing costs

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

(y) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Taxation *(Continued)*

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.

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.

(aa) Impairment of non-financial assets

Intangible assets that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

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 cash-generating unit 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 cash-generating unit.

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

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Impairment of financial assets and contracts 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 and contract assets. 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 and contract assets. 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Impairment of financial assets and contracts assets *(Continued)*

Significant increase in credit risk *(Continued)*

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; and

— 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Impairment of financial assets and contracts assets *(Continued)*

Significant increase in credit risk *(Continued)*

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.

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;

— 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Impairment of financial assets and contracts assets *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(cc) 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.

(dd) 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

The directors have prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the next twelve months from the reporting date, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 2 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Critical judgements in applying accounting policies *(Continued)*

(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 property, plant and equipment and right-of-use assets

Property, plant and equipment 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 recoverable amounts.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2021 were approximately HK$34,780,000 (2020: HK$12,650,000) and HK$14,379,000 (2020: HK$15,490,000) respectively.

(b) Impairment of intangible assets and exploration and evaluation assets

The Group assesses whether there are any indicators of impairment for intangible assets and exploration and evaluation assets at the end of each reporting period. Intangible assets and exploration and evaluation 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 and exploration and evaluation assets at the end of the reporting period was approximately HK$128,035,000 (2020: HK$110,369,000) and HK$53,906,000 (2020: HK$56,029,000). Details of the reversal of impairment losses of HK$24,714,000 (2020: Nil) recognised in the year ended 31 December 2021 are provided in note 21 to the consolidated financial statements.

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

Key sources of estimation uncertainty *(Continued)*

(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. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's advertising and public relationship events business.

The carrying amount of goodwill at 31 December 2021 and 2020 was nil after an impairment loss of approximately HK$1,118,000 was recognised for the year ended 31 December 2020. Details of the impairment loss calculation are provided in note 20 to the consolidated financial statements.

(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 2021, the carrying amount of trade receivables was approximately HK$22,996,000 (net of allowance for doubtful debts of approximately HK$43,333,000) (2020: HK$26,643,000 (net of allowance for doubtful debts of HK$46,310,000)).

(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 2021 (2020: 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 investment.

The carrying amount of the investment as at 31 December 2021 was approximately HK$17,400,000 (2020: HK$19,100,000).

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 2021, if the HK$ had strengthened/weakened 3 per cent (2020: 6 per cent) against RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$865,000 higher/lower (2020: HK$1,778,000), arising mainly as a result of the foreign exchange loss/gain on trade and other payables denominated in RMB (2020: foreign exchange loss/gain on trade and other payables denominated in RMB).

The directors of the Company consider that the foreign currency exposure in respect of EUR, US$ and TJS for the years ended 31 December 2021 and 2020 are insignificant to the Group and therefore no sensitivity analysis is presented thereon.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(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% (2020: 10%) higher/lower consolidated loss after tax for the year ended 31 December 2021 would decrease/increase by approximately HK$1,920,000 (2020: HK$3,629,000). 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.

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.

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For the year ended 31 December 2021

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 2021 and 2020.

	2021		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Coal mining business segment			
Current (not past due)	1.95%	2,333	45
0–30 days past due	1.95%	5,299	103
31–60 days past due	3.46%	622	22
61–90 days past due	4.97%	3,501	174
91 days–1 year past due	18.85%	7,870	1,483
1–2 years past due	38.57%	6,055	2,335
2–3 years past due	100.00%	27,916	27,916
Over 3 years past due	100.00%	11,002	11,002
Consulting and media service business segment			
0–30 days past due	0.19%	1,466	3
61–90 days past due	22.82%	5	1
91 days–1 year past due	91.99%	6	6
Corporate and investment business segment			
91 days–1 year past due	91.99%	135	124
1–2 years past due	100.00%	119	119
		66,329	43,333

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables *(Continued)*

	2020		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Coal mining business segment			
Current (not past due)	1.46%	12,885	188
0–30 days past due	1.43%	189	3
31–60 days past due	1.71%	129	2
61–90 days past due	4.39%	549	24
91 days–1 year past due	17.66%	7,942	1,403
1–2 years past due	40.37%	10,581	4,272
2–3 years past due	100%	29,261	29,261
Over 3 years past due	100%	11,157	11,157
Consulting and media service business segment			
0–30 days past due	—	11	—
31–60 days past due	—	10	—
Corporate and investment business segment			
Current (not past due)	—	120	—
31–60 days past due	—	12	—
91 days–1 year past due	—	107	—
		72,953	46,310

Expected loss rates are based on actual loss experience over the past 6 years (2020: 5 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.

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6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables *(Continued)*

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

	2021 HK$'000	2020 HK$'000
At 1 January	46,310	41,351
Net remeasurement of loss allowance	(3,613)	3,652
Exchange differences	636	1,307
At 31 December	43,333	46,310

During the year, the decrease in gross amount of trade receivables past due over 1 year of approximately HK$5,907,000 (2020: increase of HK$6,497,000) resulted in an decrease in loss allowance of approximately HK$3,318,000 (2020: increase of HK$4,829,000).

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 and other receivables, 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 risk 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 trade deposit placed with suppliers, utilities and other deposit, transportation fee receivables and other receivables.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Financial assets at FVTOCI and amortised cost *(Continued)*

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

	Trade deposits placed with suppliers HK$'000	Utilities and other deposits HK$'000	Transportation fee receivables HK$'000	Other receivables HK$'000	Total HK$'000
At 1 January 2020	60,356	6	16,921	110,681	187,964
Net remeasurement of loss allowance	(200)	—	—	1,310	1,110
Written off	—	—	—	(1,779)	(1,779)
Exchange difference	1,314	—	1,019	2,865	5,198
At 31 December 2020 and 1 January 2021	**61,470**	**6**	**17,940**	**113,077**	**192,493**
Net remeasurement of loss allowance	**—**	**347**	**—**	**6,638**	**6,985**
Exchange difference	**1,601**	**—**	**593**	**1,830**	**4,024**
At 31 December 2021	**63,071**	**353**	**18,533**	**121,545**	**203,502**

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For the year ended 31 December 2021

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 HK$'000	Total contractual undiscounted cash outflow HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2021						
Trade payables	**4,150**	**4,150**	**4,150**	**—**	**—**	**—**
Other payables and accruals	**164,945**	**164,945**	**164,945**	**—**	**—**	**—**
Bonds payables	**50,000**	**50,000**	**50,000**	**—**	**—**	**—**
Lease liabilities	**1,838**	**1,992**	**1,106**	**802**	**59**	**25**
Redeemable convertible preference shares	**541**	**545**	**545**	**—**	**—**	**—**
At 31 December 2020						
Trade payables	5,312	5,312	5,312	—	—	—
Other payables and accruals	130,423	130,423	130,423	—	—	—
Bonds payables	50,000	50,000	50,000	—	—	—
Lease liabilities	2,621	2,806	1,346	1,460	—	—
Redeemable convertible preference shares	525	541	541	—	—	—

(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 2021, if interest rates had been 50 basis points higher/lower, with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$29,000 (2020: HK$31,000) lower/higher, arising mainly as a result of higher/lower interest income on bank deposits.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Categories of financial instruments at 31 December 2021

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets measured at FVTOCI:		
Equity instruments	17,400	19,100
Financial assets at FVTPL:		
Mandatorily measured at FVTPL		
Held for trading	19,205	36,293
Financial assets measured at amortised cost	82,035	66,293
Financial liabilities		
Financial liabilities at amortised cost	219,636	186,260
Financial liabilities at FVTPL	41,138	36,664

(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.

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.

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7. FAIR VALUE MEASUREMENTS *(Continued)*

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

Description	Fair value measurements using: Level 1 HK$'000	Level 3 HK$'000	Total 2021 HK$'000
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Listed equity securities	19,205	—	19,205
Financial assets at FVTOCI			
Unlisted equity securities	—	17,400	17,400
Total	19,205	17,400	36,605
Recurring fair value measurements:			
Financial liabilities			
Financial liabilities at FVTPL	—	41,138	41,138

Description	Fair value measurements using: Level 1 HK$'000	Level 3 HK$'000	Total 2020 HK$'000
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Listed equity securities	36,293	—	36,293
Financial assets at FVTOCI			
Unlisted equity securities	—	19,100	19,100
Total	36,293	19,100	55,393
Recurring fair value measurements:			
Financial liabilities			
Financial liabilities at FVTPL	—	36,664	36,664

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

There was no movement in the fair value of the unlisted equity securities classified as financial assets at FVTOCI.

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.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2021:

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.

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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 2021: *(Continued)*

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2021 HK$'000 Assets/ (Liabilities)	Fair value 2020 HK$'000 Assets/ (Liabilities)
Private equity investments classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	15% (2020: 14%)	Decrease	**8,300**	10,900
		Long-term revenue growth rate	5% (2020: 2%)	Increase		
		Long-term pre-tax operating margin	9.73% (2020: 11%)	Increase		
		Discount for lack of marketability	20.6% (2020: 20.6%)	Decrease		
Redeemable preference shares of private entity classified as financial assets at FVTOCI	Discounted cash flows	Discount rate	14.48% (2020: 4.30%)	Decrease	**9,100**	8,200
Financial liabilities at FVTPL	Discounted cash flows	Risk-free rate	0.16%–0.33% (2020: 0.01%–0.08%)	Decrease	**(41,138)**	(36,664)
		Dividend yield	0% (2020: 0%)	Decrease		
		Volatility	50%–55% (2020: 40%–60%)	Decrease		

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

8. REVENUE

Disaggregation of revenue

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

	2021 HK$'000	2020 HK$'000
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	123,540	4,813
— Mining and metallurgical machineries products	13,685	20,065
Provision of services:		
— Logistics services for mineral business	7,068	5,597
— Organising eSports events	390	421
— Corporate services business	1,347	1,792
— Media services	296	462
— Trust and trustee services	2,732	2,288
— Event management services	7,518	520
	156,576	35,958

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8. REVENUE *(Continued)*

Disaggregation of revenue *(Continued)*

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

For the year ended 31 December	Provision of supply chain management services for mineral business		Mining and metallurgical machineries products		Logistics services for mineral business		Organising eSports event		Corporate service business		Media services		Trust and trustee services		Event management services		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Primary geographical markets																		
— Hong Kong	**—**	—	**—**	—	**—**	—	**—**	—	**1,347**	1,792	**296**	462	**2,732**	2,288	**7,518**	520	**11,893**	5,062
— PRC except Hong Kong	**123,540**	4,813	**13,685**	20,065	**7,068**	5,597	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**144,293**	30,475
— Dubai	**—**	—	**—**	—	**—**	—	**—**	421	**—**	—	**—**	—	**—**	—	**—**	—	**—**	421
— Others	**—**	—	**—**	—	**—**	—	**390**	—	**—**	—	**—**	—	**—**	—	**—**	—	**390**	—
Revenue from external customers	**123,540**	4,813	**13,685**	20,065	**7,068**	5,597	**390**	421	**1,347**	1,792	**296**	462	**2,732**	2,288	**7,518**	520	**156,576**	35,958
Timing of revenue recognition																		
Products transferred at a point in time	**123,540**	4,813	**13,685**	20,065	**7,068**	5,597	**—**	—	**529**	311	**296**	271	**2,098**	2,218	**2,426**	—	**149,642**	33,275
Products and services transferred over time	**—**	—	**—**	—	**—**	—	**390**	421	**818**	1,481	**—**	191	**634**	70	**5,092**	520	**6,934**	2,683
Total	**123,540**	4,813	**13,685**	20,065	**7,068**	5,597	**390**	421	**1,347**	1,792	**296**	462	**2,732**	2,288	**7,518**	520	**156,576**	35,958

9. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Interest income on bank deposits	13	145
Dividend income from equity investments	64	71
Gain on derecognition of lease liabilities	—	24
Gain on disposals of associates	293	—
Gain on disposals of a subsidiary	48	—
Government grants *(note a)*	134	—
Sundry income	438	323
	990	563

Note a: During the year, the Group received government grants of approximately HK$134,000 (equivalent to approximately RMB110,000) (2020: Nil) from the PRC government in respect of salaries subsidies.

10. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interests on bonds payable	5,000	4,689
Interest expenses on lease liabilities *(note 19)*	133	239
Imputed interest expenses on redeemable convertible preference shares	15	14
Interests on other borrowings	1,200	—
	6,348	4,942

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11. INCOME TAX EXPENSE/(CREDIT)

	2021	2020
	HK$'000	HK$'000
Current tax — PRC		
Under-provision in prior years	**158**	102
	158	102
Deferred tax *(note 38)*	**2,539**	(5,540)
	2,697	(5,438)

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

PRC Enterprise Income Tax has been provided at a rate of 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.

No provision for the Hong Kong Tax is required since the Group has no assessable profit for the year.

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11. INCOME TAX EXPENSE/(CREDIT) *(Continued)*

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

	2021 **HK$'000**	2020 HK$'000
Loss before tax	**(68,586)**	(69,705)
Tax at the domestic income tax rate of 16.5%	**(11,317)**	(11,501)
Tax effect of income that is not taxable	**(12,589)**	(1,329)
Tax effect of expenses that are not deductible	**11,592**	12,409
Tax effect of tax loss not recognised	**9,260**	2,844
Tax effect of utilisation of tax losses not previously recognised	**(253)**	(86)
Tax effect of temporary differences not recognised	**8,001**	(2,930)
Under-provision in prior years	**158**	102
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,155)**	(4,947)
Income tax expense/(credit)	**2,697**	(5,438)

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12. LOSS FOR THE YEAR

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

	2021 HK$'000	2020 HK$'000
Auditor's remuneration	**2,800**	2,800
Cost of inventories sold of coal mining business	**137,114**	16,257
Depreciation on property, plant and equipment	**846**	1,000
Depreciation on right-of use assets	**1,724**	1,849
Amortisation of intangible assets (included in administrative and other operating expenses)	**10,936**	10,190
Recovery income from trade and other receivables written off	**—**	(161)
Loss on disposal of property, plant and equipment	**—**	26
Gain on disposal of financial assets at FVTPL	**(3,590)**	(1,000)
Gain on disposals of associates	**(293)**	—
Fair value loss on financial assets at FVTPL	**5,485**	18,139
Fair value loss/(gain) on financial liabilities at FVTPL	**4,474**	(6,347)
Impairment loss on trade and other receivables	**3,372**	4,762
Reversal of impairment loss on intangible assets	**(24,714)**	—
Impairment loss on property, plant and equipment	**7,814**	—
Impairment loss on right-of-use assets	**308**	—
Impairment loss on investment in associates	**—**	1,959
Impairment loss on goodwill	**—**	1,118
Property, plant and equipment written off	**81**	—
Net exchange loss	**1**	14

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13. EMPLOYEE BENEFITS EXPENSES

	2021 HK$'000	2020 HK$'000
Employee benefits expense:		
— Salaries, bonuses and allowances	**25,217**	23,318
— Retirement benefit scheme contributions	**451**	496
	25,668	23,814

For the year ended 31 December 2021, no COVID-19 related government grant (2020: HK$1,969,000) has been offset against employee benefits expenses.

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2020: two) directors and chief executive officers whom emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining three (2020: three) individuals are set out below:

	2021 HK$'000	2020 HK$'000
Basic salaries, bonuses, allowances and benefits in kind	**2,380**	2,740
Retirement benefits scheme contributions	**18**	54
	2,398	2,794

The emoluments fell within the following bands:

	2021	2020
HK$Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**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 (2020: HK$Nil).

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14. BENEFITS AND INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Directors' and senior management's emoluments

The remuneration of every directors and senior management is set out below:

	Emoluments paid or receivable in respect of a person's services as a director and chief executive officer, whether of the Company or its subsidiary undertaking				
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 December 2021					
Executive directors:					
CHAN Nap Kee, Joseph	—	3,000	—	18	3,018
YANG Yongcheng	—	731	—	—	731
Independent non-executive directors:					
LIEW Swee Yean	151	—	—	—	151
Dr. WONG Yun Kuen	151	—	—	—	151
ANDERSON Brian Ralph (retired on 1 August 2021)	88	—	—	—	88
Wu Zheng (appointed on 31 October 2021)	26	—	—	—	26
Chief Executive Officers:					
Chen Chun Long	—	1,080	90	18	1,188
Ching Ho Tung Philips	—	600	50	18	668
	416	5,411	140	54	6,021
For the year ended 31 December 2020					
Executive directors:					
CHAN Nap Kee, Joseph	—	3,000	—	18	3,018
YANG Yongcheng	—	730	—	—	730
Independent non-executive directors:					
LIEW Swee Yean	151	—	—	—	151
SIU Siu Ling, Robert (retired on 30 December 2020)	151	—	—	—	151
Dr. WONG Yun Kuen	151	—	—	—	151
ANDERSON Brian Ralph	151	—	—	—	151
Chief Executive Officers:					
Chen Chun Long	—	1,080	90	18	1,188
Ching Ho Tung Philips	—	600	50	18	668
	604	5,410	140	54	6,208

Neither the chief executive nor any of the directors waived any emoluments during the year (2020: HK$Nil).

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

(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.

15. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2021 and 2020.

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 coal mining business in Tajikistan. In view of the political instability and devaluation currency in Tajikistani 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.

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

During the year ended 31 December 2021 and 2020, there were no business activities in the discontinued operations and no income, expenses or cash flow were incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17. LOSS PER SHARE

The calculation of the basic loss per share is based on the following:

	2021	2020
	HK$'000	HK$'000
Loss for the purpose of calculating basic loss per share	**(66,178)**	(60,295)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**576,566,055**	576,566,055

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2020 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. PROPERTY, PLANT AND EQUIPMENT

	Railway logistic platform HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and Machinery HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost									
At 1 January 2020	—	6,787	7,706	6,710	1,046	101	2,045	9,716	34,111
Additions	—	—	—	46	3	—	—	—	49
Disposal	—	—	—	—	—	—	(79)	—	(79)
Transfer to intangible assets	—	—	—	—	—	—	—	(9,759)	(9,759)
Exchange differences	—	419	417	417	44	3	122	43	1,465
At 31 December 2020 and 1 January 2021	—	7,206	8,123	7,173	1,093	104	2,088	—	25,787
Additions	30,003	—	204	92	119	12	32	—	30,462
Written off	—	—	(913)	—	—	—	—	—	(913)
Exchange differences	—	238	241	239	27	2	70	—	817
At 31 December 2021	30,003	7,444	7,655	7,504	1,239	118	2,190	—	56,153
Accumulated depreciation and impairment losses									
At 1 January 2020	—	5,738	1,171	2,866	857	71	775	—	11,478
Charges for the year	—	125	500	208	37	16	114	—	1,000
Disposal	—	—	—	—	—	—	(30)	—	(30)
Exchange differences	—	361	48	189	35	3	53	—	689
At 31 December 2020 and 1 January 2021	—	6,224	1,719	3,263	929	90	912	—	13,137
Charges for the year	—	134	296	238	43	11	124	—	846
Impairment	7,814	—	—	—	—	—	—	—	7,814
Written off	—	—	(832)	—	—	—	—	—	(832)
Exchange differences	—	209	33	111	21	2	32	—	408
At 31 December 2021	7,814	6,567	1,216	3,612	993	103	1,068	—	21,373
Carrying amount									
At 31 December 2021	22,189	877	6,439	3,892	246	15	1,122	—	34,780
At 31 December 2020	—	982	6,404	3,910	164	14	1,176	—	12,650

The directors carried out reviews of the recoverable amount of its railway logistic platform for the year ended 31 December 2021. These assets are used in the Group's coal mining business segment. The review led to the recognition of impairment loss of approximately HK$7,814,000 (2020: nil) for railway logistic platform that have been recognised in profit or loss. The recoverable amount of approximately HK$22,189,000 for the relevant assets has been determined on the basis of their value in use using discounted cash flow method. The discount rate used was 22.4% (2020: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Affected by the repeated outbreak of the COVID-19 epidemic and the frequent mutation of virus strains, Mongolia's coal output and exports declined significantly. The relevant coal transportation market in Mongolia continued to be sluggish and the recovery was slow. Consequently, the railway logistic platform was impaired.

19. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	**Leased properties** HK$'000	**Total** HK$'000
At 1 January 2020	12,689	4,832	17,521
Depreciation	(503)	(1,346)	(1,849)
Derecognition	—	(904)	(904)
Lease modification	—	(162)	(162)
Exchange differences	754	130	884
At 31 December 2020 and 1 January 2021	12,940	2,550	15,490
Addition	83	362	445
Depreciation	(541)	(1,183)	(1,724)
Impairment	(22)	(286)	(308)
Exchange differences	417	59	476
At 31 December 2021	12,877	1,502	14,379

Lease liabilities of approximately HK$1,838,000 (2020: HK$2,621,000) are recognised with related right-of-use assets of HK$14,379,000 as at 31 December 2021 (2020: HK$15,490,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowings purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

19. RIGHT-OF-USE ASSETS *(Continued)*

	2021 **HK$'000**	2020 HK$'000
Depreciation expenses on right-of-use assets	**1,724**	1,849
Interest expense on lease liabilities (included in finance cost)	**133**	239
Expenses relating to short-term lease (included in cost of goods sold and administrative expenses)	**3,519**	873

Details of total cash outflow for leases is set out in note 44(c).

For both years, the Group leases various offices and factories for its operations. Lease contracts are entered into for fixed term of 2 to 13 years (2020: 2 to 5 years). 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.

20. GOODWILL

	HK$'000
Cost	
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,118
Accumulated impairment losses	
At 1 January 2020	
Impairment loss recognised for the year	(1,118)
At 31 December 2020, 1 January 2021 and 31 December 2021	(1,118)
Carrying amount	
At 31 December 2021	—
At 31 December 2020	—

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For the year ended 31 December 2021

20. GOODWILL *(Continued)*

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 to Pineapple Media Limited ("Pineapple Media") in the segment of provision of advertising and public relationship events.

Full impairment loss of approximately HK$1,118,000 was recognised on goodwill by the Group during the year ended 31 December 2020.

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 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 18%.

At 31 December 2020, before impairment testing, goodwill of approximately HK$1,118,000 was allocated to Pineapple Media within the consulting and media service business segment. Due to a slow-down in the media sector with fewer projects in public relationship events, the Group has revised its cash flow forecasts for this CGU. The recoverable amount of the CGU has been reduced to nil and an impairment loss of approximately HK$1,118,000 recognised on the goodwill.

21. INTANGIBLE ASSETS

	Mining rights HK$'000
Cost	
At 1 January 2020	166,365
Exchange differences	10,265
At 31 December 2020 and 1 January 2021	176,630
Exchange differences	5,839
At 31 December 2021	182,469
Accumulated amortisation and impairment losses	
At 1 January 2020	52,266
Amortisation for the year	10,190
Exchange differences	3,805
At 31 December 2020 and 1 January 2021	66,261
Amortisation for the year	10,936
Reversal of impairment loss	(24,714)
Exchange differences	1,951
At 31 December 2021	54,434
Carrying amount	
At 31 December 2021	128,035
At 31 December 2020	110,369

At 31 December 2021, the Group's mining rights represent the rights for production and exploitation of a coal mine in Xinjiang, PRC. The major content of the coal mine is long-flame coal. The mining rights are stated at cost less accumulated amortisation and impairment losses over the estimated useful lives of mining rights.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21. INTANGIBLE ASSETS *(Continued)*

The directors carried out reviews of the recoverable amount of its mining rights for the year ended 31 December 2021. These assets are used in the Group's coal mining business segment. The review led to the recognition of a reversal of impairment loss of approximately HK$24,714,000 (2020: nil) for mining rights that have been recognised in profit or loss. The recoverable amount of approximately HK$128,035,000 for the relevant assets has been determined on the basis of their value in use using discounted cash flow method. The discount rate used was 29.2% (2020: 25.30%).

The reason for such reversal of impairment loss was mainly attributable to (i) the effect of change of estimated long-flame coal prices due to the significant increase of the prices during the current year as compared to previous year; and (ii) the demand of long-flame coal continued to be high in the current year. This has caused in favorable coal market condition. All these reasons have had significant impact on the value in use assessment for the current year with an increase in cash flows expected to be received.

22. EXPLORATION AND EVALUATION ASSETS

	HK$'000
At 1 January 2020	—
Transferred from construction in progress	9,759
Additions	43,251
Exchange differences	3,019
At 31 December 2020 and 1 January 2021	56,029
Additions	8,281
Exploration expenses recognised	(12,189)
Exchange differences	1,785
At 31 December 2021	53,906

Exploration and evaluation assets include the cost of mining and exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

During the year ended 31 December 2020, the Group obtained a mineral exploration license with a mining area of 7.35 km^2 located in Xinjiang, PRC. The exploration license has a legal life of 5 years ending in August 2025. The mining area is under the exploration and evaluation stage as at 31 December 2021 and the exploration and evaluation assets is not subject to amortisation until it can be reasonably ascertained that the mining area is capable of commercial production and the exploration license is transferred to mining right.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. INVESTMENT IN ASSOCIATES

	2021	2020
	HK$'000	HK$'000
Unlisted investments at cost	—	1,959
Less: impairment losses recognised	—	(1,959)
	—	—

Details of the Group's associates at 31 December 2021 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			2021	2020	
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

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.

Notes to the Consolidated Financial Statements

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23. INVESTMENT IN ASSOCIATES *(Continued)*

Following the completion of the acquisition, a share swap and restructuring involving the Group and SCH Group was supposed to take place pursuant to which the Group would transfer its entire shareholdings in Sturgeon Capital in exchange for newly issued ordinary shares of SCH. Sturgeon Capital would be wholly-owned by SCH and SCH would be 50.98% owned by the Group upon the completion of the share swap restructuring arrangement.

Due to the outbreak of COVID-19 since early 2020, the process of the share swap arrangement was delayed. The offices of SCH Group are located in United Kingdom where COVID-19 had been wide spread and the chief accountant of SCH Group passed away due to the pandemic. The remaining local staff was unable to access and obtain the financial information of the 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.

During the year ended 31 December 2020, the directors of the Company had negotiation with the controlling parties of SCH Group for cancellation of share swap and restructuring arrangement and determined to make full impairment on the investment amount in the associates at the end of the year so as to reflect the potential risk of loss.

During the year ended 31 December 2021, the investment in the associates, SCH and Sturgeon Capital, were disposed by the Group through a series of transactions as follows:

(a) On 2 July 2021, SCH was liquidated with a gain on liquidation of approximately GBP29,000 (equivalent to approximately HK$293,000) in respect of the Group's 41.02% equity interest in SCH recognised by the Group for the year. Upon the liquidation of SCH, SCH and Sturgeon Capital ceased to be classified as associates.

(b) Subsequent to the liquidation of SCH, the Group's remaining 9.96% equity interest in Sturgeon Capital was reclassified as financial assets at FVTOCI. On 14 October 2021, the Group entered into a sales and purchase agreement with Sturgeon Capital pursuant to which the Group agreed to dispose of its remaining 9.96% equity interest in Sturgeon Capital at a consideration of US$1 (equivalent to HK$8) for Sturgeon Capital's repurchase of its shares, resulting a gain on disposal of HK$8 and the transaction was completed on the same date.

Notes to the Consolidated Financial Statements

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24. FINANCIAL ASSETS AT FVTOCI

	2021 **HK$'000**	2020 HK$'000
Unlisted equity securities		
— in the British Virgin Islands	**8,300**	10,900
	8,300	10,900
9% redeemable preference shares	**9,100**	8,200
	17,400	19,100

The carrying amounts of the Group's financial assets at FVTOCI were denominated in HK$.

25. LONG-TERM DEPOSITS

	2021 **HK$'000**	2020 HK$'000
Deposits paid for acquisition of a subsidiary	**—**	20,000

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 ("Double Up Group") at the consideration of HK$30,000,000. In December 2018, a deposit of HK$20,000,000 was paid to the vendor pursuant to the Agreement. The deposit is 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.

Double Up Group is principally engaged in the construction and operations of a railway logistic platform in Choir, Mongolia. The construction of railway logistic platform of Double Up Group was completed during the year but its operation have not yet commenced. The acquisition of Double Up Group was completed on 30 December 2021 by the Group and accounted for as an acquisition of assets.

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26. FINANCIAL ASSETS AT FVTPL

	2021 HK$'000	2020 HK$'000
Equity securities, at fair value		
Listed in Hong Kong	19,205	36,293

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

	2021 HK$'000	2020 HK$'000
Held for trading	19,205	36,293

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.

27. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials, consumable goods and spare parts	429	535
Work in progress	1,001	2,136
Finished goods	6,986	4,325
	8,416	6,996

28. TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	66,329	72,953
Allowance for doubtful debts	(43,333)	(46,310)
	22,996	26,643
Bills receivables	898	641
	23,894	27,284

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:

	2021 HK$'000	2020 HK$'000
0–30 days	2,680	16,376
31–60 days	1,944	2,718
61–90 days	5,100	2,794
91 days–1 year	12,003	7,578
Over 1 year	45,500	44,128
	67,227	73,594

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

	2021 HK$'000	2020 HK$'000
HK$	1,479	323
RMB	22,415	26,961
	23,894	27,284

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29. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Utilities and other deposits	964	1,116
Prepayment	3,155	4,397
Other receivables	20,015	13,561
	24,134	19,074

30. BANK AND CASH BALANCES

As at 31 December 2021, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK$5,168,000 (2020: HK$5,240,000). 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.

31. TRADE PAYABLES

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

	2021 HK$'000	2020 HK$'000
0–30 days	805	3,027
31–60 days	—	1,180
61–90 days	—	135
91–180 days	2,916	442
Over 365 days	429	528
	4,150	5,312

The carrying amounts of the Group's trade payables are denominated in RMB.

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32. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Accruals	17,804	11,044
Other payables *(note (i))*	108,400	89,791
Due to directors *(note (ii))*	38,741	29,588
	164,945	130,423

Notes:

(i) Included in other payables, there is a balance due to a chief executive officer with a principal amount of HK$13,557,000 (equivalent to RMB11,000,000) (2020: Nil), which is unsecured, bearing an interest rate of 12% per annum and repayable on 30 June 2022.

(ii) The amounts due to directors are unsecured, interest free and repayable on demand.

33. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Billings in advance of performance obligations:		
Sales of goods		
— Provision of supply chain management services for mineral business	1,723	—
— Mining and metallurgical machineries products	302	—
— Sales of coal	38,647	—
Provision of services		
— Corporate services business	7	—
— Trust and trustee services	303	—
	40,982	—

Contract liabilities represented the advance from customers for sales of goods and provision of services. The payment terms vary and depend on the terms of contracts. These advances are recognised as contract liabilities until the performance obligations are completed.

The increase in contract liabilities as at 31 December 2021 was mainly due to the receipt of advance payment before the relevant performance obligations are fulfilled.

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33. CONTRACT LIABILITIES *(Continued)*

Movements in contract liabilities:

	2021 HK$	2020 HK$
Balance at beginning of year	—	—
Increase in contract liabilities as a result of billing in advance	40,982	—
Balance at end of year	40,982	—

34. BONDS PAYABLE

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.

During the year ended 31 December 2020, 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.

During the year ended 31 December 2021, the Bonds matured and the Company failed to repay the principal of HK$50,000,000 and the accrued interest of approximately HK$11,022,000 on 23 August 2021 which led to an event of default for the Bonds by the Company. The Company commenced negotiations with the holders of the Bonds to extend the repayment date and the negotiations have not been concluded as at 31 December 2021 and the date of this report.

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35. OTHER FINANCIAL LIABILITIES

	2021 HK$'000	2020 HK$'000
Financial liabilities at FVTPL	**41,138**	36,664

Analysed as:

	2021 HK$'000	2020 HK$'000
Current liabilities	**29,681**	14,713
Non-current liabilities	**11,457**	21,951
	41,138	36,664

On 18 April 2018 and 28 January 2019, the Group entered into agreements with a third party to forward sell financial assets at FVTPL at considerations of approximately 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 dates 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 approximately HK$33,000,000 and HK$15,079,000 respectively to the Group on the completion dates of the transactions.

During the year ended 31 December 2020, the Group entered into an extension agreement 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 remain unchanged.

During the year ended 31 December 2021, an agreement was entered by the Group with the third party to extend the completion date of Share B for two years to 27 January 2023. Other terms and conditions as set out in the agreement of Shares B remain unchanged.

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36. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,106**	1,346	**1,012**	1,231
In the second to fifth years, inclusive	**861**	1,460	**804**	1,390
Over 5 years	**25**	—	**22**	—
	1,992	2,806	**1,838**	2,621
Less: Future finance charges	**(154)**	(185)	**N/A**	N/A
Present value of lease obligations	**1,838**	2,621	**1,838**	2,621
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,012)**	(1,231)
Amount due for settlement after 12 months			**826**	1,390

The weighted average incremental borrowing rates applied to lease liabilities range from 5.28% to 20.82% (2020: from 5.28% to 16.34%).

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

	2021	2020
	HK$'000	HK$'000
HK$	**294**	488
RMB	**1,473**	2,133
USD	**71**	—
	1,838	2,621

37. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

During the year ended 31 December 2019, 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 approximately HK$501,000 (equivalent to US$64,000). Unless the redeemable convertible preference shares are converted, Allied Global and the holder may at its sole and own discretion redeem the redeemable convertible preference shares at the subscription price, together with the accrued dividend at any time from 1 May 2020 to 30 April 2022.

There was no conversion or redemption of redeemable convertible preference shares during the year ended 31 December 2021 and 2020.

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

	2021 HK$'000	2020 HK$'000
Nominal value of redeemable convertible preference shares issued and liability component at date of issue	**501**	501
Interest charged	**40**	24
Liability component at 31 December	**541**	525

Analysed as:

	2021 HK$'000	2020 HK$'000
Current liabilities	**541**	525

The interest charged for the year is calculated by applying an effective interest rate of 2.91% (2020: 2.91%) to the liability component for the year.

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38. DEFERRED TAX

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

	Fair value adjustment of mining rights HK$'000	Financial assets at FVTPL HK$'000	Total HK$'000
At 1 January 2020	(27,038)	3,180	(23,858)
Credit to profit or loss for the year *(note 11)*	2,547	2,993	5,540
Exchange differences	(1,522)	—	(1,522)
At 31 December 2020 and 1 January 2021	(26,013)	6,173	(19,840)
(Charge)/credit to profit or loss for the year *(note 11)*	(3,444)	905	(2,539)
Exchange differences	(922)	—	(922)
At 31 December 2021	(30,379)	7,078	(23,301)

At the end of the reporting period the Group has unused tax losses of approximately HK$203,184,000 (2020: HK$161,844,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the approximately HK$203,184,000 (2020: HK$161,844,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$2,931,000, HK$4,278,000, HK$15,682,000, HK$5,709,000 and HK$24,336,000 that will expire in 2022, 2023, 2024, 2025 and 2026 (2020: HK$1,573,000, HK$3,090,000, HK$4,716,000, HK$15,306,000 and HK$5,526,000 that will expire in 2021, 2022, 2023, 2024 and 2025) respectively. Remaining tax losses may be carried forward indefinitely.

39. SHARE CAPITAL

	2021 **HK$'000**	2020 HK$'000
Authorised:		
5,000,000,000 Ordinary shares of HK$0.1 each	**500,000**	500,000
Issued and fully paid:		
576,566,055 Ordinary shares of HK$0.1 each	**57,657**	57,657

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 2021, 56.8% (2020: 56.8%) of the shares were in public hands.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(a) Statement of financial position of the Company

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Investments in subsidiaries		1,000	1,000
Deferred tax assets		7,078	6,173
		8,078	7,173
Current assets			
Financial assets at FVTPL		19,205	36,293
Deposits, prepayment and other receivables		35	797
Deposits in a licensed corporation		28,883	13,979
Amounts due from subsidiaries		1,667	3,838
Bank and cash balances		120	414
		49,910	55,321
Current liabilities			
Other payables and accruals		22,697	14,002
Amounts due to subsidiaries		8,182	8,231
Amount due to a director		33,309	25,993
Bonds payable		50,000	50,000
Other financial liabilities		29,681	14,713
		143,869	112,939
Net current liabilities		(93,959)	(57,618)
Total assets less current liabilities		(85,881)	(50,445)
Non-current liabilities			
Other financial liabilities		11,457	21,951
		11,457	21,951
NET LIABILITIES		(97,338)	(72,396)
CAPITAL AND RESERVES			
Share capital		57,657	57,657
Reserves	40(b)	(154,995)	(130,053)
CAPITAL DEFICIENCY		(97,338)	(72,396)

Approved by the Board of Directors on 13 May 2022 and are signed on its behalf by:

CHAN Nap Kee, Joseph **YANG Yongcheng**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(b) Reserve movement of the Company

	Share premium *(note 41(b)(i))* HK$'000	Shares held under share award scheme *(note 42)* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	1,361,095	(3,371)	(1,371,218)	(13,494)
Loss for the year	—	—	(116,559)	(116,559)
At 31 December 2020 and 1 January 2021	1,361,095	(3,371)	(1,487,777)	(130,053)
Loss for the year	—	—	(24,942)	(24,942)
At 31 December 2021	1,361,095	(3,371)	(1,512,719)	(154,995)

41. 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(d) 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(l) to the consolidated financial statements.

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42. 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.

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.

Notes to the Consolidated Financial Statements

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42. SHARE-BASED PAYMENTS *(Continued)*

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

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").

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.

There were approximately 13,610,000 (2020: 13,610,000) shares held under share award scheme amounting to approximately HK$3,371,000 (2020: HK$3,371,000) as at 31 December 2021. No shares (2020: Nil) was awarded under share award scheme during the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. SUBSIDIARIES

Particulars of subsidiaries as at 31 December 2021 are as follows:

Name	Place of incorporation/ registration	Issued and fully paid share capital/ registration capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Kaisun Energy Group Limited	British Virgin Islands, limited liability company	US$1 Ordinary	100%	100%	—	Investment holding
Kaisun Collateral Limited	British Virgin Islands, limited liability company	US$10,000 Ordinary	100%	100%	—	Investment holding
Kaisun Business Solutions Limited	British Virgin Islands, limited liability company	US$1 Ordinary	100%	100%	—	Investment holding
Kaisun Energy Management Limited	British Virgin Islands, limited liability company	US$1 Ordinary	100%	100%	—	Investment holding
KEG Corporate Services Limited	Hong Kong, limited liability company	HK$10,000 Ordinary	100%	100%	—	Provision of corporate services
Allied Global Limited	British Virgin Islands, limited liability company	US$10,000 Ordinary	100%	100%	—	Investment holding
West Channel Investments Limited	British Virgin Islands, limited liability company	US$10,000 Ordinary	100%	100%	—	Investment holding
Asia Coast International Limited	British Virgin Islands, limited liability company	US$10,000 Ordinary	100%	100%	—	Investment holding
Gold Victoria Investments Limited	British Virgin Islands, limited liability company	US$10,000 Ordinary	100%	100%	—	Investment holding
Kaisun Business Solution (HK) Limited	Hong Kong, limited liability company	HK$100 Ordinary	100%	—	100%	Provision of consulting services
Kaisun Energy Managers Limited	British Virgin Islands, limited liability company	US$1 Ordinary	100%	—	100%	Investment holding
Kaisun Energy Corporation	Anguilla, limited liability company	US$1 Ordinary	100%	—	100%	Investment holding
First Concept Development Limited	British Virgin Islands, limited liability company	US$1 Ordinary	100%	—	100%	Investment holding
World Dynasty Holdings Limited	British Virgin Islands, limited liability company	US$10,000 Ordinary	100%	—	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. SUBSIDIARIES *(Continued)*

Particulars of subsidiaries as at 31 December 2021 are as follows: *(Continued)*

Name	Place of incorporation/ registration	Issued and fully paid share capital/ registration capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Pineapple Media	British Virgin Islands, limited liability company	625,650 Ordinary shares of US$1 each 92,304 Ordinary shares of US$2.08 each	100%	—	100%	Investment holding
Anway Enterprises Limited	British Virgin Islands, limited liability company	US$1 Ordinary	100%	—	100%	Investment holding
Goodstar Development Limited	British Virgin Islands, limited liability company	US$1 Ordinary	100%	—	100%	Investment holding
Wealth Platinum Limited	British Virgin Islands, limited liability company	US$1 Ordinary	100%	—	100%	Investment holding
Kaisun Esports Limited	British Virgin Islands, limited liability company	US$1 Ordinary	100%	—	100%	Investment holding
Kaisun Energy Managers (Cayman Islands) Limited	Cayman Islands, limited liability company	US$1 Ordinary	100%	—	100%	Not yet commenced business
新疆凱運國際貿易有限公司	PRC, limited liability company	Paid up capital RMB10,000,000	100%	—	100%	Provision of supply chain management services
深圳凱順鴻欣貿易有限公司	PRC, limited liability company	Paid up capital RMB500,000	100%	—	100%	Provision of supply chain management services
滕州凱源實業有限公司	PRC, limited liability company	Registered capital HK$100,000,000 Paid up capital HK$31,209,775 (2020: HK$30,000,000)	88.83% (2020: 89.20%)	—	100%	Manufacturing of coal mining related equipment
山東凱萊能源物流有限公司	PRC, limited liability company	Registered capital HK$200,000,000 Paid up capital HK$115,878,530	79.75%	—	79.75%	Provision of supply chain management services

Notes to the Consolidated Financial Statements

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43. SUBSIDIARIES *(Continued)*

Particulars of subsidiaries as at 31 December 2021 are as follows: *(Continued)*

Name	Place of incorporation/ registration	Issued and fully paid share capital/ registration capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
新疆吐魯番星亮礦業有限公司	PRC, limited liability company	Registered capital RMB50,000,000 Paid up capital RMB13,650,000	79.75%	—	100%	Production and exploitation of coal and coal processing
山東順江能源貿易有限公司	PRC, limited liability company	Registered capital RMB50,000,000 Paid up capital RMB71,000	40.43%	—	50.7%	Not yet commenced business
VOV Studio Limited	Hong Kong, limited liability company	HK$10,000 Ordinary	100%	—	100%	Provision of public relationship services
People's Communication & Consultant Company Limited	Hong Kong, limited liability company	HK$2,862,010 Ordinary	100%	—	100%	Advertising & public relationship event
Evoloop Limited	Hong Kong, limited liability company	HK$10,008,941 Ordinary	59.57%	—	59.57%	E-Sport
Girlgamer Limited	Hong Kong, limited liability company	HK$10,000 Ordinary	59.57%	—	100%	E-Sport
Kaisun Energy Logistic Limited	Hong Kong, limited liability company	HK$10,000 Ordinary	100%	—	100%	Investment holding
Kaisun Energy Equipment Limited	Hong Kong, limited liability company	HK$10,000 Ordinary	100%	—	100%	Investment holding
Kaisun Silk Road Limited	Hong Kong, limited liability company	HK$1 Ordinary	100%	—	100%	Inactive
Kaisun Energy Trading Limited	Hong Kong, limited liability company	HK$10,000 Ordinary	100%	—	100%	Provision of supply chain management
Kaisun Trust & Trustee Services Company Limited	Hong Kong, limited liability company	HK$3,000,000 Ordinary	100%	—	100%	Provision of trust and trustee services
Kaisun Consulting Limited	Hong Kong, limited liability company	HK$3,000,000 Ordinary	100%	—	100%	Provision of consulting services
Kaisun Trust and Corporate Services Limited	Hong Kong, limited liability company	HK$3,000,000 Ordinary	100%	—	100%	Provision of trust and trustee services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. SUBSIDIARIES *(Continued)*

Particulars of subsidiaries as at 31 December 2021 are as follows: *(Continued)*

Name	Place of incorporation/ registration	Issued and fully paid share capital/ registration capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Kaisun Business Solutions (Singapore) Pte. Limited	Republic of Singapore, limited liability company	Paid up capital S$10,000	100%	—	100%	Not yet commenced business
Girlgamer (Singapore) Pte. Limited	Republic of Singapore, limited liability company	Paid up capital S$10,000	100%	—	100%	Not yet commenced business
Zodiac Capital Cayman Limited	Cayman Islands, limited liability company	US$1 Ordinary	100%	—	100%	Not yet commenced business
Double Up Group Limited	Samoa, limited liability company	US$100 Ordinary	100%	—	100%	Investment holding
Khos Khulug LLC	Mongolia, limited liability company	Paid up capital MNT200,562,000	100%	—	100%	Construction and operation of a railway logistic platform
Choir Logistic Service LLC	Mongolia, limited liability company	Paid up capital MNT196,676,000	100%	—	100%	Construction and operation of a railway logistic platform

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. SUBSIDIARIES *(Continued)*

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

	山東凱萊能源物流有限公司	
	2021	2020
Principal place of business/country of incorporation	PRC	
% of ownership interests/voting rights held by NCI	**20.25%**	20.25%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**223,642**	206,191
Current assets	**29,920**	60,343
Non-current liabilities	**(30,377)**	(26,013)
Current liabilities	**(106,205)**	(106,592)
Net assets	**116,980**	133,929
Accumulated NCI	**(23,688)**	(27,120)
Year ended 31 December:		
Revenue	**130,608**	10,410
Loss for the year	**(21,013)**	(13,554)
Total comprehensive income	**(17,773)**	(7,361)
Loss allocated to NCI	**(4,255)**	(2,745)
Dividends paid to NCI	**—**	—
Net cash generated from operating activities	**8,347**	38,229
Net cash used in investing activities	**(9,841)**	(38,967)
Net cash generated from financing activities	**—**	2,582
Effect on foreign exchange rate changes	**146**	328
Net (decrease)/increase in cash and cash equivalents	**(1,348)**	2,172

As at 31 December 2021, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK$5,168,000 (2020: HK$5,240,000). 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.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Change in non-controlling interests

(i) Purchase of non-controlling interests

During the year ended 31 December 2020, the Group acquired the remaining 30% equity interest in Pineapple Media and its subsidiary, and the remaining 6% equity interest in 滕州凱源實業有限公司 at cash consideration of HK$8 (equivalent to US$1) and approximately HK$1,710,000 (equivalent to RMB1,440,000) respectively. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	HK$'000
Carrying amount of non-controlling interest acquired	1,837
Consideration paid for non-controlling interests	(1,710)
Loss on acquisition recognised directly in equity	127

The consideration had not yet been settled by the Group as at 31 December 2020 and had been included in other payables and accruals as at 31 December 2020 as disclosed in note 32 to the consolidated financial statements.

(ii) Dilution of the Company's interest in a subsidiary upon capital injection

During the year, the Group's 79.75% owned subsidiary, 山東凱萊能源物流有限公司 ("Kailai") increased its equity interest in a Group's subsidiary, 滕州凱源實業有限公司 ("Kaiyuan"), by capital injection of approximately HK$1,210,000 (equivalent to approximately RMB1,000,000) to Kaiyuan. The capital contribution resulted a decrease in the Group's effective interest in Kaiyuan from 89.20% to 88.83%. Since the change of ownership in the subsidiary does not result in a change in control of the subsidiary, this transaction should be accounted for as equity transaction. Accordingly, the losses arising from the capital contribution of approximately HK$185,000 were debited against the Group's accumulated losses and credited to non-controlling interest.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(b) 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 2021 HK$'000	Addition HK$'000	Derecognition HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange difference HK$'000	Fair value loss HK$'000	31 December 2021 HK$'000
Lease liabilities	2,621	458	(25)	(1,421)	133	72	—	1,838
Bonds payable	50,000	—	—	—	—	—	—	50,000
Redeemable convertible preference share	525	—	—	—	15	1	—	541
Other financial liabilities	36,664	—	—	—	—	—	4,474	41,138
	89,810	458	(25)	(1,421)	148	73	4,474	93,517

	1 January 2020 HK$'000	Lease modification HK$'000	Termination of lease HK$'000	Cash flows HK$'000	Interest expenses HK$'000	Exchange difference HK$'000	Fair value gain HK$'000	31 December 2020 HK$'000
Lease liabilities	4,862	(162)	(928)	(1,521)	239	131	—	2,621
Bonds payable	50,000	—	—	—	—	—	—	50,000
Redeemable convertible preference share	511	—	—	—	14	—	—	525
Other financial liabilities	43,011	—	—	—	—	—	(6,347)	36,664
	98,384	(162)	(928)	(1,521)	253	131	(6,347)	89,810

(c) Total cash outflow for leases

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

	2021 HK$'000	2020 HK$'000
Within operating cash flows	3,652	1,112
Within financing cash flows	1,288	1,282
	4,940	2,394

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

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

These amounts relate to the following:

	2021	2020
	HK$'000	HK$'000
Lease rental paid	**4,940**	2,394

(d) Major non-cash transactions

(i) As disclosed in note 25 to the consolidated financial statements, the Group completed the acquisition of Double Up Group and the acquisition was accounted as acquisition of assets. The following assets and liabilities were acquired/assumed through the acquisition and the consideration was satisfied by the long-term deposits of HK$20,000,000 as disclosed in note 25 to the consolidated financial statements and an outstanding consideration payable of HK$10,000,000 included in other payables and accruals presented in note 32 to the consolidated financial statements:

	HK$'000
Assets acquired:	
— Property, plant and equipment	30,003
— Right-of-use assets	83
— Bank and cash balances	1
— Deposits	9
	30,096
Liabilities assumed:	
— Lease liabilities	(96)
Total consideration	30,000

(ii) Additions to intangible assets during the year ended 31 December 2020 of approximately HK$4,163,000 were transferred from deposits, prepayment and other receivables.

45. CONTINGENT LIABILITIES

At 31 December 2021, the Group did not have any significant contingent liabilities (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

46. COMMITMENTS

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

	2021 HK$'000	2020 HK$'000
Capital contribution to a subsidiary	157,620	10,000
Capital expenditures to exploration and evaluation assets	9,901	7,587
Capital contribution to prepayment	123	—
	167,644	17,587

47. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group regularly entered into short-term leases for motor vehicles, staff quarter and office premises. As at 31 December 2021, 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 19.

48. SEGMENT INFORMATION

IFRS 8 requires segmental disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purpose of assessing segmental performance and making decisions about operating matters.

The Group has three reportable segments namely coal mining business segment, consulting and media service business segment and corporate and investment business segment.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48. SEGMENT INFORMATION *(Continued)*

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

	Coal mining business segment HK$'000	Consulting and media service business segment HK$'000	Corporate and investment business segment HK$'000	Total HK$'000
Year ended 31 December 2021				
Revenue from external customers	144,293	12,163	120	156,576
Segment loss	(42,777)	(797)	(27,709)	(71,283)
Interest revenue	13	—	—	13
Interest expenses	1,292	32	5,024	6,348
Depreciation and amortisation	13,005	75	426	13,506
Income tax expense/(credit)	3,602	—	(905)	2,697
Other material items of income and expense:				
Staff costs	11,662	4,156	9,850	25,668
Other material non-cash items:				
Impairment loss on trade and other receivables	2,096	10	1,266	3,372
Impairment loss on property, plant and equipment	7,814	—	—	7,814
Impairment loss on right-of-use assets	—	286	22	308
Reversal of impairment loss on intangible assets	(24,714)	—	—	(24,714)
Additions to segment non-current assets	38,822	367	—	39,189
As at 31 December 2021				
Segment assets	291,220	4,323	72,832	368,375
Segment liabilities	172,384	3,532	156,666	332,582

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48. SEGMENT INFORMATION *(Continued)*

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

	Coal mining business segment HK$'000	Consulting and media service business segment HK$'000	Corporate and investment business segment HK$'000	Total HK$'000
Year ended 31 December 2020				
Revenue from external customers	30,475	5,046	437	35,958
Segment loss	(27,039)	(3,404)	(33,824)	(64,267)
Interest revenue	145	—	—	145
Interest expenses	119	15	4,808	4,942
Depreciation and amortisation	12,328	—	711	13,039
Income tax credit	2,445	—	2,993	5,438
Other material items of income and expense:				
Staff costs	9,240	3,730	10,844	23,814
Other material non-cash items:				
Impairment loss on/(reversal of impairment loss on) trade and other receivables	3,962	(7)	807	4,762
Impairment loss on goodwill	—	1,118	—	1,118
Impairment loss on investment in associates	—	—	1,959	1,959
Additions to segment non-current assets	43,300	—	—	43,300
As at 31 December 2020				
Segment assets	271,473	3,686	78,617	353,776
Segment liabilities	113,783	2,162	134,697	250,642
Investment in associates	—	—	—	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48. SEGMENT INFORMATION *(Continued)*

Reconciliations of segment assets and liabilities:

	2021 HK$'000	2020 HK$'000
Assets		
Total assets of reportable segments	368,375	353,776
Assets relating to discontinued operations	14	14
Consolidated total assets	368,389	353,790
Liabilities		
Total liabilities of reportable segments	332,582	250,642
Liabilities relating to discontinued operations	5,048	5,048
Consolidated total liabilities	337,630	255,690

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

	2021 HK$'000	2020 HK$'000
Hong Kong	9	20,511
Mongolia	22,250	—
PRC except Hong Kong	208,841	194,027
Consolidated total	231,100	214,538

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For the year ended 31 December 2021

48. SEGMENT INFORMATION *(Continued)*

Revenue from major customers:

	2021 HK$'000	2020 HK$'000
Coal mining business segment		
Customer a *(note i)*	67,137	N/A
Customer b *(note ii)*	N/A	5,778
Customer c *(note ii)*	N/A	3,938
Customer d *(note ii)*	N/A	3,686

(i) Customers a did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2020.

(ii) Customer b, c and d did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2021.

49. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year.

(a) For the year ended 31 December 2021, interest expenses of HK$1,200,000 (2020: Nil) was paid to a chief executive officer of the Group; and

(b) The details of the remuneration paid to the key management personnel are set out in note 14 to the consolidated financial statements.

50. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification was considered to provide more appropriate presentation of the state of affairs of the Group.